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STATEMENT 1 — FISCAL STRATEGY

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STATEMENT 1 — FISCAL STRATEGY

PART I: BUDGET AGGREGATES

The 1997-98 Budget continues the Government's fiscal strategy initiated in 1996-97. The underlying budget balance¹ will continue to narrow in 1997-98 from its 1996-97 level, and is projected to be in surplus in 1998-99. Beyond 1998-99, increasing underlying surpluses are expected in line with the projected economic outlook.

- In 1997-98, the underlying budget balance is estimated to be in deficit by \$3.9 billion or 0.7 per cent of Gross Domestic Product (GDP). This is an improvement of \$3.0 billion or 0.6 per cent of GDP on the expected outcome for 1996-97.
- The underlying budget balance in 1998-99 is projected to be in surplus by \$1.6 billion or 0.3 per cent of GDP. This is an improvement of \$5.5 billion on the projected deficit in 1997-98 and \$3.7 billion or 0.6 per cent of GDP on the projected deficit of \$2.2 billion for 1998-99 published in the *Mid-Year Economic and Fiscal Outlook 1996-97* (MYEFO).

The underlying deficit for 1996-97 is now expected to be \$6.9 billion or 1.3 per cent of GDP, an improvement of \$1.6 billion or 0.3 per cent of GDP on the estimate published in the MYEFO. This improvement reflects both stronger than expected revenue collections in recent months and lower outlays.

The budget aggregates for 1996-97 to 2000-01 are shown in Table 1 below.

Table 1: Summary of Budget Aggregates

	1996-97		1997-98	1998-99	1999-00	2000-01
	Budget	Revised	Estimate	Projection	Projection	Projection
Revenue (\$m)	130160	129625	133351	142383	150330	158911
<i>Per cent of GDP</i>	25.3	25.2	24.5	24.7	24.6	24.5
Underlying outlays (\$m)	135810	136481	137204	140786	144947	148219
<i>Per cent of GDP</i>	26.4	26.6	25.2	24.4	23.7	22.9
Underlying balance (\$m)	-5649	-6856	-3853	1597	5383	10692
<i>Per cent of GDP</i>	-1.1	-1.3	-0.7	0.3	0.9	1.6
<i>Memorandum items:</i>						
Net advances (\$m)	-6123	-7620	-10276	-5187	-394	-405
Headline balance (\$m)	474	764	6423	6784	5777	11096
<i>Per cent of GDP</i>	0.1	0.1	1.2	1.2	0.9	1.7

Measures taken in the Budget build on the already substantial fiscal consolidation implemented in the 1996-97 Budget and contribute to the improvement in the underlying balance of around 3¾ per cent of GDP between 1995-96 and 2000-01. This

¹ The underlying budget balance is measured as revenue less underlying outlays (defined as outlays excluding net advances). Net advances consist of net policy lending (new policy lending less repayment of past policy lending) and net equity transactions (equity injections/purchases less equity sales). For further details on the underlying budget balance concept, see Appendix B of Statement 7.

improvement accords with the Government's commitment to achieving underlying budget balance within the term of this Parliament and is consistent with attainment of its medium-term objective of underlying budget balance, on average, over the course of the economic cycle.

The improvement in the Commonwealth's underlying budget balance, together with the forward projections of State/local government fiscal positions contained in Statement 7, can be expected to provide a substantial boost to public sector saving and thus to reducing the structural national saving-investment imbalance. Together with receipts from sizeable equity asset sales over the next few years, it should also result in a decline in Commonwealth general government net debt from around 19 per cent of GDP in 1995-96 to just under 10½ per cent by 2000-01.

The Government's fiscal consolidation efforts to date have focussed primarily on outlays restraint. Together with favourable movements in outlays resulting from revisions to the economic parameters, this restraint provides for a decline in underlying outlays from 27 per cent of GDP in 1995-96 to just under 23 per cent of GDP in 2000-01. Revenue is expected to fall marginally as a proportion of GDP over the same period.

The headline budget balance is expected to improve by more than the underlying budget balance in 1996-97 and 1997-98. In 1996-97, this is primarily due to receipts from the recapitalisation of Telstra. In 1997-98, it reflects the sale of leases of the Federal Airports Corporation (FAC) and the sale of the Australian Industry Development Corporation (AIDC), the National Rail Corporation (NR) and the partial sale of Telstra. Movements in the headline budget balance in the outyears generally reflect improvements in the underlying balance and reductions in proceeds from asset sales.

Table 2 provides a reconciliation of budget estimates between those at the time of the 1996-97 Budget, the MYEFO and the 1997-98 Budget in terms of policy decisions and parameter and other variations.

Estimates published in the MYEFO showed a deterioration in the fiscal outlook from the 1996-97 Budget, largely reflecting parameter and other variations. The MYEFO estimates incorporated downward revisions to company tax estimates for 1996-97 as well as 1997-98 and the outyears. The beneficial impact on outlays from lower estimates for inflation and lower interest rates, from 1997-98 onwards, was more than offset by lower company tax estimates together with downward revisions to revenue associated with favourable movements in prices and wages.

Table 2: Reconciliation of 1996-97 Budget, MYEFO and 1997-98 Budget Estimates^(a)

	1996-97 \$m	1997-98 \$m	1998-99 \$m	1999-00 \$m
1996-97 Budget underlying balance estimate	-5649	-1548	957	5671
(per cent of GDP)	-1.1	-0.3	0.2	0.9
Changes between 1996-97 Budget and MYEFO				
Effect of reclassifications	-44	-44	-45	-45
Effect of parameter and other variations				
Underlying outlays	477	-731	-707	-631
Revenue	-1345	-3459	-3517	-4300
Total	1822	2728	2810	3669
Effect of policy decisions				
Underlying outlays(b)	1020	-399	237	263
Revenue	-42	-93	-107	-116
Total	1062	-306	344	379
1996-97 MYEFO underlying balance estimate	-8490	-3926	-2152	1668
Changes between MYEFO and 1997-98 Budget				
Effect of reclassifications	11	-1	5	6
Effect of parameter and other variations				
Underlying outlays	-860	-155	-2045	-2495
Revenue	843	-209	483	189
Total	-1703	54	-2528	-2684
Effect of policy decisions				
Underlying outlays(b)(c)	57	-87	-1034	-2220
Revenue(c)	0	39	192	-1182
Total	57	-126	-1226	-1038
1997-98 Budget underlying balance estimate	-6856	-3853	1597	5383
(per cent of GDP)	-1.3	-0.7	0.3	0.9
<i>Memorandum Items:</i>				
Adjusted effect of policy decisions since the MYEFO				
Underlying outlays excluding NHT and commitment to MTAW pension benchmark(b)(d)	57	-313	-1749	-3193
Revenue	0	39	192	-1182
Total	57	-352	-1941	-2011

- (a) A negative figure for revenue indicates a deterioration in the budget balance. For all other items a negative figure indicates an improvement in the budget balance.
- (b) Includes public debt interest savings from measures affecting the headline balance. A separate breakdown of policy measures and their impact on public debt interest can be found in Table 6 in Statement 2.
- (c) Includes recostings of pre-MYEFO decisions.
- (d) Abstracts from those Government spending decisions for which an allowance was already set aside in the Contingency Reserve in the 1996-97 Budget. See the following page for explanation.

Since the MYEFO, there has been a slight deterioration in the starting point² for 1997-98 but a significant improvement in the starting point for the outyears.³ The deterioration in 1997-98 largely reflects the influence of one-off factors, notably a lower than expected Reserve Bank of Australia (RBA) dividend. The improvement in the starting point for the outyears reflects the influence of more favourable economic parameters and also revisions to estimated company tax revenues from those in the MYEFO. The latter revisions have been made in the light of further information on how company tax payments are evolving.

Policy decisions since the MYEFO (including measures in the 1997-98 Budget)⁴ provide for a small net improvement in the underlying balance in 1997-98, and an improvement of \$1.2 billion in 1998-99. However, these estimates count as 'new' spending decisions some commitments already made and budgeted in the 1996-97 Budget Contingency Reserve.

- These involve the Government's decisions to provide funding for the environment from 1997-98 (through the Natural Heritage Trust (NHT)), and to maintain the single rate of pension at 25 per cent of Male Total Average Weekly Earnings (MTAWE).

These provisions have now been extracted from the Contingency Reserve and reported as policy decisions, which has the effect of increasing outlays reported as policy decisions in 1997-98 and the outyears. The corresponding reductions made to the Contingency Reserve are reflected as 'other variations' in these years. Abstracting from decisions for which an allowance for funding was previously set aside, policy decisions since the MYEFO provide for a substantial improvement in the underlying surplus in 1998-99 of just under \$2 billion.

In total, **net outlays measures**⁴ since the MYEFO reduce the underlying deficit by \$87 million in 1997-98 and \$1 billion in 1998-99, rising to \$2.2 billion in 2000-01. The significant increase in net outlays savings measures in the outyears reflects the Government's decision to introduce a new savings rebate in place of the 'LAW' tax cuts previously allowed for as matching Government superannuation contributions. The cost of the savings rebate, to be implemented through the tax system, is accounted for as reduced revenue. Further details on the expected cost of this scheme and on the net fiscal impact of introducing this rebate are in Part II of Statement 2.

Most of the **revenue measures** in the Budget focus primarily on protecting the existing revenue base from further erosion, rather than on raising additional revenue. Consequently, revenue measures since the MYEFO make only a small contribution to improving the underlying budget balance in 1997-98 and 1998-99. The decline in revenues in 1998-99 associated with the introduction of the Government's savings rebate

² Starting point estimates include parameter variations since the 1996-97 Budget and policy decisions taken prior to the MYEFO. They exclude the effects of decisions taken by the Government since the MYEFO.

³ The extent of the deterioration in the starting point estimate for 1997-98 is masked in Table 2 by the favourable impact on 'other variations' that results from shifting provisions in the Contingency Reserve to 'policy decisions'. Similarly, the improvements in the starting point estimates for the outyears are overstated in Table 2.

⁴ Includes public debt interest savings from measures affecting the headline balance.

is more than offset by other revenue measures, so that, in total, revenue measures in the post-MYEFO period are expected to contribute \$192 million towards the improvement in the underlying budget balance in that year.

A more detailed discussion of the implications of changes in the economic parameters, policy decisions and other estimates variations affecting outlays and revenues can be found in Part II of Statement 2.

PART II: ECONOMIC FRAMEWORK

Economic policy is being framed against a backdrop of six years of economic growth and low inflation which has delivered episodes of strong employment growth but nevertheless has left unemployment at high levels. The economic outlook continues to be favourable, supported by sound economic fundamentals and a positive international environment. This provides a sound framework but leaves many challenges.

The overriding aim of the Government's economic strategy is to achieve the maximum sustainable rate of reduction in unemployment by lifting the pace at which economic growth can be maintained without running into inflationary and external pressures. Higher inflation and current account deficit pressures, and the need for corrective policy action, have previously cut short periods of economic expansion in Australia, with adverse effects on growth and unemployment. Policy therefore needs to be directed at alleviating these constraints by keeping inflation low, promoting an adequate level of saving to finance investment and improving the supply capacity and flexibility of the economy. These objectives require a full range of macroeconomic and microeconomic policies.

Australia's recent inflation performance is a welcome improvement on the record of the previous twenty years. In order to sustain the progress made to date, the Government has taken steps, through the Statement on the Conduct of Monetary Policy released by the Treasurer and the Governor of the RBA in August last year, to strengthen the policy framework. In particular, the Government has endorsed the RBA's inflation target (underlying inflation of 2-3 per cent on average over the cycle) and enhanced policy credibility by clearly recognising the RBA's independent role in setting interest rates. The inflation outlook reflected in the economic forecasts in Statement 2 points to a continuation of the current low inflation environment in the period ahead.

The maintenance of low inflation is important in avoiding spending and savings distortions and maintaining confidence in the economic outlook by reducing risk and uncertainty — including the risk of policy tightening.

A central plank of the Government's economic strategy is to put in place policies to lift national saving to a level adequate to finance national investment without having to rely excessively on foreign saving. As explained in detail in last year's Budget papers, excessive reliance on foreign saving is likely to result in higher borrowing costs and exposes Australia to sudden and disruptive shifts in market confidence.

Policy priorities in this area encompass fiscal consolidation measures to increase public saving at the Commonwealth level and measures to encourage private saving. Of particular importance is the need to correct the structural weakness in the Commonwealth's fiscal position evident in the past twenty years which has underpinned the structural deterioration in the current account deficit. Full details of the fiscal policy strategy and measures to promote private saving are set out later in this Statement and in accompanying Statements.

While sound monetary and fiscal policies are fundamental to longer-term economic prospects, there is a limit to their influence on structural unemployment. In essence, that

is the role of microeconomic policies: policies to improve the supply potential of the economy, to improve the operation of markets, and to enhance worker skill levels.

The Government's microeconomic reform priorities include labour market reform, competition policy, education and training, transport, small business deregulation and financial system reform.

Particular attention has been given to reforming the labour market. The *Workplace Relations Act 1996* will boost labour market flexibility by increasing the focus on workplace bargaining and limiting the role of the award system to a genuine safety net, providing more choice in, and streamlining the process for, making agreements and preventing excessive use of bargaining power by employers and employees. The reforms have only come into effect very recently and will take some time to be utilised, but experience in other countries (eg the United States, the United Kingdom and New Zealand) suggests that a flexible labour market and policy reform working in that direction are crucial in reducing structural unemployment.

The Government has a comprehensive economic strategy, covering both macroeconomic and microeconomic policies, which will be effective in reducing unemployment over time. As discussed in Statement 3, pursuing a wide-ranging approach to reform is consistent with the results of cross-country analysis by the Organisation for Economic Cooperation and Development (OECD), which indicate that the best outcomes have been obtained in member countries following such an approach. This reflects in part the synergies and interaction between macroeconomic and microeconomic policies.

The constraints to growth faced by Australia, and indeed by most industrial countries, are deep-seated and do not lend themselves to an easy or immediate turnaround. International experience indicates that the benefits of reform take time to become fully apparent, but that the most effective results are obtained by the persistent application of a broad and consistent policy approach. There is no experience to the contrary.

PART III: FISCAL STRATEGY

The Government's medium-term fiscal strategy is to pursue, as a guiding principle, the objective of underlying budget balance, on average, over the course of the economic cycle. This strategy, set out in detail in the 1996-97 Budget Papers, is designed to ensure that the Commonwealth budget does not, over time, make a call on private saving and thereby contribute to the national savings-investment imbalance. Adherence to the medium-term fiscal strategy will also assist in reducing net debt over the forward estimates period and in ensuring that net debt does not ratchet up over successive economic cycles.

The shorter-term fiscal objectives adopted by the Government in its 1997-98 Budget strategy were developed against—and are consistent with—its medium-term fiscal strategy. More specifically, in shaping the 1997-98 Budget, the Government has sought to:

- implement its commitment to achieve underlying budget balance within the term of this Parliament;
- build upon the substantial fiscal consolidation implemented in the 1996-97 Budget;
- maintain its commitment not to introduce new taxes or increase existing tax rates over the term of this Parliament, while working to ensure that all taxpayers pay their fair share of taxes; and
- direct appropriate resources to high priority areas, consistent with the Government's economic and social objectives.

The Government's short and medium-term fiscal objectives accord with the principles of sound fiscal management outlined in the Government's Charter of Budget Honesty Bill 1996.⁵ The Government's fiscal policy has been developed within a sustainable medium-term framework while giving due attention to the current economic climate. Fiscal policy is directed at ensuring adequate national saving, managing the financial risks of the Commonwealth, and ensuring debt is maintained at prudent levels. It also has regard to the stability and integrity of the tax base and the financial implications of present fiscal policies for future generations.

The consistency of the Government's strategy and objectives with these principles—and the way in which the Government has implemented its short and medium-term fiscal strategies—are discussed in further detail below.⁶

⁵ Although the Charter of Budget Honesty Bill has not yet been passed, the Government is following the requirements of the Charter.

⁶ In reporting against this strategy, the 1997-98 Budget and future budgets will provide outcomes and forward estimates for the budget and general government sectors. These data will be prepared on the basis of the budget classification framework and the Australian Bureau of Statistics (ABS) Government Finance Statistics framework, as set out in Appendix D of Statement 7. A comprehensive accrual budgeting and reporting framework will be introduced for the 1999-2000 Budget.

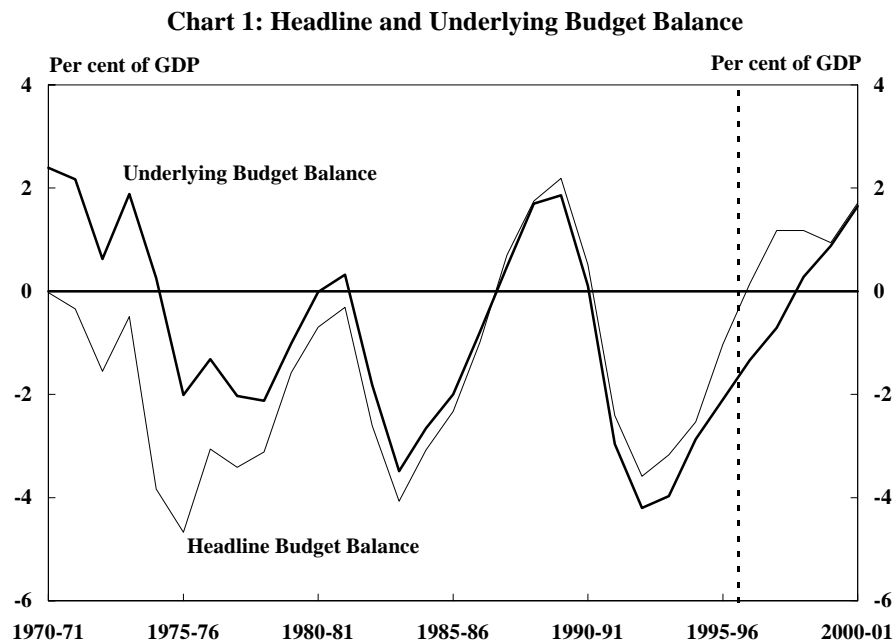
IMPLEMENTING THE FISCAL STRATEGY

As was discussed in Part II, the prospects for continued economic growth support — and provide the imperative for — action by the Government to achieve, and then maintain, underlying surpluses.

The major element of the Government's programme of fiscal consolidation was provided in the 1996-97 Budget with the announcement of measures amounting to \$3.9 billion in 1996-97 and \$7.2 billion in 1997-98. The bulk of these measures have been passed by Parliament. The 1997-98 Budget seeks to build on this consolidation. The Government has set itself the following targets to meet its medium-term fiscal objective:

- to move to underlying balance in 1998-99; and
- to maintain surplus beyond 1998-99 while solid economic growth continues.

Chart 1 shows the projected improvement in the underlying and headline budget balances, while Chart 2 shows the cumulative impact of budget measures announced by the Government since its election.⁷



The Government's programme of fiscal consolidation has focussed primarily on outlays restraint. This reflects the Government's view that expenditure control holds the key to achieving sustainable improvements in the fiscal position and that, given the sharp increase in outlays as a share of GDP in the first half of this decade, scope has existed for

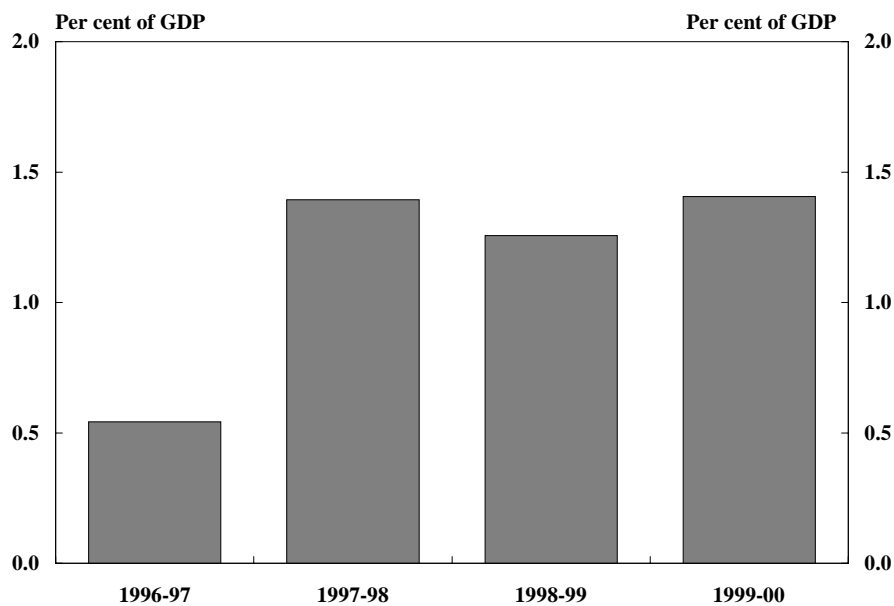
⁷ The precise impact may vary from announced measures as a result of revised costings.

rationalising programmes and for improvements in efficiency. In total, outlays savings measures announced by the Government since the election amount to 1.6 per cent of GDP in each of 1997-98 and 1998-99. These savings have enabled the Government to direct 0.6 per cent of GDP in new spending to a number of high priority areas, in these years, while still making a significant contribution to fiscal consolidation.

On the revenue side, the Government's policy emphasis in the 1997-98 Budget has been on protecting the tax base and addressing anomalies in the tax system, with the primary purpose of many of the revenue measures being to prevent risks to the revenue base and therefore the fiscal outlook, that would otherwise emerge. In total, revenue measures since the election amount to 0.3 per cent of GDP in each of 1997-98 and 1998-99.

The Government's budget priorities, including in relation to superannuation and private savings incentives, are spelled out in greater detail in Part IV of this Statement.

Chart 2: Cumulative Net Savings Decisions since the 1996 Election



NATIONAL SAVING

Raising national saving is the primary focus of the Government's medium-term fiscal strategy. Increasing national saving, relative to national investment, holds the key to reducing the current account deficit over time and thereby raising longer-term growth prospects. The risks that continued high levels of the current account deficit pose to economic growth—and the benefits of raising national saving—were set out in *Budget Paper No. 1 1996-97*.

The Government's fiscal objectives and targets are formulated with reference to the underlying balance. The emphasis on the underlying balance as a policy indicator reflects the fact that the underlying budget balance closely approximates the direct contribution

of the Commonwealth budget sector to the national saving-investment imbalance as measured by the 'net lending' concept in the national accounts. It is the part of public net lending over which the Commonwealth Government has direct control. An emphasis on the underlying budget balance is therefore consistent with a policy emphasis on raising national saving.

The fiscal consolidation in the 1997-98 Budget, on top of the significant consolidation achieved in the 1996-97 Budget, will provide a substantial boost to public saving over the next few years and will thereby assist in ensuring that, over the course of the economic cycle, the Government will not, on average, be calling on private saving to fund its own investment needs.

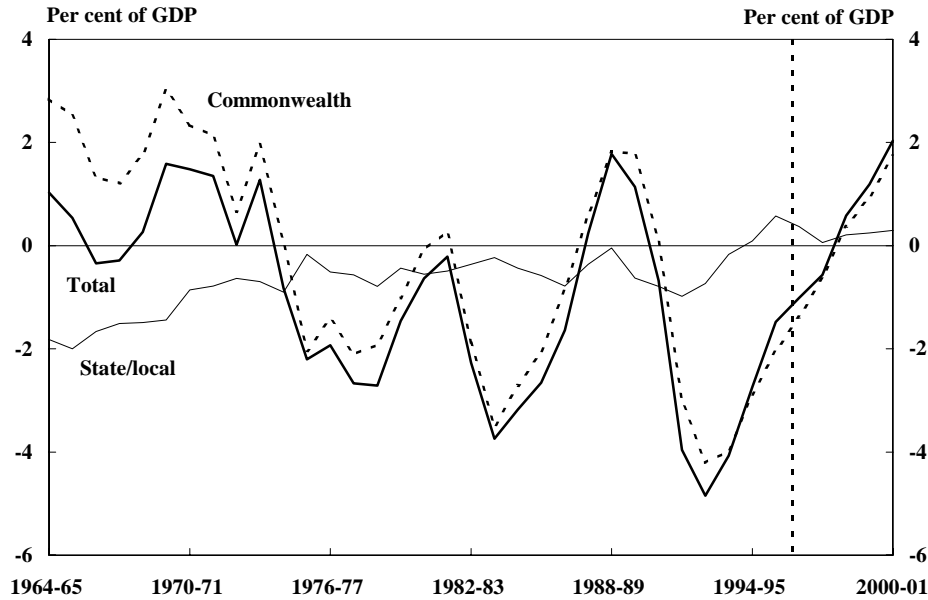
The degree to which this improvement in Commonwealth budget sector net lending translates into an improvement in national net lending will depend on the actions of other sectors of the economy, viz the State/local government sector and the private sector.

From this perspective, it is important that the State/local governments also run responsible fiscal policies. Chart 3 shows that the State/local general government sector is projected to continue its recent trend of delivering small surpluses, albeit at a lower level. These surpluses complement the improvement in the Commonwealth general government⁸ fiscal position, so that the combined Commonwealth and State/local general government sector should achieve an underlying surplus in 1998-99 somewhat larger than that in the Commonwealth sector alone.⁹ Developments for the public sector as a whole are discussed in more detail in Statement 7.

⁸ The general government sector comprises the budget sector and some non-budget sector agencies. The budget sector consists of those departments and agencies whose transactions are recorded on the Commonwealth Public Account (CPA). The activities of this sector dominate the general government sector. The non-budget sector includes government authorities such as the ABC and CSIRO which operate outside the CPA (see Statement 7 for further details).

⁹ As public trading enterprises are largely run on a commercial basis, their saving and investment decisions align more closely with those of the private sector than the public sector. Therefore, their contribution to fiscal consolidation and public saving is excluded from this discussion.

Chart 3: General Government Underlying Balance



Private sector saving and investment decisions are affected by fiscal consolidation both in response to specific revenue and outlays measures and as a result of the improved economic outlook that results from fiscal consolidation. As discussed in last year's *Budget Paper No. 1*, the weight of evidence suggests that while private sector behaviour does tend to offset changes to public sector saving, the offset is only partial. Consequently, improvements in saving by governments tend to lead to rises in national saving and thereby provide scope for higher investment or a reduced call on foreign saving.

The Government is, moreover, implementing measures which should assist in increasing private saving. A major initiative of the 1997-98 Budget is the introduction of a broadly based savings rebate. Proposed enhancements to the operation of the retirement income system should also improve Australia's national saving performance. These measures are discussed in further detail in Part IV of this Statement.

NET DEBT

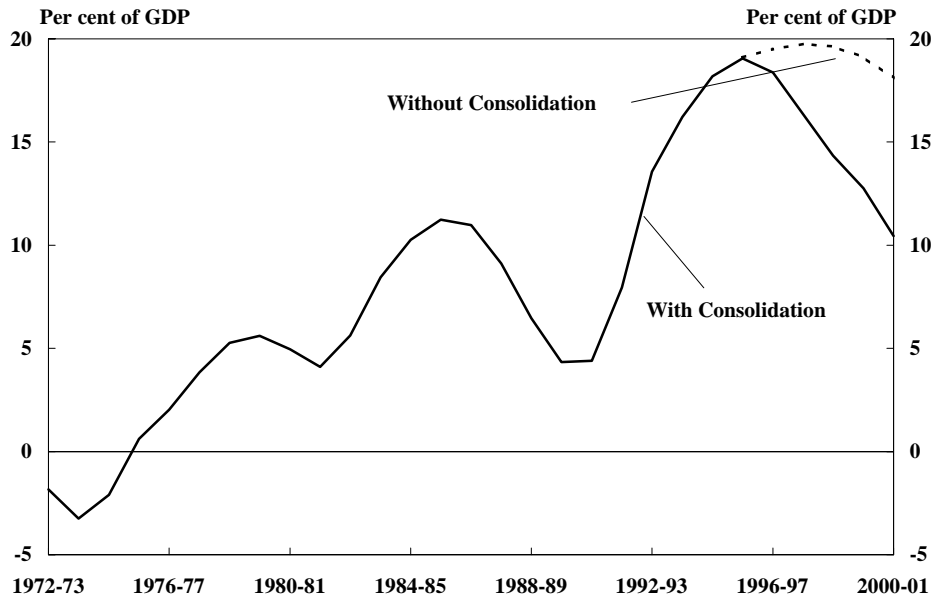
Reducing public indebtedness in periods of strong economic growth is crucial if the Government is to retain the capacity to use fiscal policy to support economic growth during periods of weakness without ratcheting up public debt from one cycle to the next. Lower public debt levels also reduce the vulnerability of the economy to shocks and assist the Government to cope with longer-term fiscal pressures such as those stemming from the ageing of the population.

Over the past two decades, the deterioration in the fiscal position has resulted in a ratcheting up of Commonwealth general government net debt. Taking action now is necessary to ensure that, in the longer term, net debt levels do not continue to ratchet up,

requiring future generations to pay for the consumption of the present generation. Lower net debt levels will also lower interest payments in future years, releasing funds for spending in high priority areas.

The Government's fiscal strategy will see net debt reduced to around 10½ per cent of GDP in 2000-01, with substantial net retirement of debt in 1997-98 and the outyears. These debt levels compare favourably with the positions of many OECD countries which require substantial remedial action.

Chart 4: Commonwealth General Government Net Debt^(a)



(a) Figures are for net debt stocks as at the end of each financial year. Data for 1987-88 to 1995-96 are from ABS *Public Sector Financial Assets and Liabilities* (Cat. No. 5513). Data for years prior to 1987-88 are Treasury estimates. The chart differs slightly from that published in *Budget Paper No. 1 1996-97*, reflecting revisions to the Treasury estimates for the period prior to June 1978 to take account of the non-repayable nature of loans made for the provision of postal and telecommunication services. The revised series treats these payments as grants rather than net advances.

PART IV: BUDGET PRIORITIES

The Government's budget priorities have been developed within a framework that takes account of the Government's broader economic and social objectives.

In framing its 1997-98 Budget, the Government has given priority to:

- providing an economic climate which supports enhanced employment opportunities and rising living standards, including by ensuring an adequate level of saving;
- meeting its social responsibilities, particularly in:
 - providing public goods and services which the private sector either cannot provide or under-provides, while at the same time re-assessing the Government's role in non-core activities;
 - ensuring a fair and effective social safety net which protects people in need;
 - ensuring that expenditure programmes are run efficiently and are effective in producing desired outcomes;
- not seeking savings from areas which were the subject of significant outlays savings in the 1996-97 Budget; and
- containing the tax burden on the community while working to ensure that all taxpayers are paying their fair share of taxes and that the integrity of the tax system is maintained.

In assessing its Budget outlays priorities, the Government has placed emphasis on rationalising services, reducing duplication, better targeting programmes, achieving increased efficiencies in running government and making more effective use of market mechanisms.

Improving the efficiency and quality of existing expenditures has allowed the Government to shift resources to higher priority areas without increasing the burden on the taxpayer. The Government has maintained spending in priority areas, such as families and defence, and created the scope for some limited new policy. Such spending priorities need to be carefully assessed against the broader objectives of fiscal consolidation and the burden they place on revenue.

The Government attaches considerable importance to avoiding an undue tax burden being placed on the community. That means ensuring revenues are at the lowest levels compatible with the need to fund high priority spending and provide for the necessary fiscal consolidation. It also requires a careful assessment of revenues to ensure that anomalies in the tax system are addressed, that the revenue base is protected, and that taxpayers pay their fair share. In this Budget the Government has, for example, removed or wound back some tax incentives, as well as replacing another with a more effective outlays measure.

The following provides further detail on the Government's outlays and revenue priorities consistent with the above framework.

Increasing National Saving

As discussed in Part III, the Government's medium-term fiscal strategy is aimed at ensuring that, on average, the Commonwealth does not directly contribute to the national imbalance between saving and investment. The 1996-97 and 1997-98 Budgets provide a substantial boost to public saving which should, over time, assist in increasing national saving. In addition, the Government has introduced measures aimed at assisting private saving.

While the Government's efforts to enhance the efficiency and competitiveness of the financial system will assist private saving by increasing choice and reducing costs, the Government believes more should be done to assist householders who save. To this end, a major initiative of the 1997-98 Budget is the introduction of a broadly based savings rebate. The savings rebate represents a reward to current savers and an encouragement to potential savers. The savings rebate will assist individuals to save or invest in the form that is most suited to their needs, but is designed to give most support to saving in the form of superannuation.

The need to boost national saving is inherently linked with the need for an effective retirement incomes policy. Given the ageing of our population and the demands this will place on pension outlays, there is clearly a pressing need for more Australians to make adequate provision for their own retirement by saving through their working lives. It is also essential that the retirement incomes system be as efficient and effective as possible.

The Government believes there is considerable scope to enhance the operation of the retirement income system by making it more flexible, providing more choice, and ensuring that superannuation savings are directed towards their intended purpose, namely providing for retirement income. To this end, the Budget includes measures to improve the operation of the preservation rules and tighten access to superannuation benefits prior to retirement. At the same time, the Government will provide people with greater choice as to where they can invest their superannuation benefits. In addition, the Government is implementing simpler and more equitable social security arrangements for superannuation benefits taken on retirement, with consistent modifications to the definition of 'complying' pensions and annuities for purposes of gaining access to the higher superannuation pension reasonable benefit limits. Enhancing the retirement income system along these lines should improve Australia's national saving performance.

The Government is also providing incentives to older people to defer retirement. In the 1996-97 Budget the Government announced that from 1 July 1997, people over age 65 and up to age 70 would be able to continue to contribute to a superannuation fund or retirement savings account, provided that they maintain a bona fide link with the paid workforce. In this Budget, this initiative is complemented with the introduction of a pension bonus to individuals who defer taking an Age or Service Pension for up to five years while working.

A Fair Social Safety Net

The Government is committed to providing a fair and effective social safety net. The Government has introduced legislation to maintain the single rate of pension at 25 per cent of MTAW. This is the first government to commit the Budget in this way and is evidence of the high priority the Government places on ensuring the adequacy of pension payments. Additional measures introduced in the 1997-98 Budget are designed to make the system fairer while maintaining assistance to those in need.

Assisting Families

The Government attaches considerable importance to relieving the financial pressures on low and middle income families with children. The Family Tax Initiative announced in the 1996-97 Budget provided additional assistance to families with children through tax measures or, in the case of low income families, through fortnightly cash payments. In the 1997-98 Budget, the Government will increase the rate of Domiciliary Nursing Care Benefit to align it with the Child Disability Allowance. The Carer Payment will also be extended to those caring for profoundly disabled children under the age of 16 and to people who are required to care for an adult as well as care for, or supervise the care of, a child. Additional funding is to be provided under the Commonwealth-State Disability Agreement for extra accommodation support for people with disabilities.

Employment and Training

Unemployment will only be reduced on a permanent basis by addressing its underlying causes. To this end, the Government has implemented industrial relations reforms and, in the last budget, introduced reforms to labour market assistance and training. The 1997-98 Budget includes further measures to assist people into employment, including through improvements to entry-level training incentive payments, which are designed to encourage employers to take on apprentices and trainees. The Work for the Dole initiative will also give unemployed people a chance to add to their experience and develop a work ethic through participation in projects which will be of lasting value to the community. In addition, funding has been allocated for a pilot scheme designed to better integrate juvenile offenders into the community.

Encouraging Small Business

A healthy small business sector is essential to strong growth in national output and employment.

To support the development of this sector the Government took steps in the 1996-97 Budget to honour its election commitment to amend the tax treatment of capital gains on the sale of a small business, where the proceeds of the sale are used to either expand an existing business or to acquire a new business. Since that time, the Government has enhanced this measure by dropping the 'like business test' and by announcing that rollover relief would also apply where a business is disposed of through the sale of shares.

The Government has also recently announced, as part of its Small Business Statement, the establishment of a Small Business Innovation Fund designed to support, in

partnership with the private sector, the provision of early stage capital to new technology based firms, and to promote the development of a market for such provision.

In this Budget the Government has built on its commitment to reduce compliance costs for small business by streamlining withholding tax arrangements.

Rural Australia

In the 1997-98 Budget the Government has made allowance for substantial increases in funding over the next four years to enhance Australia's quarantine service and to restructure the delivery of meat inspection services. The Government will make a Rural Policy Statement in the second half of 1997 to provide a comprehensive response to a number of reviews of rural programmes, including in the areas of rural adjustment, drought relief and farm risk management strategies.

Environmental Initiatives

The Government has finalised its funding for the Natural Heritage Trust, with provision for total expenditure of \$1.249 billion over six years from 1 July 1996. The Trust, which is the centrepiece of the Government's environment strategy, aims to stimulate investment in the conservation, repair and replenishment of Australia's environmental, agricultural and natural resources. The Trust will provide further funding for Landcare, as well as for major programmes focussing on biodiversity and the management of Australia's vegetation, rivers and coasts.

Federation Fund

The Government will establish a Federation Fund which will be used to finance major projects of national significance to mark the Centenary of Federation and contribute to the building of the infrastructure Australia needs for the coming century. These will be selected by the Commonwealth Government in consultation with State and Territory Governments on the basis that they will make a significant and ongoing contribution to Australia and the Australian economy. It has already been decided to draw on the Fund from 1998-99 onwards to finance the cost of constructing the National Museum of Australia and the associated building for the Australian Institute of Aboriginal and Torres Strait Islander Studies in Canberra.

Defending Australia

The Government is continuing its commitment to the security of the nation by quarantining Defence from the fiscal consolidation task. Defence spending is expected to remain unchanged in real terms in 1997-98 and throughout the forward estimates period.

Moreover, the Government is determined to ensure that maximum value is obtained from each dollar spent on defence. To this end it has recently announced the Defence Reform Programme (DRP) based on recommendations of the Defence Efficiency Review Committee, to streamline the operations of the Department of Defence and the Defence Forces. Efficiency savings from the DRP are to be redirected towards improving the combat effectiveness of the armed forces.

Creating an Efficient Government

In line with the Government's determination to increase the efficiency of its own operations, the Government has identified significant potential benefits from the consolidation and outsourcing of Information Technology (IT) infrastructure under a whole of Government framework. Savings in this area will be realised through economies of scale from the aggregation of services both within and across agencies, and through the strengthening of competition via an open tendering process.

Revenue Base Protection Measures

The revenue base is constantly under pressure from a range of sources, including tax minimisation and avoidance through the exploitation of provisions and 'loopholes' in legislation and through the use of new technology (such as the Internet) which can make it more difficult for transactions to be detected. (A broad discussion of such general risks to revenue is provided in Appendix A of Statement 2.) In the absence of the Government taking action, its revenue base would decline, undermining the equity and efficiency of the taxation system. Continued vigilance in minimising the scope for such unintended revenue leakage is needed.

A substantial number of the revenue measures announced in the 1997-98 Budget are aimed in part or in full at protecting the existing revenue base. Examples of such measures include changes to the system for the taxation of foreign source income; dividend streaming; franking credit trading and measures in relation to the taxation of distributions disguised as loans. Such measures will protect the tax base and address tax avoidance and minimisation.

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STATEMENT 2 — ECONOMIC AND FISCAL OUTLOOK

PART I: ECONOMIC OUTLOOK

OVERVIEW¹

Economic activity is expected to strengthen in 1997-98, underpinned by supportive international conditions, low inflation, the impact of the three reductions in official interest rates in the last year and the structurally sound position of both the household and corporate sectors. Employment is forecast to grow solidly and the unemployment rate should commence falling again. Inflation is expected to remain low. Despite the strengthening in activity, the current account deficit should increase only slightly as a share of GDP as higher national saving largely accommodates an increase in national investment.

The strengthening in prospect follows an easing in the pace of expansion in 1996-97, the sixth year of the current economic upswing. Such periodic easings are a characteristic of prolonged expansion periods. The slowing in the pace of growth in 1996-97 resulted in subdued employment growth and little change in the trend unemployment rate.

The expected acceleration in 1997-98 should reflect stronger private demand combined with continued modest growth in public demand and a smaller detraction from growth by net exports. Private consumption growth is forecast to accelerate in line with stronger household income. This strengthening in household income reflects stronger growth in non-wage income supported by ongoing strong growth in wages, salaries and supplements. The recovery now evident in the housing sector should strengthen as the excess supply of dwellings is further eroded and housing affordability stays high. The pace of business investment should again be strong, supported by another year of rapid non-residential construction growth.

Stronger economic growth should lead to a strengthening in employment growth and a reduction in the unemployment rate. While the unemployment rate has been little changed over the past two years, it is expected to fall to around 8 per cent by the end of 1997-98.

Underlying inflation should remain towards the bottom of the Reserve Bank's medium-term monetary policy target range during 1997-98. Labour costs should be kept in check as growth in wages and labour productivity remain little changed through 1997-98, while competitive pressures, including the lagged effects of recent increases in the exchange rate, should continue to put downward pressure on inflation.

The current account deficit is expected to increase slightly as a share of GDP in 1997-98. National saving is expected to rise to its highest level (as a share of GDP) since 1989-90, largely accommodating a rise in national investment as activity strengthens.

¹ In this Statement, unless otherwise specified, monthly and quarterly data are expressed in seasonally adjusted terms. The current price GDP (Income) measure is used as the nominal measure of GDP, while the GDP (Average) measure is the constant price GDP series used.

Table 1: Budget Forecasts^(a)

	Outcomes(b)	Estimates	Forecasts	
	1995-96 Year Average	1996-97 Year Average	1997-98 Year Average	Four quarters to June 1998
Panel A - International Outlook				
Major trading partners				
Real GDP	4.6	4 1/2	4 1/2	
Inflation	3.1	2 3/4	3	
Crude oil (\$US/barrel)	17.9	20 1/2	18 1/2	
TWI (Index points)(c)	54.8	59	60	
Panel B - Demand and Output(d)				
Private consumption	4.2	2 3/4	3 1/2	3 3/4
Private investment				
Dwellings	-12.9	-2	11	12
Total business investment	10.9	16	8	8
Non-dwelling construction	23.8	19	18	21
Equipment	6.2	15	4	2
Private final demand	3.6	4 1/4	4 3/4	5
Public final demand	0.9	2 1/4	2 1/4	-3
Total final demand	3.0	3 3/4	4 1/4	3 1/4
Increase in stocks(e)				
Private non-farm	-0.2	0	0	1/4
Farm and public authority	0.2	0	0	0
Gross national expenditure	3.1	3 3/4	4 1/4	3 1/2
Exports of goods and services	10.8	7	7	8
Imports of goods and services	5.4	9	9	7
Net exports(e)	1.1	- 1/2	- 1/4	0
Gross domestic product (Average measure)	4.1	3 1/4	3 3/4	3 3/4
Non-farm product	3.5	3	4	4
Farm product	24.0	9	-2	-3
Panel C - Other Selected Economic Measures				
Prices and wages				
Consumer Price Index	4.2	1 1/4	1	1 3/4
- Treasury 'Underlying' measure	3.2	2	2	2
Gross non-farm product deflator	2.8	2 1/4	2	1 1/2
Average earnings(f)	4.2	4 3/4	4	4
Non-farm nominal unit labour costs	3.4	2 3/4	1 3/4	2 1/4
Labour market				
Employment (Labour Force Survey basis)	2.6	1 1/4	2	2 1/4
Unemployment rate (per cent)(g)	8.5	8 3/4	8 1/4	8
Participation rate (per cent)(g)	63.7	63 1/2	63 3/4	63 3/4
Household income and saving				
Real household disposable income	4.3	3	3 3/4	4 1/2
Household saving ratio (per cent)	3.9	4 1/2	4 1/2	
External accounts				
Terms of trade	4.1	3 1/2	1 1/2	1
Current account balance				
\$billion	-20.1	-20	-21	
Percentage of GDP	-4.1	-3 3/4	-4	

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

(b) Calculated using annual original data.

(c) Based on the technical assumption that the TWI remains around the average level reached in recent months.

(d) Average 1989-90 prices.

(e) Percentage point contribution to growth in GDP (Average measure).

(f) Average earnings (national accounts basis). Forecast earnings growth excluding the expected impact of above average Commonwealth Government redundancies is 4½ per cent in 1996-97 and 4 per cent in 1997-98. The nominal unit labour cost estimate for 1996-97 is similarly affected.

(g) The estimate in the final column represents the forecast level in the June quarter 1998.

INTERNATIONAL ECONOMY

The world economy is experiencing a conjunction of favourable effects which should be supportive of the Australian economy in the year ahead. This reflects:

- a favourable convergence in the cyclical positions of the major economies, as increasingly strong growth in the private sector in Japan and slowly improving prospects for Europe support continuing strong growth in the United States and in the East Asian region (see below);
- the importance of the high growth Asian economies for Australia's exports;²
- the absence of inflationary pressures in most countries, reflecting the judicious use of monetary policy and greater competitive pressures more generally; and
- the adoption of budget deficit reduction plans by most major economies, which should help reduce world real long-term interest rates and sustain investment.

Overall, GDP in Australia's major trading partners (MTP)³ is expected to expand by 4½ per cent in 1997-98, while their inflation is expected to average around 3 per cent, with a subdued inflation outlook across the industrial world.⁴

Unemployment remains very high in many industrial countries and sustained growth will be fundamental to tackling that problem. On that score, analysis by the OECD and International Monetary Fund (IMF) points to the importance of not only macroeconomic stability but of pursuing structural reforms on a wide front. In a wide range of countries, it has been structural rigidities within the control of governments which have constituted the greatest impediments to improved productivity, economic growth and job creation.⁵ Many countries are now seeking to introduce reforms to reduce structural rigidities and increase longer-term growth rates.

² In 1995-96, 37 per cent of Australia's merchandise exports went to the East Asian region (excluding Japan), up from 28 per cent in 1990-91.

³ Australia's MTP in order of importance are Japan, South Korea, the United States, New Zealand, Singapore, Taiwan, China, Hong Kong, the United Kingdom, Indonesia, Malaysia, Thailand, Canada, Italy, Germany, the Philippines and France.

⁴ Because of data limitations, the forecasts contained in Table 2 are on a calendar year basis although the GDP and inflation forecasts discussed in the text have been prepared on an Australian financial year basis.

⁵ These issues are discussed in more detail in Statement 3.

Table 2: Economic Indicators for Selected Countries and Groupings^(a)

	GDP Growth			CPI Inflation(b)			General Govt. Balance(c)			Unemployment Rate(d)		
	1995	1996	1997(e)	1995	1996	1997(e)	1995	1996	1997(e)	1995	1996	1997(e)
United States	2.0	2.4	3 1/2	2.8	2.9	2 3/4	-2.0	-1.4	-1 1/2	5.6	5.4	5 1/2
Japan	1.4	3.6	2	-0.1	0.1	1 1/4	-3.7	-4.6	-3	3.1	3.3	3
Germany	1.9	1.4	2 1/4	1.8	1.5	2	-3.5	-3.8	-3 1/4	9.4	10.3	11 1/4
OECD(f)	2.0	2.4	2 1/2	4.8	4.1	3 1/2	-3.5	-3.2	-2 1/2	7.8	7.8	7 3/4
East Asian MTP(g)	8.1	7.0	6 3/4	7.0	5.1	4 1/2	2.0	1.4	1 3/4	2.7	2.8	2 3/4
Total MTP(h)	4.6	4.7	4 1/4	3.6	2.8	2 3/4	-1.1	-1.4	- 3/4	4.8	4.9	4 3/4

(a) Total and East Asian MTP GDP growth are calculated using Australian merchandise export trade weights. The other MTP series are weighted by total Australian merchandise trade weights.

(b) The GDP deflator in the case of the OECD.

(c) General government financial balance (as a per cent of nominal GDP) in the case of the OECD. Taiwan is excluded from East Asian MTP.

(d) Indonesia is excluded from East Asian MTP.

(e) Forecasts.

(f) The OECD comprises Austria, Australia, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. However, the OECD has not yet commenced publishing economic indicators which include South Korea.

(g) Australia's East Asian MTP are China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand.

(h) In addition to Australia's East Asian MTP, Canada, France, Germany, Italy, Japan, New Zealand, the United Kingdom and the United States comprise Australia's total MTP.

Source: GDP growth and inflation data are from individual country statistical publications with Treasury estimates for 1997. The exceptions are the OECD series, which are from the OECD's *Economic Outlook 60*. General government balance and unemployment rate data and estimates are from individual country statistical publications, Treasury and the IMF's May 1997 *World Economic Outlook*.

The economic performance of the **United States** has been highly impressive over recent years. The current upswing is well into its sixth year and the economy has been operating for over 18 months at or above what most observers had considered to be full capacity. Despite this, inflation remains low. To sustain this performance, the Federal Reserve acted pre-emptively to tighten monetary policy slightly in March 1997. The major policy challenge for the United States, however, is to reduce the Federal fiscal deficit. The Administration has announced a plan to balance the budget by the year 2002, although most of the cuts in expenditure are not planned to take effect until after the year 2000.

Economic recovery is continuing in **Japan** with the private sector replacing the earlier high levels of public expenditure as the main source of growth. Fiscal policy has been tightened sharply in 1997 to improve the underlying fiscal position, but private sector activity (supported by continuing accommodative monetary policy and a weaker yen) should help maintain the recovery's momentum. Overall, growth is expected to weaken in the first half of 1997, before accelerating later in the year.

Economic growth in **Continental Western Europe** is expected to improve but remain patchy in the face of substantial regulatory structural rigidities and a concerted focus on substantial fiscal consolidation. High public sector debt levels and large fiscal imbalances prevailing across Europe through the 1990s require fiscal consolidation in most countries, with the extent and timing of the adjustment undertaken being influenced by requirements to meet the Maastricht criteria for European Monetary Union. As a result, business and consumer confidence is likely to remain subdued. The **United Kingdom** is expected to continue to outperform its continental neighbours.

Growth in **East Asia** is likely to strengthen slightly in 1997-98, reflecting a recovery from the export slowdown that affected most of the region in the latter part of 1996 and early 1997 and some easing in monetary policies. The Chinese economy is expected to remain a driving force; double-digit growth is likely to continue through stronger growth in consumption, investment and net exports. In contrast, growth is likely to moderate in South Korea as private consumption and investment growth slows further.

Strong investment is likely to support continued buoyant conditions in Malaysia and Indonesia and continued steady growth in the Philippines. Growth in Singapore has been affected by weakness in the electronics-based export sector, which is not expected to recover until around the middle of 1997. The short and medium-term outlook for Thailand will depend on the speed and effectiveness of the authorities' response to the considerable financial sector instability that occurred during the first few months of 1997.

Looking at the **world economy** as a whole, there are few signs of the tensions and imbalances that usually foreshadow significant downturns in the world economy — but there are, as always, some points that bear watching. For example:

- the possibility of significantly higher interest rates in the United States which might slow the economy more than anticipated and reduce capital flows to other countries with possible interest rate and exchange rate implications;
 - while the probability of that seems low, there is a possibility that, as the United States enters a period of monetary tightening, increasing interest rate

differentials between the United States and Japan could exacerbate movements in exchange rates between those countries and widen external imbalances, possibly leading to trade frictions;

- uncertainties about the timing and strength of the pick-up in private sector activity in Japan in the face of the need for consolidation of both government finances and financial sector balance sheets; and
- unavoidable uncertainties surrounding the European Monetary Union and, particularly, which countries will meet the requirements for membership under the Maastricht criteria. The possibility of policy shifts associated with such uncertainties could contribute to volatility in financial markets.

FORECASTING ASSUMPTIONS

The forecasts for the domestic economy depend on forecasts of economic growth and inflation in Australia's MTP and assumptions for oil prices and the exchange rate, all of which are set out in Panel A of Table 1. In line with usual practice, it is assumed that the exchange rate will remain broadly unchanged from the average level reached in recent months. The farm sector forecasts are prepared on the assumption that average seasonal conditions will prevail in 1997-98.

DOMESTIC ECONOMY

Demand and Output

Following an easing in the rate of expansion in 1996-97, GDP growth is expected to strengthen in 1997-98 in line with an acceleration in private demand growth. The easing in the pace of growth in 1996-97 reflects the combined effects of a deterioration in the net export position (as a result of stronger import growth and slower export growth) and a slowing in private consumption growth. Together, these effects more than offset stronger growth in business investment and a smaller detraction from growth from the housing sector than in 1995-96 (Chart 1).

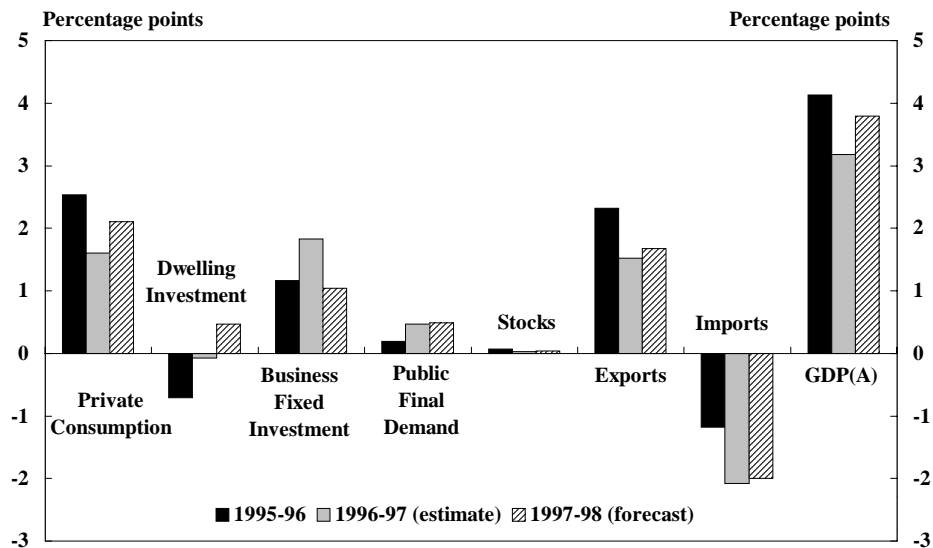
Reflecting differing developments in the components of demand in 1996-97, conditions also varied across industry sectors. The slowing in private consumption growth materialised in weak activity in retail trade. Strong growth in non-residential construction was partly offset by the housing downturn, resulting in only modest growth in the construction sector overall. Agriculture and mining both grew strongly. However, parts of manufacturing experienced poor trading conditions as a result of the housing downturn and a temporary easing in the growth of exports. Services sector output growth slowed in aggregate, although there were pronounced differences in conditions across the sector, with communications, in particular, continuing to grow very solidly.

In 1997-98, private demand growth is forecast to accelerate. Private consumption should grow more quickly as growth in real household income strengthens and the recovery in the dwelling sector becomes established. Business investment growth should remain strong, supported by ongoing private infrastructure investment, Olympics-related construction and some continuing pressures to expand capacity. Public demand growth

should continue at a modest rate. Net exports are forecast to make a modest detraction from GDP growth as import growth again outpaces that of exports.

On an industry basis, the strengthening in private consumption should help to boost retail trade while stronger demand overall, particularly the anticipated broadening of the housing recovery, should contribute to an improved outlook for manufacturing and construction. Mining and services are likely to experience further solid growth. However, activity in agriculture is expected to decline slightly after growing rapidly in each of the last two years.

Chart 1: Contributions to GDP Growth



Source: ABS Cat. No. 5206.0 and Treasury.

Private Consumption

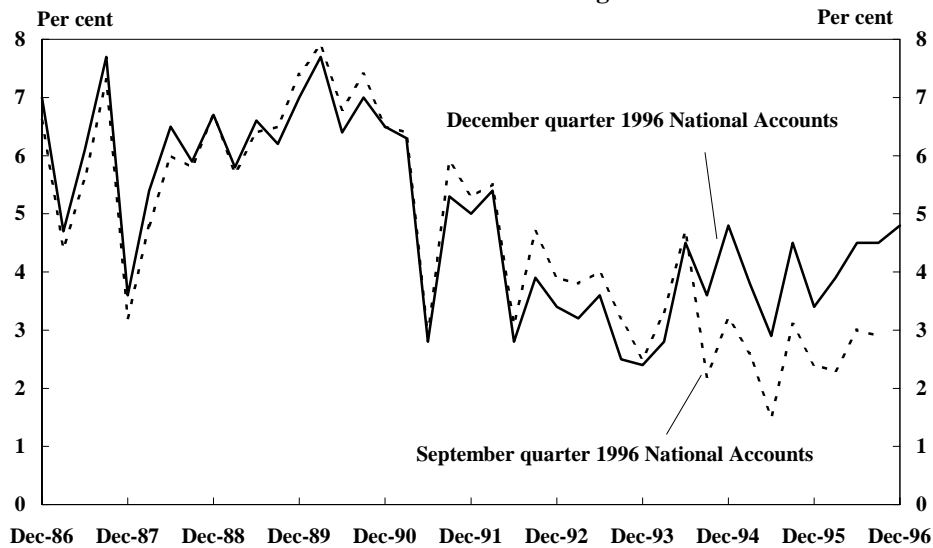
Solid growth in household income, together with continued modest growth in net private sector wealth (the net financial and physical assets owned directly and indirectly by households), should underpin a pick-up in **private consumption** growth in 1997-98 to a rate comparable with average historical experience.

Growth in **real household disposable income** is forecast to accelerate in 1997-98, reflecting a pick-up in non-wage income growth and ongoing strong growth in wages, salaries and supplements. Sharp falls in interest income and farm income (a large fall in farm product prices more than offset continued growth in production) dampened household income growth in 1996-97, but these factors should wane in the coming year — farm incomes, in particular, should benefit from rising farm product prices during 1997-98.

Growth in consumption is expected to be slightly slower than growth in real household disposable income in 1997-98, although the **household saving ratio** will remain broadly unchanged, after rising in 1996-97. As always, estimates of the household saving ratio should be treated with caution, given the large and frequent revisions to estimates of

saving. For example, the December quarter 1996 National Accounts published large upward revisions to the history of household saving, removing part of the apparent downward trend in the saving ratio over recent years (Chart 2).

Chart 2: Net Household Saving Ratio⁶



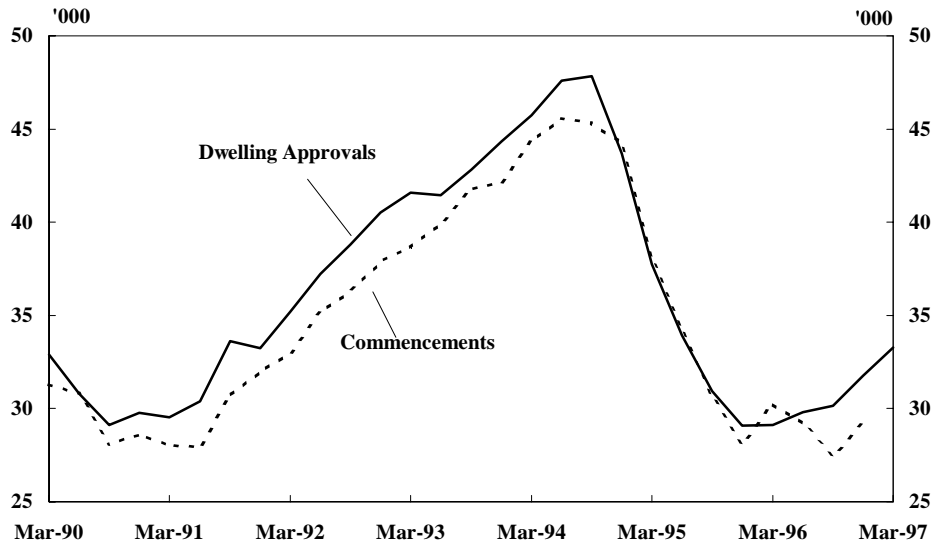
Source: ABS Cat. No. 5206.0.

Dwelling Investment

Forward indicators suggest that a recovery in the housing sector has been under way since late 1996 (Chart 3). This recovery is now becoming apparent in **dwelling investment**. The downturn in the housing sector during 1995 and 1996 reduced the excess supply of dwellings built up during the preceding upswing. Vacancy rates have fallen in some capitals to the point where the aggregate vacancy rate is now close to the levels recorded in the late 1980s. The tightness of the Sydney and Melbourne housing markets should support stronger dwelling investment, as will the current very high level of housing affordability, with bank indicator mortgage rates at their lowest level since 1973, house prices rising only modestly and household incomes increasing solidly. However, with pockets of excess supply remaining in some areas, the housing recovery is likely to be uneven across Australia.

⁶ Household income and saving are measured net of estimated economic depreciation.

Chart 3: Private Dwelling Approvals and Commencements



Source: ABS Cat. Nos. 8731.0 and 8750.0.

Business Investment

Business investment is forecast to record another year of strong growth in 1997-98, consistent with businesses' surveyed intentions (as published in the ABS *Private New Capital Expenditure (CAPEX) Survey*) and reflecting the very positive fundamental influences on investment. The realisation ratios⁷ implicit in the forecasts are comparable with average ratios from the *CAPEX* survey over the 1980s.⁸ In that context, they are conservative (given the very good fundamental influences on investment).

Business confidence is rising and surveyed aggregate capacity utilisation remains at a high level. The price of investment goods has fallen over the last year or so, reflecting declines in import prices (see Chart 6). Nominal interest rates have fallen and profitability remains high — the corporate profit share is forecast to increase for the sixth successive year in 1997-98.⁹

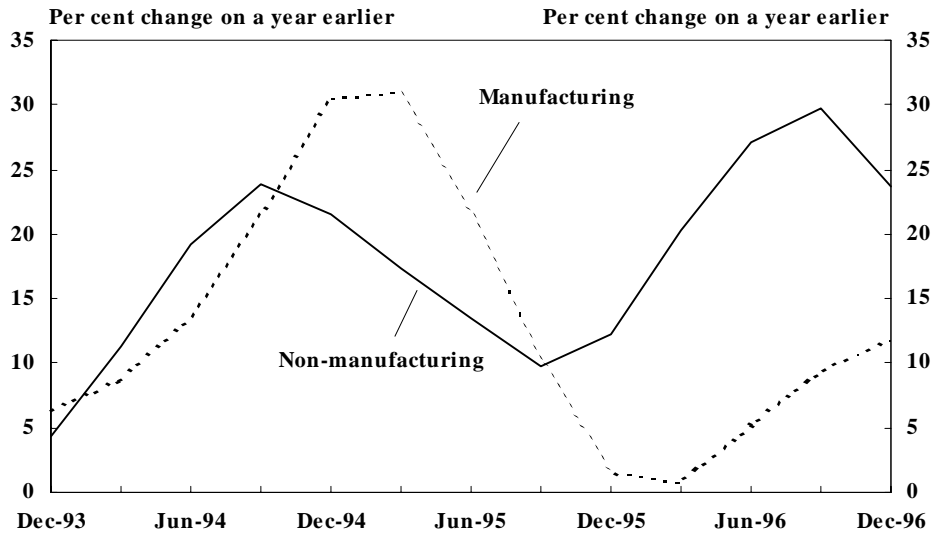
Business investment has grown strongly in aggregate over recent years, but the pattern of investment has varied in line with the different conditions in each sector. Investment in services and mining has been strong. On the other hand, manufacturing investment, while strengthening in recent quarters, has been weaker than the other sectors in line with relatively weaker trading conditions in that sector (Chart 4). Business investment intentions suggest that some variation across sectors is likely to continue, with investment growth continuing to be concentrated in mining and services.

⁷ The ratio of actual to expected investment expenditure.

⁸ The comparison is made with the 1980s in order to cover a complete economic cycle.

⁹ Other broader measures of profitability, such as the profit share for all private non-farm enterprises, are also forecast to increase in 1997-98.

Chart 4: Business Investment by Industry (Trend Series)



Source: ABS Cat. No. 5646.0.

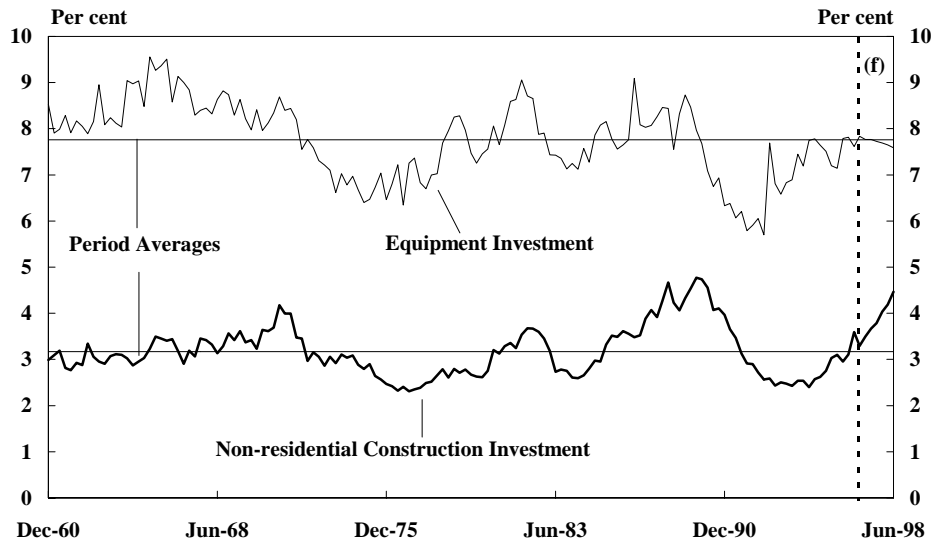
Equipment investment, while remaining strong in 1997-98, should grow more slowly than the very rapid rate estimated for 1996-97 when growth was boosted by some expenditure delayed from the previous year. Across the two years, the strength of equipment investment should see firms' capacity continue to expand in line with demand — however, investment will have grown more strongly than demand in 1996-97, with the opposite occurring in 1997-98.

Non-residential construction investment has grown at a rapid rate in recent years and is expected to continue to grow faster than equipment investment in 1997-98.

Engineering construction investment has increased rapidly over the past few years (on projects such as major roads in Sydney and Melbourne and mining-related investment). Nevertheless, strong investment in buildings, such as shops, has represented the bulk of non-residential construction investment. The momentum in this sector will be sustained by projects already under way, continued strength in the mining sector and in private infrastructure investment, new projects related to the Olympics and a gradual pick-up in office building in response to lower vacancy rates in some capitals.

Chart 5 shows that non-residential construction as a share of GDP (in nominal terms) is expected to increase to a level comparable with that of the late 1980s. There are significant differences between the two episodes, however, with the current strength in the sector more broadly-based and encompassing a number of large projects which might previously have been undertaken by the public sector.

Chart 5: Nominal Business Fixed Investment as a Share of GDP



(f) Treasury forecasts.
Source: Actual data are from ABS Cat. No. 5206.0.

Public Expenditure

Public final demand is expected to continue growing at a modest pace in 1997-98, reflecting a strengthening in public investment and slower growth in public consumption than in the previous year.

The strength of **public investment** in 1997-98 mainly reflects the significant investment programmes planned by the New South Wales and Queensland Governments and the expectation that investment by Commonwealth business enterprises will remain at a high level. Information from Commonwealth public enterprises and State governments suggests that some growth in public investment planned for 1996-97 may have slipped into next financial year. Moreover, it appears that investment in 1996-97 will be heavily weighted towards the second half of the year, resulting in slow average growth for the year as a whole.

Growth in **public consumption** is expected to slow in 1997-98, reflecting fiscal consolidation at both the State and Commonwealth government levels. Public consumption is estimated to have increased at a relatively modest rate in 1996-97.

Non-farm Stocks

Recent data indicate that movements in **non-farm stocks** have generally matched trends in sales, suggesting no contribution to GDP growth from this source in either 1996-97 or 1997-98.

Farm Sector

On the usual forecasting assumption of average seasonal conditions, **gross farm product** is expected to fall slightly in 1997-98, following strong growth in 1995-96 and 1996-97. Grain production in 1996-97 was boosted by a record wheat harvest of around 23½ million tonnes — the previous record was 22 million tonnes in 1983-84. Grain production is likely to decline in 1997-98, but the impact of that on farm production is expected to be broadly offset by increased production of livestock and of other crops.

Net Exports

Another year of strong **export** growth is anticipated in 1997-98, supported by a favourable outlook for world growth and expanding Australian capacity. While export growth in aggregate should be unchanged from that in 1996-97, the composition is likely to change. Non-rural commodity export growth is forecast to pick up in line with increases in Australia's supply capacity while rural export growth should slow as farm product declines. Growth in exports of elaborately-transformed manufactures (ETM) should return to a rate more in line with the experience of recent years in 1997-98 — slowing growth in our main ETM markets¹⁰ in 1996-97 contributed to a marked slowing in ETM growth in that year.

The flow-through of the recent rise in the exchange rate to lower import prices, and the expected pick-up in private demand growth, should result in another year of strong **import** volume growth in 1997-98. This follows a substantial acceleration in 1996-97 when: import volumes reacted to continuing strong growth in demand, especially for import-intensive equipment investment goods; lower import prices flowed from the appreciating Australian dollar (Chart 6); and 'exogenous' imports (such as ships and aircraft) were high.

Taken together, the trade forecasts imply that **net exports** are likely to detract modestly from GDP growth in 1997-98, slightly less than is estimated to have been the case in 1996-97.

Risks

Apart from the international economic environment, the key **risks** to the forecasts of demand and GDP growth centre on the uncertainties surrounding the consumption, dwelling and business investment forecasts.

The risks surrounding the consumption forecast primarily relate to uncertainties around the forecasts for wages and employment (and hence disposable income). It is also possible that the household saving ratio could resume declining (as was the case up to the early 1990s). Such an outcome would pose an upside risk to the consumption and imports forecasts. Alternatively, if households are concerned about current levels of debt (which remain moderate by world standards), they may rebuild their savings more rapidly than anticipated, leaving consumption growth and imports lower than expected.

¹⁰ Australia's main ETM markets in order of importance in 1995-96 were New Zealand, the United States, Hong Kong, Singapore, the United Kingdom, Japan, Indonesia, South Korea, Malaysia and Thailand.

The risks to the dwelling investment forecast hinge mainly upon the extent of excess supply in the market. While movements in vacancy rates suggest that excess supply is diminishing and forward indicators clearly indicate that a housing recovery is under way, the extent of excess supply in various parts of the market, and hence the speed of recovery, remains uncertain.

At this stage, only the first set of *CAPEX* data is available for 1997-98. Initial investment intentions are almost always revised up over the course of the year, although the extent of those revisions can vary significantly from year to year. While investment fundamentals are very positive, the extent to which initial intentions will be revised remains uncertain. Moreover, the timing of large investment projects is always uncertain and small variations in commencement dates can have a major impact on the amount of work undertaken in a given year. As a result, there may be some further slippage into 1997-98 of investment planned for 1996-97.¹¹ Nevertheless, it is clear that business investment will record very strong growth across the two years.

The forecast for growth in gross farm product in 1997-98 depends on the assumption of normal seasonal conditions. If seasonal conditions differ significantly from this assumption, growth in farm product would be different to that forecast, with possible flow-on effects to rural exports and GDP.

The exchange rate has appreciated significantly since last Budget to be around 25 per cent higher on a trade-weighted basis than its low point in June 1995. A further substantial appreciation or a marked depreciation of the exchange rate from its current level could have implications for a number of components of activity but net exports, in particular, would be significantly affected.

Wages

Wage pressures through the course of 1997-98 seem likely to be broadly unchanged from the previous year. This reflects the likely continuation of modest award wage growth and the moderating influences of low inflation and competitive pressures on enterprise bargaining outcomes. Abstracting from the effects of above average Commonwealth Government redundancies, average earnings are expected to grow by 4 per cent in 1997-98.

The risks surrounding the wages outlook appear evenly balanced. Enterprise bargaining outcomes remain a key uncertainty, particularly the extent to which current high wage claims in the construction, transport and metals sectors lead to more generalised wage rises in the context of a strengthening economic environment.

Influences that may moderate future wages growth include a further fall in inflation expectations on the basis of continued low inflation and increased competitive pressures. The *Workplace Relations Act 1996*, by increasing the spread of genuine bargaining, should reduce the extent to which wage increases flow on to other firms without reflecting the commercial circumstances of those firms.

¹¹ The December quarter 1996 *CAPEX* survey reported a deferral of some construction projects and delays in some projects already under way.

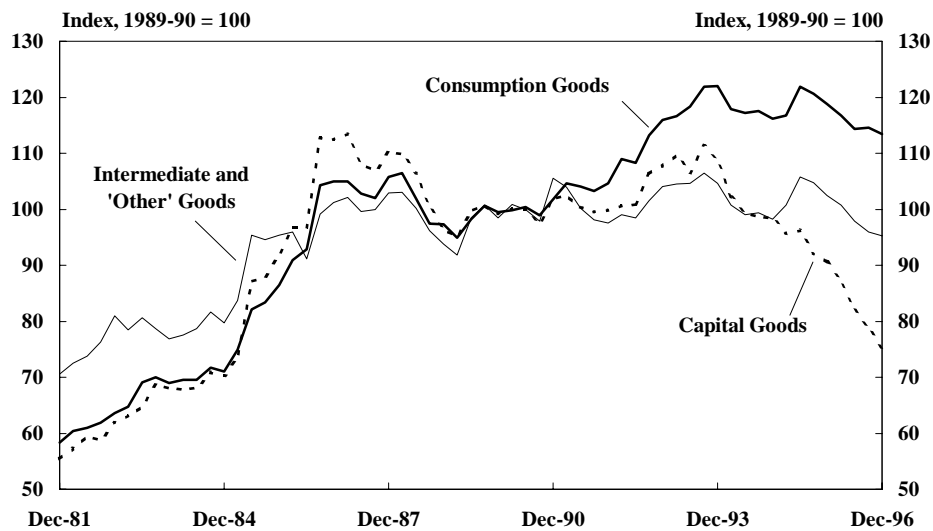
Prices

Underlying inflation is forecast to remain close to its current level in 1997-98, around the bottom of the Reserve Bank's medium-term monetary policy target range. **Headline inflation** should be lower than underlying inflation due to the lagged impact of mortgage interest rate reductions in late 1996 and early 1997.

Underlying inflation outcomes over the past few quarters have been heavily influenced by import price falls (Chart 6) stemming from the strength of the exchange rate over the last year and by sustained price competition in the retail sector. Import prices have affected underlying inflation directly, via lower prices for imported consumption goods, and indirectly, through the impact of lower prices of imported capital and intermediate goods used in the production process — and, importantly, by raising competitive pressures in the traded goods and services sectors more generally. Experience suggests that much of the impact of past exchange rate appreciation is yet to be seen, suggesting that the exchange rate will remain an important influence on underlying inflation through the remainder of 1997 and into 1998.

As import prices stabilise, ongoing growth in nominal unit labour costs should again emerge as the main influence on underlying inflation. Growth in the components of nominal unit labour costs (wages less labour productivity) is expected to remain broadly steady through the course of 1997-98.

Chart 6: Import Prices



Source: ABS Cat. No. 5302.0.

Recent reductions in official interest rates and competition between mortgage lenders have resulted in falls in mortgage interest rates and in the mortgage interest charges component of the CPI. Further falls are expected in this component of the CPI, due to the lagged impact of recent mortgage rate reductions. As a result, headline inflation will fall well below underlying inflation in 1996-97, but this gap should narrow as 1997-98 progresses.

Broader measures of inflation, such as the **gross non-farm product deflator**, are forecast to remain low in 1997-98, partly reflecting the lagged influence of recent increases in the exchange rate. The non-farm product deflator is expected to grow at a faster rate than either the domestic demand or gross national expenditure deflators reflecting a forecast improvement in the terms of trade.

The uncertainties surrounding the forecasts of growth in wages and productivity discussed earlier also pose a **risk** to the inflation forecasts. If the exchange rate moved significantly from its current level, it would also influence inflation outcomes.

The Labour Market

The emerging recovery in the labour market should broaden in 1997-98, with **employment** growth accelerating and the **unemployment** rate falling to around 8 per cent by the end of the year.

The strengthening in employment growth during the course of 1997-98, following two years of only modest growth, should be accompanied by solid **labour productivity** growth.¹²

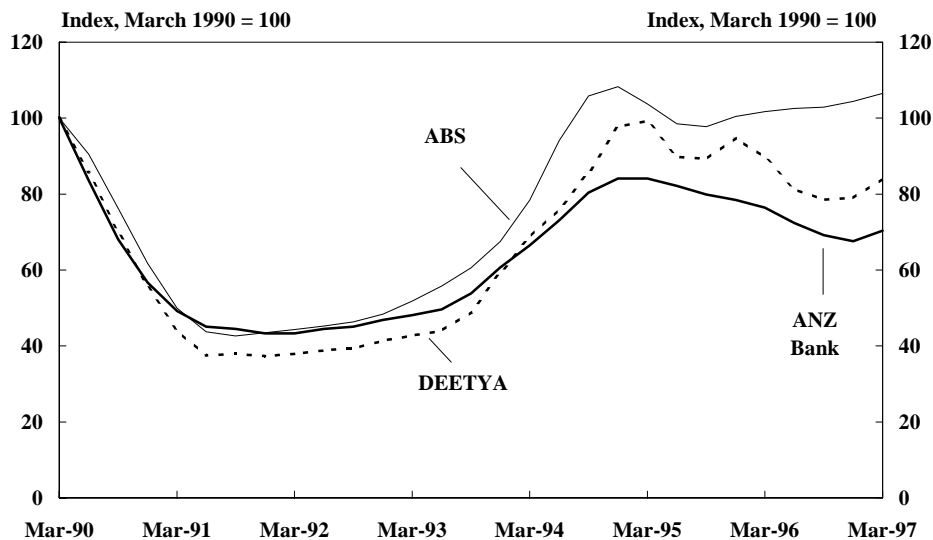
Employment growth has traditionally displayed a marked cyclical trend, moving with some delay in response to changes in growth in activity and real wages.¹³ The modest pace of employment growth in recent years may also reflect a lagged response to the surprising strength of employment growth in the first half of 1995. However, growth in employment should strengthen in 1997-98 in response to the acceleration in activity and continuing restrained growth in real labour costs. Measures of job vacancies support this outlook — all three major vacancies series have risen in trend terms recently, with the broadest measure, the ABS series, increasing for the sixth consecutive quarter (Chart 7).¹⁴ Overtime worked also appears to have reached a cyclical trough in late 1996.

¹² Employment growth is estimated to have been around 1 and 1½ per cent in the years to the June quarter 1996 and 1997, respectively, although the profile of growth in 1995 and 1996 has meant that year-average growth was strong in 1995-96 and subdued in 1996-97.

¹³ Employment trends over recent years are discussed in detail in Part I of last year's Statement 2.

¹⁴ The more subdued behaviour of the ANZ Bank series appears to reflect the fact that not all vacancies are advertised in newspapers. In addition, the propensity for public sector vacancies to be advertised in more than one newspaper may mean that fiscal consolidation at the Commonwealth and State levels may be disproportionately affecting the ANZ Bank series.

Chart 7: Job Vacancies (Trend Series)



Source: ABS Cat. No. 6354.0, the Department of Employment, Education, Training and Youth Affairs (DEETYA) and the ANZ Bank.

An acceleration in employment growth should encourage more people to seek work during 1997-98 so that not all of the increase in employment will translate into lower **unemployment**. Nevertheless, employment growth should be strong enough to reduce the unemployment rate to around 8 per cent by the end of 1997-98, following little change over 1996-97 when movements in the working-age population and the participation rate broadly offset growth in employment.

The main **risks** to the labour market forecasts centre on uncertainties surrounding the activity and real wage forecasts and the future path of the participation rate, which has been sensitive in the past to social and demographic factors. Risks surrounding the outlook for labour productivity growth also have implications for employment, as well as for activity and inflation. Although it appears likely that part of the strong growth in labour productivity from 1991-92 onwards reflects structural improvements as a result of ongoing reforms to product and labour markets, it is difficult to determine the magnitude of structural changes. This matter is discussed further in Statement 3. There is also a timing risk attached to the labour market forecasts as employment growth generally lags changes in activity. If firms have a greater than anticipated capacity to meet demand growth with current staffing levels, then the forecast pick-up in employment growth in 1997-98 could occur a little later than expected.

The Current Account Balance

The **current account deficit** is expected to be slightly higher in 1997-98, both as a share of GDP and in dollar terms. This broadly stable outlook, despite the acceleration in economic activity, reflects a forecast improvement in the balance on goods and services which partly offsets a rise in the net income deficit.

The current account deficit in 1996-97 represents a marked reduction relative to the cyclical peak of 5¾ per cent of GDP reached in 1994-95. Chart 8 illustrates that the

improvement in recent years reflects a sharp turnaround in the dollar value of the balance on goods and services. This mainly reflected the recovery in export volumes in 1995-96, but a major factor more recently has been the increase in the **terms of trade** in foreign currency terms, primarily reflecting higher commodity prices — combined with the appreciation of the dollar, this resulted in import prices falling more sharply and rapidly than export prices (Chart 9).

Chart 8: Components of the Current Account Balance

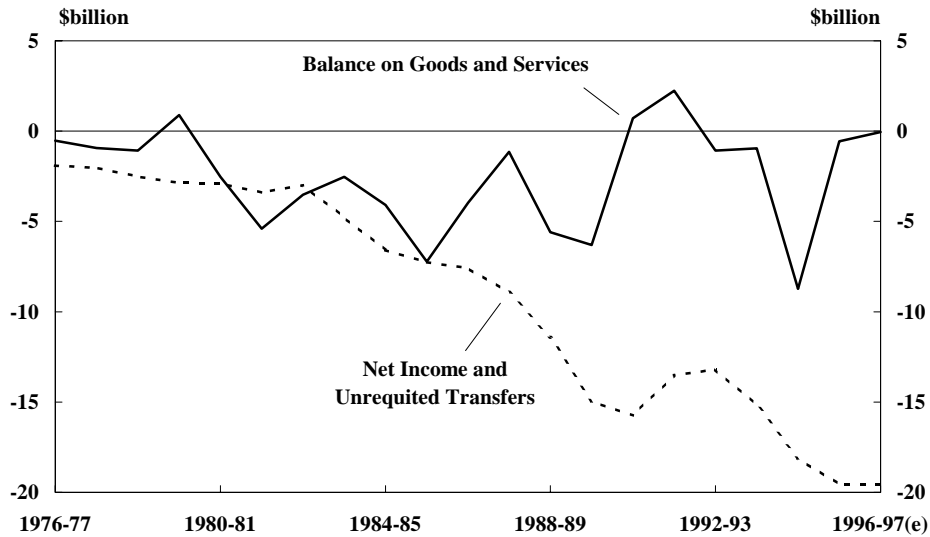
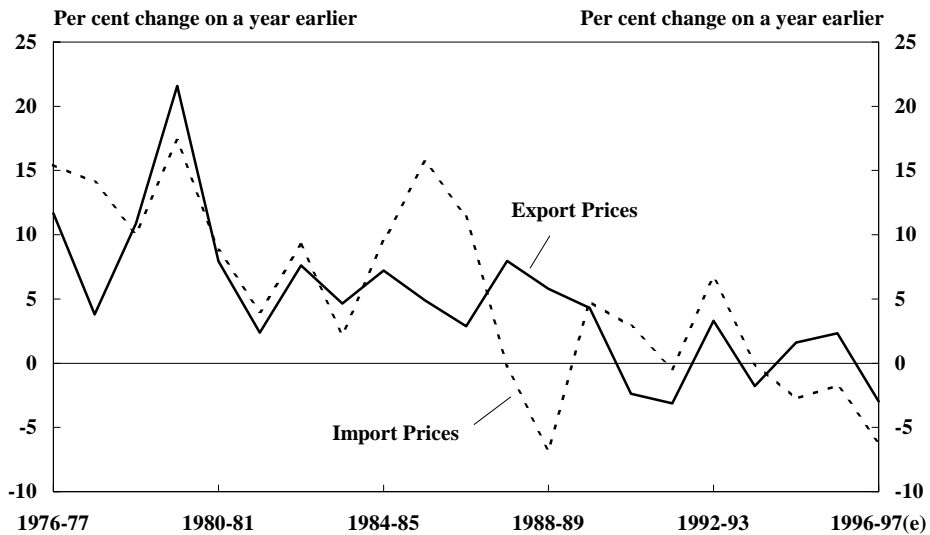


Chart 9: Export and Import Prices



(e) Treasury estimate.
Source: ABS Cat. No. 5302.0.

A further improvement in the **balance on goods and services** is in prospect for 1997-98, assisted by another rise in the terms of trade in line with stronger commodity prices. Export returns are likely to be boosted by a slight rise in export prices and ongoing export volume growth as growth in our MTP remains strong and Australia's supply capacity increases further. The value of imports should also rise due to strong import volume growth which offsets a small fall in import prices. However, the surplus on the balance on goods and services is likely to be outweighed by an increase in the **net income deficit**, which forms the bulk of the current account deficit and which has averaged around 4 per cent of GDP since the late 1980s.

In saving-investment terms, the small increase in the current account deficit in 1997-98 as a share of GDP reflects an increase in **national investment** which is largely accommodated by the anticipated rise in **national saving**. The forecast rise in national investment reflects the continued strength of business investment and the acceleration of the housing recovery. At the same time, national saving is expected to reach its highest level (as a share of GDP) since 1989-90, building on the estimated rise in 1996-97 that resulted from higher household and general government saving. This improved saving performance is helping to ease one of the traditional constraints to growth, allowing the forecast acceleration in demand growth to be accompanied by only a slight deterioration in the current account deficit.

The primary **risks** to the outlook for the current account deficit relate to the uncertainties surrounding the forecasts for domestic demand (the prime determinant of import volume growth) and world economic growth (which affects commodity prices and demand for Australia's exports).

PART II: FISCAL OUTLOOK

OVERVIEW

The fiscal outlook is expected to significantly improve in each of the four years to 2000-01. The underlying budget deficit is estimated to fall below one per cent of GDP in 1997-98 and turn to surplus in 1998-99. Increasing surpluses are projected in 1999-2000 and 2000-01. Over four years, the underlying balance will improve by around 3 per cent of GDP (see Table 3).

Sizeable asset sales in 1997-98 result in a large headline surplus despite the underlying deficit expected that year. The headline surplus improves in 1998-99 reflecting both an improvement in the underlying balance and some still significant asset sales in that year. Beyond 1998-99, movements in the headline balance reflect improvements in the underlying balance against a sharp fall in planned asset sales.

Table 3: Summary of Budget Aggregates

	1996-97		1997-98	1998-99	1999-00	2000-01
	Budget	Revised	Estimate	Projection	Projection	Projection
\$million						
Revenue						
Tax	125028	124363	129433	138248	146191	154796
Non-tax	5132	5263	3918	4135	4139	4114
Total	130160	129625	133351	142383	150330	158911
Underlying outlays	135810	136481	137204	140786	144947	148219
Underlying balance	-5649	-6856	-3853	1597	5383	10692
<i>Memorandum items:</i>						
Net advances	-6123	-7620	-10276	-5187	-394	-405
Headline balance	474	764	6423	6784	5777	11096
Real growth on previous year (per cent)						
Revenue						
Tax	4.5	4.5	2.0	4.2	3.3	3.3
Non-tax	-5.9	-3.0	-27.0	2.9	-2.2	-3.0
Total	4.0	4.1	0.9	4.1	3.1	3.1
Underlying outlays	0.1	1.1	-1.4	0.1	0.5	-0.2
Per cent of GDP						
Revenue						
Tax	24.3	24.2	23.8	24.0	23.9	23.9
Non-tax	1.0	1.0	0.7	0.7	0.7	0.6
Total	25.3	25.2	24.5	24.7	24.6	24.5
Underlying outlays	26.4	26.6	25.2	24.4	23.7	22.9
Underlying balance	-1.1	-1.3	-0.7	0.3	0.9	1.6
<i>Memorandum items:</i>						
Net advances	-1.2	-1.5	-1.9	-0.9	-0.1	-0.1
Headline balance	0.1	0.1	1.2	1.2	0.9	1.7

The improvement in the underlying balance over the forward estimates period is consistent with the Government's short and medium-term fiscal objectives set out in Statement 1. The improved fiscal outlook is the product of both a favourable economic outlook and savings measures announced in the 1996-97 and 1997-98 Budgets.

Table 4 presents the major economic parameters underpinning the budget estimates presented in the Budget documents. The economic forecasts and projections are discussed in detail in Part I of this Statement.

Table 4: Major Economic Parameters (percentage change from previous year)

	Forecasts		Projections		
	1996-97	1997-98	1998-99	1999-00	2000-01
Real GDP(A)	3 1/4	3 3/4	3 1/2	3 1/2	3 1/2
Employment(a)	1 3/4	2	2 1/4	2 1/4	2 1/4
Wages(b)	4 3/4	4	3 1/2	3 1/2	3 1/2
CPI(c)	1 1/4	1	2 1/2	2 1/2	2 1/2

(a) Civilian wage and salary earners (national accounts basis). On a Labour Force Survey basis, employment growth is 1¼ per cent in 1996-97 and 2 per cent in 1997-98, as indicated in Table 1 of Statement 2.

(b) Average earnings (national accounts basis). Forecast earnings growth excluding the expected impact of above average Commonwealth Government redundancies is 4½ per cent in 1996-97 and 4 per cent in 1997-98.

(c) Headline Consumer Price Index.

The projections for the period from 1998-99 to 2000-01 are prepared solely as a basis for Budget figuring and do not represent forecasts.

A range of factors may change the budgetary outlook in future years. Appendix A sets out a Statement of Risks which details risks that may have a material effect on the fiscal outlook. One factor influencing the fiscal outlook will be variations in the economic parameters. A discussion of the estimated sensitivity of the outlays and revenue estimates to changes to the economic parameters is provided in Appendix B to this Statement.

Outlays restraint makes a significant contribution to the expected improvement in the fiscal position. In real terms, underlying outlays are expected to fall in 1997-98 and remain broadly unchanged in the outyears. With strong economic growth projected over this period, underlying outlays as a proportion of GDP are expected to fall by over 3½ percentage points between 1996-97 and 2000-01.

Outlays savings from 1998-99 stem largely from the Government's decision to introduce a new savings rebate in place of the 'LAW' tax cuts (which were later proposed as Government superannuation contributions and shown on the outlays side of the budget). As the new savings rebate scheme is to be implemented through the taxation system, there is some offset to the lower outlays in the form of lower revenues. In net terms, savings from this measure amount to \$729 million in 1998-99, rising to \$1.9 billion in 2000-01.

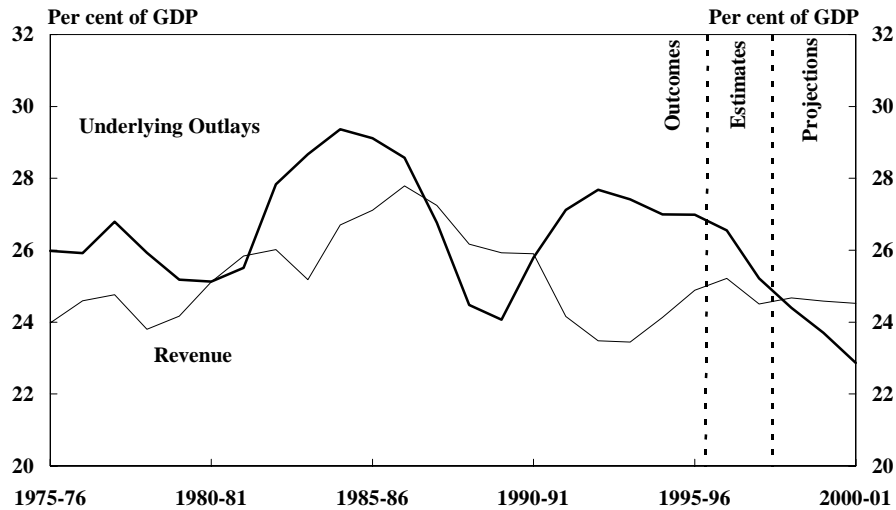
Revenue as a share of GDP is expected to fall to 24½ per cent in 1997-98 and remain broadly around that level over the forward estimates period. This reflects the effects of steady economic growth, the absence of significant fiscal drag in a low inflation environment, the impact of the savings rebate, and the effects of new base protection measures.

The fiscal outlook and projected trend for outlays and revenues compare favourably with recent history. As shown in Chart 10, fiscal consolidation in the second half of the 1990s is being achieved by the steady reduction of underlying outlays as a share of GDP and the broad maintenance of the revenue to GDP share. By the end of the forward estimates period, underlying outlays as a proportion of GDP are projected to fall to their lowest

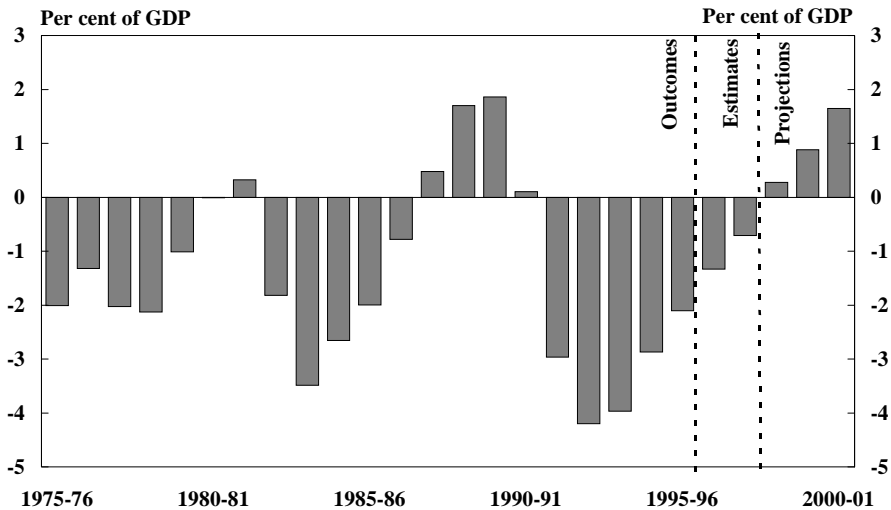
levels in more than 20 years. Fiscal consolidation in the 1980s was achieved at a significantly higher revenue to GDP share than projected in the years ahead — and therefore with the Commonwealth Government absorbing a larger share of national income through taxation and other revenue sources. The trends in outlays and revenue in prospect are indicative of the declining relative size of the Commonwealth Government in the economy.

Chart 10: Underlying Budget Aggregates

Panel A: Budget Sector Revenue and Outlays



Panel B: Underlying Budget Balances



OUTLAYS

Table 5 provides estimates of budget sector outlays for 1996-97 to 2000-01.¹⁵

Table 5: Summary of Budget Sector Outlays

	1996-97		1997-98	1998-99	1999-00	2000-01
	Budget	Revised	Estimate	Projection	Projection	Projection
Underlying outlays (\$m)	135810	136481	137204	140786	144947	148219
<i>Real growth on previous yr (%)</i>	0.1	1.1	-1.4	0.1	0.5	-0.2
<i>Per cent of GDP</i>	26.4	26.6	25.2	24.4	23.7	22.9
Net advances (\$m)	-6123	-7620	-10276	-5187	-394	-405
Outlays (\$m)	129686	128861	126928	135599	144553	147815
<i>Real growth on previous year (%)</i>	-0.5	-0.6	-3.4	4.2	4.1	-0.2
<i>Per cent of GDP</i>	25.2	25.1	23.3	23.5	23.6	22.8

Over the period 1997-98 to 2000-01, underlying outlays are expected to fall:

- in real terms, by around 1½ per cent in 1997-98, and remain broadly unchanged thereafter; and
- as a proportion of GDP, from over 26½ per cent in 1996-97 to just over 25 per cent in 1997-98, and continue to decline steadily in the outyears.

Total outlays (ie underlying outlays plus net advances) fall in real terms in 1997-98, but increase significantly in the following two years. This reflects a sharp reduction in asset sale proceeds forecast from 1998-99. A decline in real terms is forecast for 2000-01.

Net outlays measures taken since the 1996-97 Budget contribute to the fiscal consolidation task in 1997-98 and over the forward estimates period.

Table 6 reconciles the outlays estimates between the 1996-97 Budget, the MYEFO and the 1997-98 Budget in terms of policy decisions and parameter and other variations.

Between the 1996-97 Budget and the MYEFO, underlying outlays increased by \$1.5 billion in 1996-97 but decreased in 1997-98 and the outyears. This pattern largely reflected a number of policy decisions taken by the Government which impacted primarily in 1996-97 and did not have a major effect in the outyears. Revisions to economic parameters—in particular, lower expected inflation and wages growth—reduced outlays in all years, with the expected impact larger in the outyears. Lower interest rates reduced public debt interest outlays in all years. From 1997-98 these positive effects more than outweighed some increase in outlays associated with higher unemployment beneficiary numbers and higher average rates payable on pensions and other benefits.

¹⁵ Further detail on the budget outlays estimates is contained in Statement 4, while historical data on outlays excluding net advances are at Appendix E of this Statement. Details on Commonwealth general government sector outlays are at Appendix F of this Statement and in Statement 7.

Table 6: Reconciliation of Changes to Budget Sector Underlying Outlays since the 1996-97 Budget

	1996-97 \$m	1997-98 \$m	1998-99 \$m	1999-00 \$m
Underlying outlays at 1996-97 Budget	135810	138611	144365	150058
Changes from 1996-97 Budget to MYEFO				
Effect of reclassifications	-44	-44	-45	-45
Policy decisions	1020	-399	237	263
<i>of which</i> public debt interest impact of measures(a)	14	19	56	78
Revision to economic parameters				
JSA/Newstart	177	72	61	93
Prices and wages	-15	-489	-726	-1241
Interest and exchange rates	-9	-22	-18	-20
Public debt interest	-300	-455	-326	-69
Sub total: revisions to economic parameters	-147	-894	-1009	-1237
Programme specific parameters	482	280	452	593
Slippage in 1996-97 Budget decisions	32	38	3	0
Other revisions	110	-155	-153	13
Total variations	1453	-1174	-515	-413
Underlying outlays at 1996-97 MYEFO	137263	137437	143850	149645
Changes from MYEFO to 1997-98 Budget				
Effect of reclassifications	21	9	15	16
Policy decisions(b)	57	-87	-1034	-2220
<i>of which</i> public debt interest impact of measures(a)	0	-217	-310	-471
Revision to economic parameters				
JSA/Newstart	-93	-70	-118	-129
Prices and wages	-36	-414	-590	-549
Interest and exchange rates	-10	10	0	0
Public debt interest	-166	-235	-185	-608
Sub total: revisions to economic parameters	-304	-708	-893	-1286
Programme specific parameters	258	607	576	617
Slippage in 1996-97 Budget decisions	-79	90	6	7
Other revisions	-735	-143	-1734	-1833
Total variations	-781	-233	-3064	-4698
Underlying outlays at 1997-98 Budget	136481	137204	140786	144947
<i>Memorandum item:</i>				
Underlying Outlays Policy Decisions since the MYEFO excluding NHT and commitment to MTAW benchmark(c)	57	-313	-1749	-3193

- (a) Includes the public debt interest savings from measures affecting either the underlying or headline balance.
(b) Includes recastings of pre-MYEFO decisions.
(c) Abstracts from Government spending decisions for which an allowance was already set aside in the Contingency Reserve in the 1996-97 Budget.

Revisions to economic parameters in the period since the MYEFO reduce outlays further across all years. Once again, favourable movements in prices and wages and lower public debt interest outlays contribute to the reductions in outlays. Lower forecasts of unemployment beneficiary recipients also reduce outlays.

Downward movements in outlays have been limited by further increases in programme specific parameters, primarily reflecting changes in client numbers and/or higher average rates payable on family payments, family tax payments and disability support pension programmes. As new data have become available, projections of client numbers and average rates payable on a number of payments have been revised. The major revisions

have been to pensions, family tax payments and disability support pension programmes. Programme specific parameters are difficult to forecast because of the need to interpret recent trends in an environment in which programmes and eligibility criteria are changing.

Outlays Measures

Policy decisions taken in the period since the MYEFO (up to and including the 1997-98 Budget) reduce underlying outlays in net terms by \$87 million in 1997-98 and by around \$1 billion in 1998-99.¹⁶

It should be noted, however, that these estimates include the effect of spending decisions for which provision had already been included in the 1996-97 Budget in the Contingency Reserve.

- While the Government's decisions to provide funding for the environment from 1997-98 (through the NHT) and to legislate the commitment to maintain pensions at 25 per cent of MTAWA have been treated in this Budget as new spending decisions, they do not increase underlying outlays because of the allowance in the Contingency Reserve included in the 1996-97 Budget.

Excluding decisions for which an allowance was previously set aside, net outlays policy decisions since the MYEFO provide for a significant reduction in underlying outlays in 1997-98 and across the outyears.

Table 7 provides a summary of the major savings measures affecting underlying outlays, while Table 8 outlines the major spending measures.

In total, net outlays savings measures in the period since the 1996-97 Budget, after providing funding for new spending measures of \$1 billion in 1997-98 and \$1.6 billion in 1998-99, reduce underlying outlays by \$486 million in 1997-98, and \$797 million in 1998-99.

The most significant saving measure reflects the Government's decision on the 'LAW' tax cuts (shown as outlays when they were proposed as matching Government superannuation contributions) which will not be paid as outlays but part of which will be redirected to a new savings rebate implemented through the tax system. This measure reduces outlays by \$1.1 billion in 1998-99, \$2.4 billion in 1999-2000 and \$4 billion in 2000-01.

¹⁶ Includes public debt interest savings from measures affecting the headline balance.

Other key savings decisions include:

- enhancements in the delivery of public goods and services, including through outsourcing certain services;
- improved administration of social security and health payments; and
- reforms to arrangements for rent relief and funding of public housing.

The savings measures contribute significantly to the fiscal consolidation task and also enable the Government to undertake some new outlays measures including:

- an increase in the rate of Domiciliary Nursing Care Benefit and the extension of Carer Payment;
- the establishment of a Federation Fund to finance projects of national significance to mark the Centenary of Federation; and
- the establishment of the pilot 'Work for the Dole' scheme.

A full description of all 1997-98 Budget outlays measures can be found in Part I of *Budget Paper No. 2*.

Table 7: Major Savings Measures Introduced Since the 1996-97 Budget

Description of Measure	Effect on Underlying Outlays			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
SAVINGS MEASURES				
<i>Measures introduced in the 1997-98 Budget</i>				
Delivery of the 'LAW' tax cut commitment as a savings rebate	1	-1079	-2414	-3980
Therapeutic group premiums	-44	-167	-184	-199
Efficiencies in Whole of Government Information Technology Infrastructure	0	-38	-90	-104
A Planning System to influence the location and supply of new child care places with annual limit of 7000 new private places for 1998 and 1999 only	-10	-42	-72	-83
Rental Assistance to people living in public housing - remove double subsidy	-21	-58	-60	-62
Rural Adjustment Scheme	-46	-44	-50	-55
Funding arrangements under the Commonwealth State Housing Agreement	-50	-50	-50	-50
Introduce a Bonus Plan for persons deferring retirement	4	-21	-42	-42
Improvements to the Data-matching Program and increased review activity	-16	-32	-39	-40
Refocussing the General Practice Strategy on outcomes	-34	-28	-38	-40
Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule	-12	-31	-35	-40
Improve targeting of Children's Services Programme to work related care	-3	-15	-25	-34
Revised funding arrangements for repairs, maintenance and refurbishment of properties remaining in Commonwealth ownership	-47	-52	-8	-30
Increase Australian Taxation Office Employment Declaration Form matching with Department of Social Security data	-28	-27	-28	-29
Phased abolition of the Higher Education Commonwealth Industry Places Scheme	-5	-17	-23	-23
Benchmarking efficiencies in Vocational Education and Training Grants to the States	-10	-20	-21	-21
Maintain Local Government General Purpose Assistance Grants in real terms - Determination of 1997-98 Payment	-15	-15	-16	-16
Adjust Medicare Benefits for some optometrical consultations	-8	-14	-15	-16
Other(a)	-439	-590	-878	-846
Sub total	-783	-2341	-4088	-5710
<i>Measures introduced up to the 1997-98 Budget</i>				
Restructure of Australian National Railways Commission	nfp	nfp	nfp	nfp
Proceeds from sale of additional spectrum	nfp	nfp	nfp	nfp
Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group)	nfp	nfp	nfp	nfp
Other	15	-13	-1	-1
Sub total	-679	-6	0	0
Total Savings Measures	-1462	-2347	-4088	-5709

(a) Includes public debt interest savings of decisions.

Table 8: Major Spending Measures Introduced Since the 1996-97 Budget

Description of Measure	Effect on Underlying Outlays			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
SPENDING MEASURES				
<i>Measures introduced in the 1997-98 Budget</i>				
Establishment of the Federation Fund	0	100	200	300
Natural Heritage Trust of Australia Reserve(a)	162	265	273	255
Sydney 2000 Games - Olympics and Paralympics	4	63	75	68
Integrated Rural Policy Package	45	46	52	55
Continuation of funding for the Australian Film Finance Corporation	0	48	48	48
Changes to entry level training employer incentives	-1	6	16	30
AQIS - Implementation of Reviews and Reports	28	31	33	28
Additional accommodation support places for people with disabilities and their families	6	12	18	18
Aboriginal and Torres Strait Islander Affairs Agencies funding arrangements - Guaranteed funding with an increased base	15	15	16	16
Additional funding for the Federal Court and the National Native Title Tribunal for workload increases and amendments to the Native Title Act 1993	16	15	15	15
Renewal of the National Mental Health Strategy	0	8	12	9
Higher education restructuring and rationalisation package	10	7	4	4
Extension of application of the Shipbuilding Bounty	8	21	1	0
Work for the Dole Initiative	17	5	0	0
Provision of funding to the Australian Electoral Commission for the cost of the election of delegates to the Constitutional Convention	24	0	0	0
National Public Health - Continuation of Public Health Programmes	12	22	0	0
Extension of funding for palliative care	15	0	0	0
Other	193	175	181	176
Sub total	553	840	944	1023
<i>Measures introduced up to the 1997-98 Budget</i>				
Maintain the single rate of pension at 25% of MTAW(a)	64	450	700	1030
Extension of real per capita guarantee on Financial Assistance Grants to the States and Territories	0	0	202	207
Application of time limits to the recovery of certain debts	24	66	69	70
Regional Telecommunications Infrastructure Fund	50	50	50	50
Enhanced assistance to the pharmaceutical industry	0	0	23	49
Amendments to migrant two-year waiting period for social security payments	114	60	43	43
Amendments to activity test penalty periods for Newstart Allowance	32	30	32	29
Additional funding for Natural Heritage Trust of Australia Reserve	25	25	25	25
Small Business Statement	7	9	5	5
Drought - extension of recovery period	33	0	0	0
Australian Leather Holdings Ltd Package	13	13	0	0
Extension of the operation of the shipbuilding bounty to 31 December 1997	10	0	0	0
Other	52	6	38	39
Sub total	422	710	1186	1547
Total Spending Measures	976	1550	2131	2570
TOTAL IMPACT OF ALL MEASURES	-486	-797	-1957	-3140

(a) An allowance was included in the Contingency Reserve for these items in the 1996-97 Budget.

REVENUE

Table 9 provides estimates of budget sector revenues for 1996-97 to 2000-01.¹⁷

Table 9: Summary of Budget Sector Revenue

	1996-97		1997-98	1998-99	1999-00	2000-01
	Budget	Revised	Estimate	Projection	Projection	Projection
Total tax (\$m)	125028	124363	129433	138248	146191	154796
<i>Real growth on previous yr (%)</i>	4.5	4.5	2.0	4.2	3.3	3.3
<i>Per cent of GDP</i>	24.3	24.2	23.8	24.0	23.9	23.9
Non-tax (\$m)	5132	5263	3918	4135	4139	4114
<i>Real growth on previous yr (%)</i>	-5.9	-3.0	-27.0	2.9	-2.2	-3.0
<i>Per cent of GDP</i>	1.0	1.0	0.7	0.7	0.7	0.6
Total revenue (\$m)	130160	129625	133351	142383	150330	158911
<i>Real growth on previous yr (%)</i>	4.0	4.1	0.9	4.1	3.1	3.1
<i>Per cent of GDP</i>	25.3	25.2	24.5	24.7	24.6	24.5

Over the period 1997-98 to 2000-01 total revenue is expected:

- in real terms, to increase slightly in 1997-98, and pick-up significantly in the outyears; and
- as a proportion of GDP, to fall to 24½ per cent in 1997-98 and remain broadly at around that level over the outyears.

Revenue measures since the 1996-97 Budget have a small net impact on revenues in 1997-98 and 1998-99, and, with the full phasing in of the savings rebate, detract strongly from revenues thereafter.

Table 10 reconciles revenue estimates at the time of the 1996-97 Budget, the MYEFO and the 1997-98 Budget in terms of policy decisions and parameter and other variations.

At the time of the MYEFO, the revenue estimates were revised downwards substantially. This primarily reflected downward revisions to company tax revenues as a result of lower than anticipated collections in 1996-97. Some large companies used stock valuation options to take advantage of the lower company tax rate applying to the 1994-95 income year. Company tax revenue in 1997-98 was expected to recover with the end of these one-off tax planning activities. In addition, lower inflation than forecast at budget time and a more favourable outlook for wages reduced revenue. Slightly lower forecast consumption also reduced expected revenue from sales tax and excise.

¹⁷ More detail on the budget revenue estimates is contained in Statement 5, while historical data on revenue are at Appendix E of this Statement. Details on Commonwealth general government sector revenues are at Appendix F of this Statement.

Table 10: Reconciliation of Budget and Forward Estimates of Revenue in Aggregate

	1996-97	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Revenue at 1996-97 Budget	130160	137063	145322	155729
Changes from 1996-97 Budget to MYEFO				
Policy decisions	-42	-93	-107	-116
Parameter and other revisions	-1345	-3459	-3517	-4300
Total variations	-1387	-3552	-3624	-4416
Revenue at 1996-97 MYEFO	128773	133511	141698	151313
Changes from 1996-97 MYEFO to 1997-98 Budget				
Effect of reclassifications	10	10	10	10
Policy decisions(a)	0	39	192	-1182
Parameter and other revisions	843	-209	483	189
Total variations	853	-160	685	-983
Revenue at 1997-98 Budget	129625	133351	142383	150330

(a) Includes recastings of pre-MYEFO decisions.

In the period since the MYEFO, the outlook for revenue has generally improved. This reflects stronger than expected collections for some revenue items (including other individuals tax and company tax) in 1996-97 and some favourable movements in economic parameters. Overall in 1997-98, however, parameter and other revisions have detracted slightly from revenue. This reflects a lower than expected dividend from the RBA and weaker parameter growth for certain revenue items.

Revenue Measures

In keeping with the Government's commitments, this Budget does not introduce new taxes or increase existing tax rates. The Government's policy emphasis in the 1997-98 Budget has been on protecting the tax base and addressing anomalies in the tax system. The primary purpose of many of the revenue measures is to prevent risks to the revenue estimates and therefore the fiscal outlook that would otherwise emerge.

Revenue policy decisions in the period since the 1996-97 Budget have little impact in 1997-98, increase revenue slightly in 1998-99, but reduce revenue substantially from 1999-2000 with the introduction of the savings rebate. The decision to introduce a savings rebate scheme through the taxation system is expected to decrease revenue by \$350 million in 1998-99 rising to \$1.4 billion in 1999-2000 (the first full year of implementation).

The Government has taken action in the 1997-98 Budget to remove or wind back some tax incentives, as well as replacing one with a more effective outlays measure. Appendix C discusses in more detail the revenue impacts associated with concessional taxation treatment of specific groups and/or activities.

Table 11 provides a summary of all revenue measures introduced up to and including the 1997-98 Budget. A full list of revenue measures is included in Appendix A of Statement 5 and described in full in *Budget Paper No. 2*.

The major measures include:

- The taxation rebate for savings.
- Revenue protection/tax avoidance and minimisation measures, such as:
 - changes to the system for taxing foreign source income to reduce the incentive for Australians to locate highly mobile assets and income offshore purely for taxation reasons; and
 - other tax base protection measures introduced in relation to: trust losses; taxation of distributions disguised as loans from private companies; dividend streaming; franking credit trading; passive income of life and general insurance companies; and fuel substitution minimisation.
- Changes to tax incentives, such as:
 - the introduction of a tax rebate to continue Commonwealth support of private sector infrastructure provision: this will replace the Infrastructure Borrowings (IBs) tax concession for which, as previously announced, further certificates cannot be issued (and existing certificates cannot be re-engineered) from 14 February 1997;
 - changes to the capital gains tax cost base provisions to prevent double tax deductions that can arise in respect of certain types of capital expenditure; and
 - removal of the tax exemption for payments under the Commonwealth Rebate for Apprentice Full-Time Training scheme with the revenue used to fund changes in entry level training incentives delivered through outlays.
- Changes to withholding tax arrangements, such as:
 - changes to the timing of payment of income tax amounts withheld by business under the Pay-As-You-Earn (PAYE), Prescribed Payments System and Reportable Payments System arrangements.

Table 11: Summary of Revenue Measures Introduced Since the 1996-97 Budget

Description of Measure	Estimated Change in Revenue(a)			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
MEASURES INTRODUCED IN THE 1997-98 BUDGET				
<i>Superannuation and savings</i>				
Taxation rebate for savings(b)	-	-350	-1370	-2040
Improvements to Superannuation Preservation Arrangements	-	-	-35	-105
Other superannuation and savings measures(c)	-24	-50	-26	-22
<i>Revenue protection/tax avoidance and minimisation</i>				
Trust losses	5	15	20	20
Taxation of distributions disguised as loans from private companies	2	50	30	30
National Crime Authority investigations	-	40	40	-
Taxation of foreign source income	-	150	150	150
Revenue savings through fuel substitution minimisation	13	25	25	25
Other(d)(e)	-	10	10	10
<i>Tax incentives</i>				
Infrastructure Borrowings tax rebate	-38	-75	-75	-75
Medicare levy low income thresholds — 1997-98	-3	-35	-18	-18
Conversion of the CRAFT tax expenditure to outlays	-	35	45	55
Other(f)	-5	..	-	-
<i>Other</i>				
Withholding tax arrangements	-	330	-	-
Hire purchase arrangements — balancing adjustment	5	30	20	25
Capital gains tax cost base provisions	5	80	120	125
Special dividend from Australia Post	80	80	-	-
Other	31	56	58	62
	71	391	-1006	-1758
MEASURES INTRODUCED UP TO THE 1997-98 BUDGET(g)				
<i>Small business</i>				
Capital gains tax measures(h)	-	-175	-180	-180
Fringe benefits tax measures(i)	-30	-75	-55	-55
<i>Revenue protection/tax avoidance and minimisation(j)(e)</i>				
Other	-95	-56	-57	-53
	-125	-306	-292	-288
Total Impact of all Measures	-54	85	-1298	-2046

- (a) A minus sign before an estimate indicates a reduction in revenue; no sign before an estimate indicates a gain to revenue.
- (b) This measure will reduce outlays compared with forward estimates for matching Government superannuation contributions as described in the 1995-96 Budget. The net fiscal impact of implementing the savings rebate, but not going ahead with matching Government superannuation contributions, will be positive.
- (c) Includes superannuation measures regarding: freezing the trustee tax rate for friendly societies; broadening the definition of 'complying' pensions and annuities in the Superannuation Industry (Supervision) Regulations; choice of superannuation fund; opting out of the Superannuation Guarantee system; and some preservation measures.
- (d) Includes measures regarding: taxation of trusts; trading in franking credits and dividend streaming; passive income of life and general insurance companies; and the interaction of controlled foreign company measures and capital gains tax provisions.
- (e) These measures will protect the revenue base used for the forward estimates by removing opportunities for significant future expansion of tax minimisation practices. In the absence of these measures there generally would be a significant revenue loss compared to the forward estimates. In some cases, there will also be an unquantifiable revenue gain to the extent of any existing tax minimisation.
- (f) Includes measures regarding: provisional tax exemption for pensioners and tax deductibility for Constitutional Convention election expenses.
- (g) Includes measures amended or rejected by the Senate up to the 1997-98 Budget.
- (h) Includes measures regarding: capital gains tax (CGT) rollover relief for small business — removal of like kind test and extension of rollover relief through shares; and CGT exemption on the sale of a small business for retirement.
- (i) Includes measures regarding: fringe benefits tax (FBT) car parking and record keeping exemptions; and extension of FBT taxi trips exemption.
- (j) Includes measures regarding: preventing future access to the IBs tax concession; taxation of foreign dividends paid on finance shares; life insurance companies' exempt and taxable income; and capital losses — denial of artificially created losses.

APPENDIX A: STATEMENT OF RISKS

OVERVIEW

The forward estimates of revenue and outlays in the Budget Papers incorporate assumptions and judgements based on information available at the time of publication.

A range of factors may influence the actual budget outcome in future years. The Charter of Budget Honesty Bill 1996 requires these to be disclosed in a Statement of Risks in each Economic and Fiscal Outlook Report. The purpose of this report is to increase the transparency of the fiscal projections.

Events which could affect fiscal outcomes include:

- changes in economic and other parameters;
- matters which have not been included in the fiscal forecasts because of uncertainty about their timing, magnitude, or whether they will eventuate; and
- the realisation of contingent liabilities.

Economic and Other Parameters

The major factor influencing expected outlays and revenues in any year is typically changes in forecasts of economic and non-economic parameters. Over the past decade, differences between the economic parameter forecasts and outcomes have tended to be random in their effect on the budget balance. Differences in non-economic (programme-specific) parameter forecasts and outcomes, however, have been strongly biased towards an understatement of outlays in recent years. The sensitivity of the estimates to major economic parameters (but not other parameters) is discussed in Appendix B. Part I of this Statement discusses the economic outlook and identifies risks affecting major components.

Programme-specific parameters are specific assumptions underpinning specific programme estimates, eg client numbers and/or average rates payable on family payments, family tax payments and disability support pension programmes.

The projected values for programme specific parameters are determined jointly with the relevant spending portfolio, drawing on trends in actual payments and information which the portfolio is able to provide on the impact of policy changes on the programme estimates. Forecasting of programme-specific parameters has been complicated by substantial policy changes in the past decade.

Fiscal Risks

Fiscal risks are general developments or specific events which may have an effect on the fiscal outlook. In some cases, the events will simply raise the possibility of some fiscal impact. In other cases, some fiscal impact will be reasonably certain, but it will not be included in the forward estimates because the timing or magnitude is not known. Fiscal risks may affect both outlays and revenue and may be positive or negative.

Specific sources of fiscal risk include:

- litigation currently before the courts; and
- possible Senate rejection of budget measures.

Some fiscal risks are reflected in the Outlays Contingency Reserve and are therefore included in the aggregate outlays figuring. The Contingency Reserve is an allowance included in aggregate outlays to reflect anticipated events which cannot be assigned to individual programmes at budget time. These items are not also included in the Statement of Risks. Fiscal risks in the Contingency Reserve include expected running costs carryovers from 1997-98 to 1998-99 and allowances for the established tendency for estimates of some programme expenditure to be overstated in the budget year and understated in the forward years.

Matters that are not currently under active consideration by government or pressure from interests outside the government for changes in spending levels are not treated as fiscal risks.

Details of known fiscal risks which may have an impact on fiscal forecasts but are not reflected in the forward estimates in the Economic and Fiscal Outlook are provided below.

Contingent Liabilities

Contingent liabilities differ from fiscal risks in that they are generally more readily quantifiable and clearly defined.

Contingent liabilities are defined as costs the Government will have to face if a particular event occurs. They include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort.

The Commonwealth's major exposures to contingent liabilities arise out of legislation providing guarantees over certain liabilities of Commonwealth controlled financial institutions (ie the RBA, Australian Industry Development Corporation, Housing Loans Insurance Corporation and Export Finance and Insurance Corporation) and the now fully privatised Commonwealth Bank of Australia. Other substantial non-loan guarantees include guaranteed payments from Telstra Corporation Ltd to the Telecom Superannuation Scheme.

The strategies for managing these exposures are aimed at ensuring the underlying strength and viability of the entities with respect to which guarantees have been provided so that the guarantees are not triggered. Similar strategies apply to entities not subject to explicit guarantees.

This is achieved through, for example:

- the appointment of specialist boards to manage the entities in accordance with sound business practice;

- specific oversight of the businesses by a Minister with responsibilities set down in establishing legislation (or the Memoranda and Articles of Association in the case of Corporations Law companies);
- general monitoring and oversight of all government business enterprises by the Minister for Finance and Cabinet under Government Business Enterprise (GBE) monitoring arrangements; and
- where applicable, prudential oversight by the RBA, the Insurance and Superannuation Commission and the Australian Securities Commission.

The Government has commissioned an independent review of governance and other arrangements applying to GBEs. Risk exposure is addressed as part of the terms of reference. The report has been finalised and the Government is currently preparing a response to allow any new arrangements adopted to come into effect from 1 July 1997.

Other arrangements are in place governing the entering into and monitoring of contingent liabilities such as indemnities and uncalled capital. Uncalled capital is primarily associated with international financial institutions such as the International Bank for Reconstruction and Development, the Asian Development Bank and the European Bank for Reconstruction and Development. Arrangements concerning uncalled capital are approved by Parliament and reports on the institutions are provided annually by the Government to Parliament.

Consistent with ABS standards, transactions concerned with the management of international reserves and the monetary system are classified as financing transactions (and do not impact on the deficits). Therefore, contingent liabilities (and assets) with the IMF are not shown here.

The issue of indemnities and other similar undertakings by Commonwealth agencies is primarily governed by the Finance Directions issued under the authority of the *Audit Act 1901* and related policy guidelines issued by the Department of Finance. The policy guidelines covering indemnities have been reviewed and will be re-issued. The guidelines will be prepared in consultation with the Australian National Audit Office (ANAO) and the Attorney-General's Department and will be extended to cover guarantees and letters of comfort. The guidelines will reflect recommendations contained in the ANAO Report *Commonwealth Guarantees, Indemnities and Letters of Comfort* (No. 6 of 1996-97).

DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES

Fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year or \$40 million over the forward estimates period are listed below. Information on fiscal risks takes account of decisions of Parliament and other developments up to the close of parliamentary business on 31 March 1997. Information on contingent liabilities is based on information provided by departments and agencies and is current to 31 March 1997.

This is the second Statement of Risks for the Commonwealth General Government Sector, following that published in the MYEFO. Information on contingent liabilities is provided in annual financial statements of departments and non-budget entities.

Fiscal Risks

Outlays

Hospital Funding under Current Medicare Agreements — Two Per Cent Review

In accordance with the current Medicare Agreements, a review is currently being conducted by the Commonwealth, in consultation with the States, as a result of a decline of more than two percentage points in the private health insurance participation rate since September 1994. The cost of the resultant demand transfer to public hospitals has been estimated to be in the range of \$38 million to \$124 million per annum. The review will consider the demand transfer estimate in the context of overall changes in Commonwealth and State outlays on hospital services and other relevant factors and is expected to be finalised in 1996-97. A similar review in respect of the 2.1 per cent decline in the private health insurance participation rate from June 1993 to September 1994 did not result in an increase in Commonwealth outlays.

Renegotiation of Medicare Agreements

The current Medicare Agreements between the Commonwealth and the States for the provision of hospital funding grants expire on 30 June 1998. The basis for Commonwealth and State cost sharing beyond 1997-98 is to be renegotiated. This will involve a reassessment of the basis on which the Commonwealth and States currently share the risk of demand and cost for hospital services and may therefore result in a change to the Commonwealth funding contribution. The magnitude and direction of any such change in funding arrangements is unknown at this stage.

Pharmaceutical Benefits Scheme — Major New Listings

Cabinet approval is required when the cost of the listing of new drugs under the Pharmaceutical Benefits Scheme is over \$10 million. New drugs can only be listed after an assessment of comparative effectiveness and value for money. The listing of these high-cost new drugs between now and 2000-01 has the potential to add up to \$200 million in total over four years to Commonwealth outlays.

Industry Commission Report into Private Health Insurance

In September 1996, the Government commissioned the Industry Commission to conduct an inquiry into private health insurance and report its findings by the end of February 1997. The Commission's final report includes twenty-two recommendations which may impact on the competitiveness, productivity, efficiency and cost effectiveness of the private health insurance industry in the short to medium-term, resulting in a net increase in the proportion of the population covered by private health insurance. Although the Government has issued an interim response, the Government is still considering its final response to these recommendations. However, there is a potential impact on Commonwealth health outlays if some of the recommendations are adopted.

The magnitude and direction of any change in Commonwealth health expenditure is unknown at this stage.

National Measles Eradication Programme

On 25 February 1997, the Minister for Health and Family Services foreshadowed the development of a one-off school based catch-up programme for measles immunisation. Feasibility studies are expected to be finalised by the end of 1997. The programme could be implemented in late 1998. Detailed costings are not available at this stage. However, it is estimated that a programme of this type could cost around \$30 million.

Mortimer Review of Business Assistance

In November 1996, the Government asked Mr David Mortimer to undertake a comprehensive review of business assistance programmes with a view to ensuring that industry has available a targeted and effective suite of programmes which best meets its needs. The Mortimer Review of Business Assistance is expected to report to the Government in June 1997. The likely fiscal impacts of the Review are not known at this stage.

Native Title Cost Sharing

The Commonwealth has offered to assist States and Territories in meeting costs associated with their validation of past Acts under legislation complementary to the *Native Title Act 1993*. The extent of Commonwealth payments to the States pursuant to this offer will depend largely on the States' own liabilities to pay compensation to native title holders. Those liabilities cannot be quantified at this time. The Commonwealth has also offered to assist States and Territories with the costs of alternative arbitral bodies and regimes approved under the Act. The extent of this assistance will depend on decisions to establish such bodies and regimes, the timing of their recognition and the extent of their use.

Delay in Senate Consideration of Social Security 1996-97 Budget Measures

Loss of savings may result from delay in passage or amendment of the Minister for Social Security's revised proposals to change the Newstart Allowance activity test penalty provisions and to introduce new impairment tables for use in the assessment of Disability Support Pension.

R G Casey Building, York Park

The Commonwealth is currently in litigation with the Stage 1 contractor for the R.G. Casey Building, York Park. The contractor filed a Statement of Claim before the Federal Court in 1995 totalling \$26.1 million. It is expected the case will not be heard by the Court until late 1998.

Litigation Cases in Train — Department of Health and Family Services

The Department of Health and Family Services is involved in around 100 cases covering a wide range of litigation, in which the cases have yet to be resolved or cases have been

heard but damages and costs have yet to be awarded. The litigation involves: Creutzfeldt-Jakob disease; Acquired Immune Deficiency Syndrome; tobacco; Rehabilitation Services; benefit payments; defective products; and the Department as an employer. It is not possible to quantify the liability arising from these cases.

Litigation by Western Mining Corporation (WMC)

WMC won a Federal Court case challenging the Commonwealth for loss of property rights in relation to its loss of permit for oil exploration in the Timor Gap (following a rezoning of the area). The Commonwealth has been granted leave to appeal the decision by the High Court and the case is expected to be heard around mid 1997, with a decision by the end of 1997.

Compensation claims — Finalisation of Acquisition of Properties for the Second Sydney Airport at Badgerys Creek

Compensation claims relating to properties acquired for the proposed second Sydney Airport at Badgerys Creek which have not been finalised at 31 March 1997 give rise to a risk of \$41.1 million. The properties were acquired under the *Lands Acquisition Act 1989*.

Separation of Aboriginal Children from their Families in the Northern Territory

Earlier laws, policies and practices led to the separation of many Aboriginal and Torres Strait Islander families. Legal actions are under way against the Commonwealth concerning the separation of Aboriginal children from their families in the Northern Territory. The plaintiffs are claiming damages and if any or all of the actions are successful, the Commonwealth may be liable for payments.

Australian Nuclear Science and Technology Organisation (ANSTO) Spent Fuel Elements

There are in excess of 1600 spent nuclear fuel elements stored at Lucas Heights and storage is reaching capacity. The cost of disposition of current holdings, beyond what is already provided for in the estimates for storage relief, is in the order of \$80 million.

Diesel Fuel Rebate Scheme — Major Litigation

Legal action through the Administrative Appeals Tribunal and the Federal Court is being pursued by a range of companies involved in quarrying activities for payment under the Diesel Fuel Rebate Scheme in respect of diesel fuel used in the extraction of sand and rock undertaken prior to 1 July 1995. Possible claims on the Commonwealth from a successful legal challenge could amount to some \$90-\$100 million. The *Excise Act 1901* and the *Customs Act 1901* were amended with effect from 1 July 1995 to remove sand and rock extraction from eligibility under the Scheme.

AUSTUDY/ABSTUDY Supplement Loan

The Commonwealth currently has an agreement with the Commonwealth Bank of Australia to provide loans to tertiary students under the AUSTUDY/ABSTUDY

Supplement Loan scheme. The agreement expires on 31 December 1997. Should the agreement not be renewed, AUSTUDY/ABSTUDY outlays would increase as a result. The scheme will be reviewed in the coming months with the outcomes, including any fiscal implications, to be considered by Cabinet before December 1997.

Revenue

General Risks

The forward estimates of revenue are subject to a number of general pressures or risks. These general pressures or risks include: tax minimisation and avoidance; financial innovation; internationalisation; developments in communications technology; changes in PAYE arrangements and personal services income; the treatment of trusts; changes in community expenditure patterns; taxpayer behavioural responses; and court decisions. Tax concessions (or 'tax expenditures') are particularly susceptible to these pressures and risks. These general risks may result in a shift in the composition of revenue collected from the various tax bases and/or an erosion of the tax base.

Tax minimisation and avoidance involves the use of provisions and 'loopholes' in the tax law which were not intended by policy-makers. With evidence of greater taxpayer focus on tax avoidance and minimisation schemes, and in the absence of closing these off, the revenue base will shrink relative to that projected in the forward estimates. The Government will continue to take legislative action to close off such schemes as they are identified. In addition, the Australian Taxation Office (ATO) will continue to undertake extensive compliance enforcement work, including pursuing matters through the courts, to maintain the integrity of the tax system.

Financial innovation has increased dramatically during the past two decades and the tax system has generally not kept pace with these innovations. As a result, uncertainty has arisen over the application of existing laws to new and often complex financial arrangements and the scope for tax minimisation and avoidance through the application of financial arrangements has expanded. Ideally, the tax laws relating to financial arrangements should not create uncertainty and anomalies, should not inhibit innovation or the capacity of industry to efficiently and effectively manage risks, and should not facilitate tax minimisation and avoidance. An issues paper on the taxation of financial arrangements was released by the Treasury and the ATO in late 1996 and public discussion and submissions from interested groups on the proposals are ongoing.

The **internationalisation** of the Australian economy also introduces a general risk to the forward estimates of revenue. Income tax collections from capital are subject to increasing downward pressure due to the relatively free international flow of capital, intra-corporate transfer pricing and 'tax competition' among jurisdictions. Similarly, income tax collections from labour are coming under increasing downward pressure as labour becomes more internationally mobile and subject to tax competition. The increasing global integration of economies also means the integrity of each country's tax system will increasingly rely on international co-operation on tax matters.

Developments in **communications technology**, such as the Internet, also raise a general risk to the forward estimates of revenue. Such developments may allow the purchase or sale of an increasing number of goods and services — including the provision of labour

services — in a way which avoids the traditional tax bases (and indeed most alternative, reasonably sophisticated, tax bases). Such developments pose a major challenge in tax system design in most countries.

Changing taxpayer practices affecting **PAYE arrangements and personal services income** could also have significant consequences for the revenue estimates. Certain labour market practices involving the replacement of traditional common law employer/employee relationships with labour or result-based contracts are outside the scope of the PAYE provisions in the income tax law and must be taxed through other arrangements. In other cases, individuals may interpose an entity (eg a company) through which they provide personal services with the intention of ‘alienating’ the personal services income received. Alienation occurs where an individual performs work (personal service) but the relevant income is received by the interposed entity and either retained in the entity or distributed to other individuals (eg family members) who did not contribute to the work. In response to these trends, the Commissioner of Taxation will take the necessary steps to safeguard the intended operation of the law in these areas, including, where necessary, testing the law in the courts.

The tax treatment of **trusts** is another area of significant revenue risk, given the scope for trusts to be used to reduce tax liabilities and the reality of their modern day usage. As announced in the Budget, the Government will be reviewing the taxation of trusts.

Changes in **community expenditure patterns** are a further general risk in any tax system with differing tax rates. For example, the trend decline in expenditure on goods relative to services, moderate growth in alcohol and tobacco consumption and less intensive use of petroleum products exert downward pressure on the forward estimates of indirect tax revenue. These trends are allowed for in the estimates — it is only departures from the assumed trends that pose a risk.

Court decisions also increase the risk that revenue will be lower or higher than anticipated. Court decisions can affect the interpretation of tax legislation and, in the absence of Government action, can significantly change the level of revenue collected under that legislation.

Tax expenditures are particularly at risk of being exploited in an inappropriate manner, which can also have a significant effect on the forward estimates of revenue. The Government receives a steady stream of calls for new tax expenditures to be granted. If further tax expenditures are granted, the forward estimates of revenue will be adjusted downwards. Equally, if any existing tax expenditures are wound back, the forward estimates of revenue will be adjusted upwards. The Government has indicated that all tax expenditures will be subject to ongoing monitoring and evaluation to determine whether they remain relevant to meeting the Government’s priorities.

Apart from the above-mentioned general risks which could have a cumulative impact over time, there are general risks to the forward estimates which could have a significant effect in any one year but not necessarily a cumulative effect over time. In any one year revenue will be influenced by a number of factors, including, for example, the degree to which companies and individuals realise losses and capital gains, the valuation of stock, the utilisation of specific tax expenditures and taxpayer behavioural responses to revenue measures. Such factors can have a particularly significant effect on company tax collections and the revenue forgone through tax expenditures. Generally, such factors are not, by their nature, able to be forecast with a high degree of certainty.

Specific Risks

There are also a number of specific risks to revenue that are currently the subject of ongoing analysis and evaluation by the Treasury and the ATO. Such risks can include, for example, specific tax minimisation and avoidance schemes. Early detection and Government response to such risks is desirable. It would be inappropriate to explicitly identify such current specific risks until the Government is in a position to respond to the risks. To do so may compromise the Government's policy response and magnify the downside risks to the forward estimates of revenue.

The Government has announced a number of measures to date which have already been factored into the forward estimates of revenue but are yet to be passed by Parliament. Should the passage of legislation relating to these measures be delayed, amended or rejected, the forward estimates will need to be appropriately adjusted. Legislation relating to some of these measures is discussed below.

The Taxation Laws Amendment (Infrastructure Borrowings) Bill 1997 was introduced into Parliament on 26 March 1997. The Bill prevents, with effect from 12.00 pm, 14 February 1997: the lodging of any new **Infrastructure Borrowings** (IBs) applications; the issue of any further IB certificates (except where, prior to that time, the Development Allowance Authority had given a written undertaking to issue a certificate); and re-engineering (including amendment) in respect of existing certificates to increase tax benefits. If this legislation is rejected or substantially amended, a cost to revenue of over \$4 billion may be involved over the three years 1996-97 to 1998-99.

The Government has decided to implement its commitment to provide eligible taxpayers a choice between accelerated deductions for **Landcare works** under sections 75B and 75D of the *Income Tax Assessment Act 1936* or a tax rebate/credit set at the marginal tax rate of 34 cents in the dollar for qualifying expenditure. This will be implemented through the establishment of the Natural Heritage Trust of Australia Reserve arising from the partial privatisation of Telstra.

In the 1996-97 Budget, the Government introduced a **surcharge on superannuation contributions of high income earners**. The surcharge, of up to 15 per cent on all employer and tax deductible personal contributions made to superannuation funds or Retirement Savings Accounts, will be phased in over the income levels of \$70,000 to \$85,000. The surcharge will effectively increase by 1 percentage point for each additional \$1,000 of income from \$70,000.

As the legislation to introduce the superannuation surcharge has not yet been passed by the Parliament, there remains a risk that the measure will not progress to implementation. If this were to occur, the total cost to revenue over the next three years would be \$1,480 million. There is also the risk that the provision for advance instalment of surcharge liabilities may be opposed. If this occurred, the total cost to revenue would be \$240 million over the next three years. Some revenue may also be at risk if amendments to the legislation make it limited in application or workability.

Contingent Liabilities

Quantifiable

Commonwealth Indemnity Scheme

The Commonwealth has provided indemnities to the owners of artworks against loss of, or damage to, those artworks whilst they are on loan to galleries participating in exhibitions organised under the Scheme. The global limit on indemnities as at 31 March 1997 was \$1,000 million and the actual amount indemnified was approximately \$345.6 million.

Telstra Corporation Ltd — Loan Guarantee

The Commonwealth has guaranteed loans taken out by Telstra Corporation Ltd. The principal amount covered by the guarantee as at 31 March 1997 was \$379 million.

Australian Broadcasting Corporation

The Commonwealth has guaranteed loans totalling \$206.5 million drawn by the Corporation. These loans were largely used to meet costs relating to the construction of premises for the Corporation at Southbank (Melbourne) and Ultimo (Sydney).

Special Broadcasting Service

The Commonwealth has guaranteed loans totalling \$39 million drawn by the Corporation. These loans were used to pay for refurbishment and enhancement of the Corporation's premises at Artarmon in Sydney.

Defence Housing Authority

Private sector borrowing by the Defence Housing Authority is explicitly guaranteed by the Commonwealth under Section 38 of the *Defence Housing Authority Act 1987*. The value of loans guaranteed at 31 March 1997 was \$534 million, but after the repayment of \$189 million on 1 April 1997 this fell to \$345 million.

AUSTUDY/ABSTUDY Supplement Loan

The AUSTUDY Loans Supplement is a voluntary loan scheme which enables tertiary students to obtain additional financial assistance to enable them to meet their living expenses while studying. The loans are negotiated with the Commonwealth Bank of

Australia and guaranteed by the Commonwealth. As at 31 March 1997, the value of such loans was \$927.9 million.

Sale of Snowy Mountains Engineering Corporation (SMEC)

An indemnity has been given to SMEC in a Deed of Undertaking from the Commonwealth to Tinbury Ltd. The Deed provides an undertaking by the Commonwealth to Tinbury Ltd that if within five years of the sale of SMEC, SMEC goes into liquidation, the Commonwealth will pay \$1 million to Tinbury Ltd. This indemnity was issued on 9 November 1993 and will terminate on 8 November 1998.

Northern Territory Government Loans

Loans of the Northern Territory Government (Private Treaty Loans, Public Loan Flotations, and Private Placement of Northern Territory Stock) are covered by Commonwealth guarantee under sections 47 and 47A of the *Northern Territory Self Government Act 1978*. As at 31 March 1997 the value of these loans was \$202.8 million.

The payment of interest on the money borrowed by the Northern Territory Government is also guaranteed. At 31 March 1997 no interest payments were overdue.

Australian Industry Development Corporation (AIDC)

As at 31 March 1997, AIDC contingent liabilities totalled \$4,005 million comprising \$909 million in respect of guarantees and credit risk facilities and \$3,096 million in respect of borrowings by the Corporation which are subject to a Commonwealth guarantee. Of the AIDC's borrowings, \$168 million is invested in Commonwealth assets. These assets have been netted off the gross borrowings in determining the above liabilities.

Export Finance and Insurance Corporation (EFIC)

The Commonwealth guarantees the due payment by EFIC of money that is, or may at any time become, payable by EFIC to any person other than the Commonwealth. As at 31 March 1997 the contingent liability totals \$7,401 million comprising contracts of insurance and guarantees (\$2,978 million), loans (\$2,718 million) and national interest provisions (\$1,705 million).

Snowy Mountains Hydro-electric Authority

The *Snowy Mountains Hydro-electric Power Act 1949* provides that borrowings by the Snowy Mountains Hydro-electric Authority may be guaranteed by the Commonwealth. The Authority has issued inscribed stock at a discount to finance capital works of the Scheme. The borrowings are subject to explicit Commonwealth guarantees. At 31 March 1997 the face value of guaranteed borrowings was \$212.5 million, with the net amount guaranteed (excluding unamortised discount on the issue of inscribed stock) being \$105.8 million.

Wool International

Under Section 53(7) of the *Wool International Act 1991* the Commonwealth underwrites borrowings of Wool International for the management of the wool stockpile, contingent liabilities to Wool International total \$762 million at 31 March 1997. Sources of borrowings include domestic and overseas commercial borrowings. Wool International is reducing this debt through the sale of the stockpile. The target date for the payout of debt is 1998.

Australian Wheat Board

Under the *Wheat Marketing Act 1989* the Commonwealth underwrites borrowings by the Australian Wheat Board that fund advance and related payments from the wheat pool totalling \$3,455 million at 31 March 1997. Borrowings are repaid as the wheat pool is sold. The percentage underwritten by the Commonwealth is set at 85 per cent of the estimated aggregate net return on the wheat pool. The Commonwealth's responsibility for the underwriting of borrowings ceases in 1999.

Queensland Fish Management Authority

The Commonwealth has guaranteed a loan up to a maximum of \$40.9 million to encourage the restructuring of the Northern Prawn Fishery. The loan was taken out by the Queensland Fisheries Management Authority on behalf of the Commonwealth to buy back surplus boat units from the fishery with repayment to be made by the industry through levies.

Australian National Line (ANL) Ltd — \$100 million Promissory Note Facility

In order to enable ANL to trade in an orderly fashion, the Commonwealth has guaranteed access to a promissory note facility of up to \$100 million. Only \$45 million has been drawn down by ANL under this facility. Therefore, the maximum exposure for the Commonwealth is \$45 million, unless a further draw down/note issue is approved by the shareholder (ie the Commonwealth).

Guarantees under the Commonwealth Bank Sale Act 1995

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Commonwealth has guaranteed various liabilities of the Commonwealth Bank of Australia, the Commonwealth Bank Officers' Superannuation Corporation (CBOSC) and the Commonwealth Development Bank.

The guarantee for the Commonwealth Bank of Australia relates to both on and off balance sheet liabilities. Of the existing contingent liability, 72 per cent involves off balance sheet liabilities. As at 30 June 1996, the balance of the guarantee was \$325,004.7 million. The Commonwealth's contingent liability will decline considerably by 30 June 1997 as \$280,407.5 million of the contingent liability (or 86 per cent) is due to be retired during 1996-97.

The assets of the CBOSC (\$4,934.7 million at 30 June 1996) substantially exceed existing liabilities. The stock of CBOSC liabilities subject to the Commonwealth

guarantee will decline gradually as relevant CBOSC officers retire. As at 30 June 1996, the balance of the guarantee was \$96.6 million.

As of 1 July 1996, the Commonwealth Development Bank ceased to write new business and no additional liabilities are being incurred. The existing contingent liability will gradually decline with the retirement of existing loans and exposures. The revised estimate for the balance of this guarantee was \$1,793.2 million as at June 1996.

Reserve Bank of Australia (RBA) Guarantee

This contingent liability relates to the Commonwealth's guarantee of the liabilities of the RBA. The major component of RBA liabilities relates to Notes (ie currency) on Issue. This treatment of Notes largely relates to the historical convention of the convertibility of Notes to gold — coins are not treated as a liability in the Commonwealth's accounts. At 9 April 1997, Notes on Issue totalled \$19,842 million.

The other major liability consists of deposits with the RBA by the banking sector, including the Commonwealth Bank. At 9 April 1997 these deposits amounted to \$12,008 million. The large increase from 30 June 1996 (when deposits amounted to \$3,931.6 million) is principally due to the abolition of the Authorised Money Market Dealers in July 1996 and the resulting increase in the value of exchange settlement accounts held with the RBA by the banking sector. In total, the guarantee for the RBA was \$36,011.5 million as at 9 April 1997.

Uncalled Capital Subscriptions — International Financial Institutions

The liability relates to the value of the uncalled portion of the value of the Commonwealth's shares in the International Bank for Reconstruction and Development (estimated value \$3,086 million at 30 June 1996), the Asian Development Bank (estimated value \$3,200 million), and the European Bank for Reconstruction and Development (estimated value \$103 million).

Unquantifiable

Australian Trade Commission

Under the *Australian Trade Commission Act 1985* the Commonwealth guarantees payment by the Australian Trade Commission (AUSTRADE) of money that is payable to any person other than the Commonwealth.

Telstra Corporation Ltd — Superannuation Guarantee

The Commonwealth has guaranteed payments from Telstra Corporation Ltd to the Telstra Superannuation Scheme. The Commonwealth has guaranteed that it will cover any benefits that may have to be paid from the Fund in the event that the Telstra Superannuation Scheme or Telstra is ever bankrupted and wound up.

Superannuation Act 1976 and the Public Sector Superannuation Scheme (PSS)

Under the *Superannuation Act 1976* and the PSS Trust Deed and Rules and determinations made under them, the Commonwealth guarantees payment of the amounts of members' contributions and productivity contributions with interest allocated to those amounts by respective Boards of Trustees.

The Commonwealth Superannuation Scheme and the PSS guarantee the accrued contributions and interest so there cannot be a negative rate of return on invested funds. The funds maintain a reserve which covers the possibility of negative returns and allows for 'topping up' by the Commonwealth if that should ever occur. The Commonwealth has not had to make a payment in relation to this guarantee.

Sale of Australian Airlines Ltd

The Commonwealth has given an indemnity to Australian Airlines Ltd to protect Australian Airlines Board members and officials against false or misleading information relating to the airline's operation resulting in litigation from prospective purchasers. This indemnity is open-ended and was issued on 28 May 1991.

The Commonwealth has also given an indemnity to Australian Airlines Ltd to protect employees from civil action arising out of disclosure of information. This indemnity is open-ended and was issued on 19 November 1991.

Australian Maritime Safety Authority (AMSA) — in Relation to Ship-sourced Marine Pollution.

In the normal course of operations, the Authority is responsible for the provision of funds necessary to meet the clean up costs arising from ship-sourced marine pollution. The Commonwealth has agreed that the Authority's responsibility be limited to a maximum outlay of \$10 million. The authority has a stand-by loan facility to address this contingency. In the event of costs above the \$10 million limit, funds will be provided by the Commonwealth. The Commonwealth's risk is unquantifiable. In all circumstances, the Authority is responsible for making appropriate efforts to recover the costs of any such incidents.

Australian National Line (ANL) Ltd

The Commonwealth has issued a guarantee for all ANL's major lease facilities. If the risk materialised the full termination value of the leases would be offset by the value of ANL's lessor loans and the value of assets that ANL would assume in the event of termination of the leases. The net value in the event that the leases are paid out may be around breakeven.

Australian National Line (ANL) Ltd Board

An indemnity for ANL Board members was provided to protect against civil claims relating to employment and conduct as a director of ANL Ltd and subsidiary/associated companies. This indemnity is unquantifiable and no expiry date has been set.

Sale of Aerospace Technologies of Australia (ASTA) Pty Ltd

An indemnity has been given to purchasers of ASTA to protect ASTA and the purchaser from any reasonable losses, costs (including legal expenses), liabilities and other outgoings incurred in respect of any asbestos, pollutant or other contaminant on or in the property or buildings of the Avalon property.

An indemnity has been given to purchasers of ASTA to indemnify the purchaser against any reasonable loss, cost or expense sustained or incurred as a result of breach of warranty; any work done or liabilities incurred; liabilities which may occur in the future relating to ASTA Aircraft Services Pty Ltd (ASTAAS), Pacific Aerospace Corporation Ltd (PAC) or ASTA airport (which were not purchased as a part of ASTA); and any taxes incurred or occurring in respect of the period prior to the sale.

An indemnity has been given to purchasers of ASTA to indemnify the purchaser against any payments made by ASTA in respect of indemnities given in connection with the research and development syndications which involve ASTA at or prior to the sale.

An indemnity has been given to purchasers of ASTA to indemnify the purchaser against any loss it suffers as a result of ASTA incurring any tax liability under the *Income Tax Assessment Act 1936* as a result of any action or inaction of ASTA in respect of the period prior to the sale, and in respect of any payments made by the Commonwealth to the purchaser.

These indemnities were issued on 20 June 1995 and will not extend to any claim which either accrues or is made more than four years after the closing date or is for an amount less than \$100,000.

Sale of Australian Industry Development Corporation (AIDC) Limited

An indemnity has been provided to the Directors and nominated officers of AIDC Ltd and the AIDC Corporation to indemnify them against all actions, suits, claims, demands and reasonable costs and expenses (including costs and expenses incurred as a result of a governmental or parliamentary inquiry and legal costs and expenses certified reasonable by the Attorney-General) in respect of assistance provided to the Privatisation Advisory Committee (PAC), the Commonwealth and the Corporation in respect of the PAC process and the sale of shares. This indemnity was issued on 30 May 1996 and terminates upon the sale of any of the shares. The Commonwealth may also terminate this indemnity upon reasonable notice in writing to the Chairperson of the Corporation.

An indemnity has also been provided to AIDC Ltd to indemnify them against all actions against AIDC by the minority shareholders in the same circumstances as the indemnity discussed above. This indemnity was issued on 30 May 1996 and terminates upon the buyout of the minority shareholders by the Corporation or upon the sale of any of the shares, whichever comes first.

Sale of Commonwealth Funds Management (CFM) and Total Risk Management (TRM)

An indemnity has been provided to the Directors and certain officers of CFM and TRM to indemnify them against all actions, suits, claims, demands and reasonable costs

(including legal costs and expenses certified reasonable by the Attorney-General) in relation to assistance given to the Commonwealth in the sale process in relation to provision of information to the Commonwealth or a third party. This indemnity was issued on 28 August 1996.

The Commonwealth has indemnified the purchaser of CFM, the Commonwealth Bank of Australia, from all losses and liabilities which may be suffered as a result of the exercise of powers under the *CFM Sale Act*. These powers relate to the transfer of any assets rights and obligations or liabilities of the company; employment of staff and transfer of company shares.

The Commonwealth has also indemnified the Commonwealth Bank of Australia against any stamp duty payments related to the transaction other than the basic share transfer duty.

Sale of Avalon Airport Geelong Pty Ltd (AAG)

An indemnity has been given to the purchaser of AAG to indemnify the purchaser against any loss it suffers as a result of AAG incurring any tax liability under the *Income Tax Assessment Act 1936* as a result of any action or inaction of AAG in respect of the period prior to sale.

An indemnity has been given to the purchaser of AAG to indemnify the purchaser and AAG against all liabilities, losses, costs, damages, expenses and claims arising out of: any contamination on, in or affecting Avalon Airport that existed prior to closing; any remedial action taken by the purchaser or AAG in regard to any contamination on, in or affecting Avalon Airport that existed prior to closing in compliance with any notice or order issued by a regulator; and the construction, alteration or addition prior to closing of buildings using any materials or fixtures and fittings which are a potential health hazard.

An indemnity has been given to the purchaser of AAG to indemnify the purchaser against: the holding of or disposal of shares in PAC or ASTAAS by AAG prior to closing; the exposure at Avalon Airport of any person to asbestos prior to closing; any breach of representation or warranty by the Commonwealth under the sale agreement (claims will not exceed either individually or in aggregate the amount of the purchase price); any liability of AAG arising under any lease granted to it prior to closing by the Commonwealth, or out of AAG's use or occupation, of Avalon Airport prior to closing; any breach of environmental law by AAG arising out of its use or occupation of Avalon Airport prior to closing; and any claim or liability arising out of or in relation to the Paint Shop.

CSL Ltd

CSL Ltd is indemnified against claims made by persons who contract specified infections from specified products and against employees contracting asbestos related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994 but has more limited cover for a specified range of events that might occur during the period of the current contract. Given the open ended nature of some of the indemnities, damages and risk cannot be quantified.

Sale of CSL Ltd

An indemnity has been given to Potter Warburg/Price Waterhouse (PW/PW) for protection for litigation costs, limited to circumstances where PW/PW was sued as a result of the proper performance of the consultancy. This indemnity was issued on 14 October 1992. The termination date is undefined, but is limited by statutes of limitation.

An indemnity has been given to Arthur Anderson (AA) for protection of litigation costs, limited to circumstances where AA was sued as a result of the proper performance of the consultancy. This indemnity was issued on 7 June 1993 and is continuing, however it is limited by statutes of limitation.

An indemnity has been given to CSL to protect CSL from any claim made against them for breach of confidentiality as a result of CSL having provided information to the Commonwealth, and the Commonwealth subsequently failing to ensure that confidentiality. This indemnity was issued on 14 September 1992.

Provisions for this latter indemnity are continuous. However, the parties clearly anticipate that the indemnity ceased to have practical effect after conclusion of the sale of CSL. This will be formalised through an exchange of letters.

Sale of Lease of Federal Airports Corporation (FAC) Airports

A letter of comfort has been provided to assure Standard and Poor's Ratings Group that the FAC will continue to have access to adequate liquidity to enable it to continue to service its obligations and effectively conduct its operations. This assurance was issued on 27 May 1994 and effectively terminates upon the completion of the assumption of FAC debt by the Commonwealth.

An indemnity has been given to Ernst & Young to indemnify them against legal costs incurred in respect of their obligations for legal compulsion to disclose. This indemnity was issued on 15 July 1996.

An indemnity has been given to the Board of the FAC to replace the extension of Finance Direction 21 to FAC Board members. This indemnity is ongoing and was issued on 3 October 1996.

An indemnity has been given to Mallesons Stephen Jaques to indemnify the consultant in relation to all reasonable costs (including legal costs) incurred by the consultant in complying with any requests or directions by the Commonwealth given to the consultant pursuant to a confidentiality agreement dated 13 September 1996.

An indemnity has been given to BZW Australia Limited to indemnify BZW against legal costs and disbursements incurred in respect of BZW's obligations for legal compulsion to disclose. This indemnity is ongoing and was issued on 18 August 1995.

Sale of Moomba Sydney Gas Pipeline

An indemnity has been given to East-Aust Pipeline Limited in an Agreement entitled 'Asset Purchase Agreement' dated 30 June 1994 between the Commonwealth and East-Aust Pipeline Limited. East-Aust Pipeline Ltd is indemnified against losses sustained due to a claim by an employee of the Pipeline Authority for negligence or accrued salary or other entitlements arising prior to the 'Transfer Day'. By implication East-Aust Pipeline Ltd cannot bring an action more than six years after the Transfer Day.

Sale of Snowy Mountains Engineering Corporation (SMEC)

An indemnity has been given to Tinbury Limited in an agreement for the sale of shares in SMEC Ltd which indemnifies Tinbury Ltd from and against all damages, losses, liabilities, claims, costs and expenses which Tinbury Ltd may suffer from the Commonwealth's non-observance of any of the express representations, warranties, covenants or undertakings contained in the Agreement. This indemnity is ongoing and was issued on 21 October 1993.

Housing Loans Insurance Corporation (HLIC)

The Commonwealth guarantees the liabilities of the HLIC which provides mortgage insurance to lenders. Whilst it is possible to measure the total value of all insurance contracts on the HLIC's books at any given time, this does not realistically reflect the potential risk to the Commonwealth. The HLIC has never suffered a claim for the total value of any insurance contract in its thirty year history; claims amounts on policies usually amount to 10 to 20 per cent of the policy value.

Partial Sale of Telstra Corporation

An indemnity has been provided to the present and certain former Telstra directors and officers to protect against any liability incurred in connection with a civil liability; defending criminal proceedings in Australia or overseas; any application in relation to criminal proceedings; any examination, investigation, inquiry or proceeding by the Australian Securities Commission or any other authority of any Government in Australia or elsewhere arising in relation to the scoping study. This indemnity was issued on 23 September 1996 and is ongoing.

Qantas Trade Sale

An indemnity has been issued to British Airways PLC to protect against loss resulting from failure of the Commonwealth to meet its obligations in the Qantas trade sale. This indemnity is open-ended and was issued on 12 January 1993.

An indemnity has also been issued to British Airways PLC to cover a loss in economic value of shares as a result of the Qantas trade sale. This indemnity was issued on 12 January 1993 and terminates on 30 June 2003.

A Letter of Comfort has been given to Qantas Airways Ltd to provide an assurance that the Commonwealth will continue to honour a \$100 million standby facility. This letter was issued on 12 September 1991 and the termination date is unspecified.

Qantas Public Share Offer

An indemnity has been given to Qantas Airways Ltd to protect it from losses and costs resulting from Commonwealth breaches of the debt assumption agreement. This indemnity is open-ended and was issued on 12 January 1993.

An indemnity has been given to Grant Samuel and Associates Ltd to protect against losses caused in proper performance of the contract and loss of fees due to the Commonwealth triggering a conflict of interest. This indemnity is permanent and was issued on 31 March 1993.

An indemnity has been given to Joint Lead Manager on the abandoned original Qantas public share offer process of 1993 and their employees and executives to protect against loss caused by false public statements that were pre-endorsed by the Commonwealth as true. This indemnity is permanent and was issued on 10 December 1992.

The Commonwealth has indemnified Qantas Directors for all civil liabilities they may incur through their participation in the offer. The indemnity was issued in 1995.

Commonwealth Bank Public Share Offer

In 1996, the Commonwealth provided an indemnity to the Commonwealth Bank, its directors and certain officers to cover the civil liability in relation to providing assistance to the Commonwealth in the offer context.

Indemnities for Banks

The Commonwealth has indemnified a number of banks in Europe and North America and the Reserve Bank of Australia against loss and damage arising from the acceptance of certain Commonwealth cheques bearing a facsimile signature having been impressed thereon without the authority of the Commonwealth.

Civil Aviation Safety Authority (CASA) — Indemnity in Relation to the Authority's Safety Regulatory Functions

Under a Deed of Agreement, the Civil Aviation Safety Authority is indemnified against claims incurred in carrying out its responsibilities for aviation safety regulations. Under existing arrangements, this indemnity is subject to annual renewal on payment of an annual premium by CASA to the Commonwealth. The current CASA safety regulatory indemnity expires on 5 July 1997.

Civil Aviation Safety Authority — Indemnity to Officers of the Authority Administering the Carrier's Liability Insurance Requirements

An indemnity is given to those officers of the Civil Aviation Safety Authority who administer the carrier's liability insurance requirements under Part IVA of *Civil Aviation (Carrier's Liability) Act 1959* and complementary state legislation. This indemnity is unquantifiable and no expiry date has been set.

Sale of Australian National Railways Commission (AN)

The Commonwealth is funding AN's loss making operations until AN is sold. A delay in the sale of all or any parts of AN would require extending subsidisation to AN by the Commonwealth.

Sale of the Australian National Rail Commission and National Rail Corporation Ltd

An indemnity has been provided to each of the Commissioners in respect of assistance in relation to sale process. This includes the provision of information about Australian National Rail Commission or National Rail Corporation Ltd at the request of the Commonwealth or its advisers for the purposes of the sale of the Australian National Railways Commission and National Rail Corporation Ltd their business units or assets.

APPENDIX B: SENSITIVITY OF FISCAL AGGREGATES TO ECONOMIC DEVELOPMENTS

Table B1 provides a guide to the sensitivity of the forward estimates of outlays and revenue to variations in economic parameters in 1997-98. Such a guide can provide only a 'rule of thumb' indication of the impacts on the budget of changes in prices, wages and other parameters.

Table B1: Sensitivity of Fiscal Aggregates to a 1 Percentage Point Increase in Economic Parameters

	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
<i>Outlays</i>				
Prices	230	420	450	570
Wages	130	410	450	460
Newstart Allowance recipients	310	310	310	310
Safety Net Adjustment	90	180	270	360
<i>Revenue</i>				
Average earnings(a)	920	1000	1080	1160
Employment	600	650	700	760
Company income	20	220	190	200
Other individuals income	0	200	220	240
Consumption(b)	270	280	290	310
CPI(c)	30	140	150	160
Imports(d)	40	40	40	50

(a) National accounts basis excluding superannuation and Commonwealth government redundancies.

(b) Impact on sales tax and excise revenue, assuming uniform percentage change in all components of the tax base.

(c) Impact on excise duty revenue.

(d) Impact on sales tax and customs duty revenue.

On the outlays side, estimates are provided for the following assumptions about changes to four broad groups of parameters:

- Prices — all price deflators are assumed to increase by one percentage point at the start of the September quarter 1997, with wage deflators left unchanged.
- Wages — all wage and salary rates are assumed to increase by one percentage point from the beginning of the September quarter 1997, with price deflators left unchanged.
- Newstart Allowance recipients — the total number of recipients is assumed to increase by 5 per cent from the beginning of the September quarter 1997.
- Safety Net Adjustment — an increase in the assumed level of the Safety Net Adjustment determined by the Australian Industrial Relations Commission (AIRC) of \$2 per annum.

On the revenue side, the figures show the estimated impact of a one percentage point change in a range of economic variables in 1997-98 as a whole. The CPI is assumed to increase by one percentage point at the start of the September quarter 1997.

Differences in impact over the years reflect:

- the full-year impact on outlays of variations in parameters not occurring until the year following the variation;
- the effect on revenue collections of variations in company and other individuals income occurring largely in the year following the receipt of income; and
- for variations in most economic parameters, the flow-through effect of a higher (or lower) base in a year on revenue collections in subsequent years.

Projected outlays respond to changes in economic parameters through a variety of mechanisms. For example, the Government's decision to maintain pensions at 25 per cent of MTAWWE means that projected spending on pensions will depend not just on changes to the CPI, by which pensions have been indexed for some time, but also on expected changes in the level of MTAWWE. Payments to the States are subject to guarantees which make them sensitive to changes in the CPI.

In addition, a large component of Government spending, comprising running costs, other Commonwealth Own Purpose Outlays of a running cost nature and Specific Purpose Payments to the States of a running cost nature, is indexed to weighted averages of movements in underlying inflation and the Safety Net Adjustment determined by the AIRC. The Safety Net Adjustment is currently assumed to increase in future years in line with the recent decision handed down by the AIRC.

Economic growth, and employment growth, affect the number of Newstart Allowance recipients and therefore the total spending on benefits. However, the relationship between GDP growth and Newstart Allowance recipients is highly variable and difficult to quantify. For this reason, Table B1 only includes the impact of changes in the number of Newstart Allowance recipients on the budget.

APPENDIX C: TAX EXPENDITURES

OVERVIEW

This appendix discusses the revenue impacts associated with concessional taxation treatment of specific groups and/or activities.

Individuals and businesses derive financial benefits from various tax concessions. These concessions are usually delivered by tax exemptions, deductions, rebates or reduced rates. They can either reduce or delay the collection of tax revenue. Tax concessions will influence the allocation of resources to different activities. Direct expenditures (outlays) could equally be used to allocate resources to different activities and deliver the benefits provided by the various tax concessions. For this reason, and noting their direct impact on the underlying budget deficit, these tax concessions are generally called 'tax expenditures'.

The Government has introduced the Charter of Budget Honesty Bill 1996 to the House of Representatives and the Bill is expected to be considered by the Senate in the Budget sittings. A feature of the Charter is the requirement to publish an overview of tax expenditures as part of the budget.

AGGREGATE TAX EXPENDITURES

Table C1 shows estimates and projections for the period 1992-93 to 2000-01 of the aggregate of tax expenditures that have been identified and costed in the *1995-96 Tax Expenditures Statement* (TES), which was published in January 1997. The availability of new information on forward estimates and decisions taken since the TES was published have led to a re-estimation of forward projections for aggregate tax expenditures.

Table C1: Aggregate Tax Expenditures and Direct Outlays 1992-93 to 2000-01

Year	Superannuation (\$m)	Other Tax Expenditures (\$m)(a)	Total (\$m)	Budget Outlays (\$m)(b)	Ratio of Tax Expenditures to Outlays (per cent)
1992-93	5780	6749	12529	109590	11.4
1993-94	7765	8144	15909	114372	13.9
1994-95	5770	10451	16221	122012	13.3
1995-96	6290	9991	16281	126689	12.9
1996-97 (est)	6250	10636	16886	128861	13.1
1997-98 (est)	6450	10627	17077	126928	13.5
1998-99 (est)	6985	11607	18592	135599	13.7
1999-2000 (est)	7325	13105	20430	144553	14.1
2000-01 (est)	7670	14206	21876	147815	14.8

(a) This aggregate does not include timing measures.

(b) Outlays are reported on a headline basis.

There are a number of major considerations in analysing aggregate tax expenditures:

- Many of the tax expenditures that have been identified have not been costed due to a lack of data.
- There has been an inconsistent coverage of tax expenditures over time — some tax expenditures have been costed for only a few of the fiscal years that they have

actually been part of the tax system. Changes in aggregates over time will therefore reflect both changes in the cost of individual tax expenditures and changes in the coverage of the tax expenditures costed.

- There can be quite large revisions to tax expenditure estimates due to changes over time in methodology and available data.

The aggregate projections should therefore be treated with considerable caution and should only be used to provide a broad indication of the historical and possible future growth path of the cost of tax expenditures.

Bearing these considerations in mind, Table C1 shows that the net cost of aggregate tax expenditures, in terms of forgone revenue, has remained at around \$16.2 billion in 1994-95 and 1995-96 (excluding so called 'timing' tax expenditures which merely defer tax revenue collections to a later date). Table C1 also indicates that assistance provided through aggregate tax expenditures is about 11 per cent of total Government assistance provided (ie through tax expenditures and direct outlays).

The cost of tax expenditures (excluding 'timing' tax expenditures) is projected to rise to \$21.9 billion in 2000-01, an increase of 34 per cent from 1995-96. By comparison, direct outlays are expected to increase by 17 per cent over the same period.

TAX EXPENDITURES BY FUNCTIONAL CATEGORIES

Table C2 compares the costs of identified tax expenditures in 1995-96 with direct outlays by functional category. The functional categories are the same as for outlays in this Statement.

The figures for a number of tax expenditure categories are only approximations as some tax expenditures do not lend themselves to easy categorisation. For example, a general industry assistance measure will apply to all industries and it will not be possible to determine precisely which industry sectors have accessed the tax concession. Tax expenditures that cannot be classified as belonging to a particular functional category are aggregated in the 'Not Allocated to Function' category.

Table C2 shows that most tax expenditures are classified as being related to Social Security and Welfare (this category includes superannuation tax concessions).

- Around 19 per cent of total assistance in this category is provided through tax expenditures.

The table also highlights the significant tax relief provided to some business and industry categories through tax expenditures.

- For example, under the Mining and Mineral Resources (other than fuels), Manufacturing and Construction, and Agriculture, Forestry and Fishing categories, 33 per cent of total assistance is provided through tax expenditures.

Table C2: Aggregate Tax Expenditures and Direct Outlays by Functional Category 1995-96

Functional Category	Tax Expenditures	Budget Outlays	Total
	\$m(a)	\$m	\$m
<i>General Public Services</i>			
Legislative and Executive Affairs	<1	594	594
Financial and Fiscal Affairs	-	1696	1696
Foreign Economic Aid	128	2268	2396
General Research	10	1070	1080
General Services	5	221	226
Government Superannuation Benefits	-	944	944
Defence	60	10011	10071
Public Order and Safety	-	924	924
Education	28	10662	10690
Health	427	18616	19043
Social Security and Welfare	10961	46754	57715
Housing & Community Amenities	162	1216	1378
Recreation and Culture	20	1428	1448
Fuel and Energy	565	37	602
Agriculture, Forestry and Fishing	272	1876	2148
Mining and Mineral Resources (other than fuels), Manufacturing and Construction	1470	1651	3121
Transport and Communication	25	743	768
<i>Other Economic Affairs</i>			
Tourism and Area Promotion	60	104	164
Labour and Employment Affairs	19	3850	3869
Other Economic Affairs nec	734	336	1070
<i>Other Purposes</i>			
Public Debt Interest	-	9126	9126
General Purpose Inter-government Transactions	-	13798	13798
Natural Disaster Relief	-	-4	-4
Contingency Reserve	-	-	-
Asset Sales	-	-1230	-1230
Not Allocated to Function	1335	-	1335
Total(b)	16281	126689	142970

< 1 Denotes less than \$1 million.

(a) Aggregate cost of tax expenditures in functional categories is derived by summing the individual tax expenditure costings.

(b) Items may not sum to totals due to rounding.

APPENDIX D: 1997-98 BUDGET CLASSIFICATION CHANGES

This appendix discusses reporting classifications, and the impact of reclassifications for the 1997-98 Budget figuring.

Information in the budget papers 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;
- the *economic* type classification is designed to facilitate the study of the economic impact of Commonwealth transactions and to provide the means of grouping transactions for inclusion in ABS Government Finance Statistics and the Australian National Accounts. This classification scheme defines the concepts of outlays, revenue, financing transactions and the budget balance. Outlays are further divided into current and capital classifications; and
- the *portfolio* classification refers to the aggregation of outlays according to the Minister who has prime administrative responsibility. Because portfolio responsibilities change over time, it is not possible to provide information in an historical series.

Classification Changes for the 1997-98 Budget

Classification changes can affect historical reporting. *Comparisons between budget publications from different years can therefore be misleading.* All changes to the application of the functional and economic type classifications for the 1997-98 Budget are outlined in Table D1 and Table D2. As can be seen from these tables, historical data published in this document is broadly consistent with previous publications. A list of changes is provided in the footnotes.

Table D1: Effect of Reclassification by Function for 1997-98 Budget (\$m)

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Legislative and Executive Affairs	2.6	3.1	3.3	4.6	4.9	5.0	4.7	4.2	0.0	0.1	0.2	0.3	0.3	0.3
Financial and Fiscal Affairs	2.5	3.1	3.0	3.6	3.9	2.6	2.3	2.1	6.0	4.2	4.3	4.4	4.5	4.6
Foreign Economic Aid	-1.5	-1.4	-1.6	-1.6	-1.7	0.0	0.0	0.0	0.0	-2.1	-2.2	-2.3	-2.3	-2.4
General Research(a)	-1.3	-2.3	-7.6	-11.3	-13.0	-12.6	-13.1	-12.6	-11.2	-6.3	-2.6	-2.7	-2.5	-2.5
General Services(b)	-0.4	-0.5	-18.2	-13.8	4.9	1.1	0.6	0.1	-1.8	12.1	16.5	11.7	12.6	13.6
Government Superannuation Benefits(c)	-22.5	-34.2	-41.4	-35.2	-38.2	-41.7	-45.3	-52.5	-46.1	-49.0	-64.7	-53.7	-53.7	-53.8
Public Order and Safety	3.7	7.1	8.9	7.4	6.0	8.8	10.7	10.7	-2.2	0.4	0.4	0.4	0.4	0.5
Education(d)	0.0	0.0	0.0	0.0	8.2	16.8	17.3	17.6	17.9	18.1	0.0	0.0	0.0	0.0
Health(d)	0.0	0.0	0.0	0.0	-8.2	-16.8	-17.3	-17.6	-17.9	-18.1	0.0	0.0	0.0	0.0
Social Security and Welfare(e)	0.0	0.0	-1.0	0.0	-0.5	-1.2	-1.2	-1.2	46.5	154.8	150.9	151.4	148.2	149.6
Housing and Community Amenities(a)	0.0	0.8	5.7	8.7	10.0	9.6	10.5	10.7	11.2	6.3	2.6	2.6	2.5	2.5
Recreation and Culture(f)	1.0	2.5	3.8	6.6	6.3	7.1	5.4	14.2	11.7	25.5	0.0	-0.1	-0.1	-0.1
Transport and Communication(f)	-2.3	-4.0	-5.2	-6.6	-6.5	-6.8	-5.0	-13.7	-11.3	0.0	0.0	0.0	0.0	0.0
Labour and Employment Affairs(e)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-46.5	-154.8	-150.9	-151.4	-148.2	-149.6
Other Economic Affairs, nec(g)	-3.1	-6.1	-6.9	-6.3	-4.8	-7.2	-6.8	8.2	27.4	10.0	10.0	10.0	10.0	9.9
General Purpose Inter-government Transactions(f)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	0.0	0.0	0.0	0.0
Revenue(g)	0.1	0.5	0.5	0.5	0.4	0.1	1.9	16.9	28.3	10.0	10.0	10.0	10.0	10.0
Finance Transactions(b)(c)	-21.5	-32.5	-57.5	-44.5	-29.2	-35.4	-39.1	-46.6	-44.5	-33.9	-45.4	-39.5	-38.5	-37.5
Published 1996-97 Headline Outlays(h)	79489	82892	87960	96187	102851	109625	114409	122042	126705					
Classification changes	-22	-32	-57	-44	-29	-35	-37	-30	-16	-24	-35	-30	-29	-28
1997-98 Headline Outlays	79467	82860	87903	96143	102822	109590	114372	122012	126689					
Components of Outlay Classification Changes:														
As at 1996-97 MYEFO									-44	-44	-44	-45	-45	
Adjustments to 1996-97 MYEFO since MYEFO									-	-2	-18	-7	-7	
Other changes post 1996-97 MYEFO									28	23	27	22	23	
Published 1996-97 Revenue	81558	88796	95994	98092	93509	95062	100745	110413	121660					
Classification changes	0	0	1	1	0	0	2	17	28	10	10	10	10	10
1997-98 Revenue	81558	88796	95995	98093	93509	95062	100747	110430	121688					

- (a) Reclassification of Greenhouse research from General Research to Housing and Community Amenities (Environment Protection).
(b) Comcare Premiums and Benefits reclassified from Financing Transactions to General Services.
(c) Payments to SA and Tasmanian Rail Pensioners and ANRC contributions to former SA Rail and Tas Rail reclassified from Government Superannuation Benefits to Financing Transactions.
(d) John Curtin School of Medical Research reclassified from Health to Education.
(e) Youth Training Allowance reclassified from Labour and Employment Affairs to Social Security and Welfare.
(f) Payment to NSW Royal Agricultural Society Site reclassified from General Purpose Inter-Government Transactions to Recreation and Culture. Also, various running costs on communication transferred from Transport and Communications to Recreation and Culture (Broadcasting).
(g) Australian Competition and Consumer Commission and Trade Practices Commission miscellaneous receipts reclassified from Other Economic Affairs to Revenue due to their regulatory nature.
(h) All the above headline outlay reclassifications also affect underlying outlays. Also, the reclassification of a \$45 million payment from grants to advances in 1994-95 is an additional effect on underlying outlays.

Table D2: Effect of Reclassification by Economic Type for 1997-98 Budget (\$m)

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Final Consumption Expenditure(a)(d)	-21.3	-31.2	-51.5	-36.8	-20.3	-29.8	-29.9	-24.0	-10.5	-22.2	629.3	-80.7	-79.4	-77.9
Subsidies(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-28.3	-27.3	-17.6	-17.6	-17.6	-17.6
Current Grants Paid(a)(b)(c)	2.2	1.4	-3.2	-4.0	-6.0	1.5	0.8	2.8	26.3	-1.2	22.9	23.0	23.0	23.1
Capital Outlays on Goods, Land and Intangibles(d)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-714.8	0.8	0.4	0.0
Capital Transfer Payments(c)(e)	-2.2	-2.3	-2.5	-3.0	-2.5	-7.1	-8.0	-53.6	-3.8	26.7	44.7	45.1	45.1	45.0
Net Advances Paid(e)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.1	0.0	0.0	0.0	0.0	0.0	0.0
Taxation Revenue(a)	0.1	0.5	0.5	0.5	0.4	0.1	1.9	16.9	28.3	10.0	10.0	10.0	10.0	10.0
Financing Transactions(a)	-21.5	-32.5	-57.5	-44.5	-29.2	-35.4	-39.1	-46.6	-44.5	-33.9	-45.4	-39.5	-38.5	-37.5
Published 1996-97 Headline Outlays(f)	79489	82892	87960	96187	102851	109625	114409	122042	126705					
Classification changes	-22	-32	-57	-44	-29	-35	-37	-30	-16	-24	-35	-30	-29	-28
1997-98 Headline Outlays	79467	82860	87903	96143	102822	109590	114372	122012	126689					
Components of Outlay Classification Changes:														
As at 1996-97 MYEFO									-44	-44	-44	-45	-45	
Adjustments to 1996-97 MYEFO since MYEFO									-	-2	-18	-7	-7	
Other changes post 1996-97 MYEFO									28	23	27	22	23	
Published 1996-97 Revenue	81558	88796	95994	98092	93509	95062	100745	110413	121660					
Classification changes	0	0	1	1	0	0	2	17	28	10	10	10	10	10
1997-98 Revenue	81558	88796	95995	98093	93509	95062	100747	110430	121688					

- (a) - Payment to SA and Tas Rail Pensioners and ANRC contribution to former SA and Tas rail reclassified to Financing Transactions.
- Council Grants - Territories reclassified as Current Grants.
- Australian Competition and Consumer Commission receipts and Trade Practices Commission receipts reclassified as Revenue due to their regulatory nature.
- Comcare Premiums and Benefits reclassified from Financing Transactions to General Services.
- (b) Payment to Air Services Australia and Aviation Fuel Revenue reclassified to Current Grants.
- (c) Payment to New South Wales for Fox Film Studio and payment to New South Wales for Royal Agricultural Society Site reclassified as Capital Transfer Payments.
- (d) An asset sale incorrectly classified as Final Consumption Expenditure.
- (e) Equity in Multimedia Enterprise reclassified to Advances.
- (f) All the above headline outlay reclassifications also affect underlying outlays. Also, the reclassification of a \$45 million payment from grants to advances in 1994-95 as mentioned in (e) above is an additional effect on underlying outlays.

APPENDIX E: HISTORICAL DATA FOR THE COMMONWEALTH BUDGET SECTOR

Table E1 provides details of the budget aggregates for the period 1960-61 to 2000-01. The underlying budget balance is revenue minus outlays excluding net advances to other sectors. Net advances comprise net loans from the budget (new policy loans and advances less repayments) and net equity injections (injections/purchases of equity less equity sales). Classification differences and revisions, as well as changes to the structure of the budget, can impact on comparisons over such an extended period. In particular, there are some classification differences in the data relating to the period prior to 1976-77. This means that data for the earlier period may not be entirely consistent with that for 1976-77 and later years.

Table E2 provides details of tax, non-tax and total revenue for the period 1960-61 to 2000-01. These revenue data are compiled on a consistent basis from 1976-77.

Other factors which affect the comparability of budget aggregates between years are:

- adjustments in the coverage of agencies included in the accounts of the Commonwealth budget sector;
- transfers of taxing powers between the Commonwealth and the States;
- other changes in financial arrangements between the Commonwealth budget sector, Commonwealth non-budget sector agencies and the State/local government sector; and
- changes in arrangements for transfer payments where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both revenue and outlays as compared with earlier periods, but not changing balances. Changes in the opposite direction (tax expenditures replacing outlays) reduce both outlays and revenue.

While approximate adjustments can be made to identify trends in budget aggregates on a generally consistent basis, the further back this analysis is taken, the less manageable that task becomes.

A detailed discussion of the comparability of budget aggregates since 1960-61 is provided in Statement 5 of *Budget Paper No. 1, 1992-93*.

Further details of the coverage of the budget sector are provided in Statement 7. Detail on the changes in the classification of budget transactions are provided in Appendix D of this Statement.

Table E1: Commonwealth Budget Sector Revenue, Underlying Outlays and Underlying Balance 1960-61 to 2000-01

	Revenue			Underlying Outlays			Underlying Balance	
	Estimate \$m	% Real Growth	Per cent of GDP	Estimate \$m	% Real Growth	Per cent of GDP	Estimate \$m	Per cent of GDP
1960-61	3204	9.6	21.1	2654	5.1	17.5	551	3.6
1961-62	3262	-0.6	20.9	2941	8.2	18.9	321	2.1
1962-63	3356	1.3	19.9	3105	3.9	18.4	250	1.5
1963-64	3725	9.3	19.9	3437	9.0	18.4	289	1.5
1964-65	4349	12.4	21.1	3765	5.5	18.3	584	2.8
1965-66	4774	5.9	22.1	4220	8.1	19.5	554	2.6
1966-67	5088	2.9	21.3	4766	9.0	20.0	322	1.4
1967-68	5583	6.1	21.9	5258	6.6	20.6	324	1.3
1968-69	6228	6.6	21.7	5712	3.8	19.9	515	1.8
1969-70	7157	9.3	22.5	6188	3.1	19.5	969	3.0
1970-71	8093	6.6	23.0	7251	10.5	20.7	841	2.4
1971-72	8913	3.1	22.7	8060	4.0	20.5	853	2.2
1972-73	9471	-0.7	21.1	9189	6.6	20.5	281	0.6
1973-74	11978	10.9	22.3	10965	4.7	20.5	1012	1.9
1974-75	15431	6.0	23.8	15266	14.6	23.6	165	0.3
1975-76	18365	2.4	24.0	19904	12.2	26.0	-1539	-2.0
1976-77	21546	5.2	24.6	22701	2.3	25.9	-1156	-1.3
1977-78	23601	1.4	24.8	25534	4.1	26.8	-1933	-2.0
1978-79	25814	2.3	23.8	28119	3.0	25.9	-2305	-2.1
1979-80	29793	4.8	24.2	31039	0.2	25.2	-1245	-1.0
1980-81	35320	7.3	25.1	35335	3.0	25.1	-15	0.0
1981-82	41010	4.1	25.8	40496	2.8	25.5	514	0.3
1982-83	44879	-1.4	26.0	48013	6.8	27.8	-3133	-1.8
1983-84	49308	2.8	25.2	56141	9.4	28.7	-6832	-3.5
1984-85	57989	11.1	26.7	63754	7.3	29.4	-5764	-2.7
1985-86	65278	5.1	27.1	70090	2.7	29.1	-4812	-2.0
1986-87	73553	5.2	27.8	75622	0.7	28.6	-2069	-0.8
1987-88	81558	3.7	27.2	80132	-0.9	26.8	1426	0.5
1988-89	88796	0.5	26.2	83036	-4.3	24.5	5760	1.7
1989-90	95995	1.5	25.9	89110	0.8	24.1	6884	1.9
1990-91	98093	-2.0	25.9	97690	5.1	25.8	402	0.1
1991-92	93509	-6.4	24.2	104973	5.5	27.1	-11464	-3.0
1992-93	95062	0.4	23.5	112059	5.5	27.7	-16997	-4.2
1993-94	100747	4.8	23.4	117810	4.0	27.4	-17063	-4.0
1994-95	110430	8.2	24.1	123559	3.5	27.0	-13129	-2.9
1995-96	121688	7.2	24.9	131961	3.9	27.0	-10273	-2.1
1996-97 (estimate)	129625	4.1	25.2	136481	1.1	26.6	-6856	-1.3
1997-98 (estimate)	133351	0.9	24.5	137204	-1.4	25.2	-3853	-0.7
1998-99 (forecast)	142383	4.1	24.7	140786	0.1	24.4	1597	0.3
1999-00 (projection)	150330	3.1	24.6	144947	0.5	23.7	5383	0.9
2000-01 (projection)	158911	3.1	24.5	148219	-0.2	22.9	10692	1.6

Table E2: Commonwealth Budget Sector Taxation Revenue, Non-Taxation Revenue and Total Revenue 1960-61 to 2000-01

	Tax Revenue			Non-Tax Revenue			Total Revenue		
	Estimate \$m	% Real Growth	Per cent of GDP	Estimate \$m	% Real Growth	Per cent of GDP	Estimate \$m	% Real Growth	Per cent of GDP
1960-61	2851	10.1	18.7	353	6.4	2.3	3204	9.6	21.1
1961-62	2862	-2.0	18.4	400	10.6	2.6	3262	-0.6	20.9
1962-63	2915	0.3	17.3	441	8.5	2.6	3356	1.3	19.9
1963-64	3257	10.0	17.4	469	4.7	2.5	3725	9.3	19.9
1964-65	3835	13.4	18.6	514	5.5	2.5	4349	12.4	21.1
1965-66	4209	5.8	19.5	564	5.8	2.6	4774	5.9	22.1
1966-67	4485	2.9	18.8	603	3.2	2.5	5088	2.9	21.3
1967-68	4952	6.7	19.4	631	1.2	2.5	5583	6.1	21.9
1968-69	5533	6.8	19.3	694	5.1	2.4	6228	6.6	21.7
1969-70	6391	9.9	20.1	767	5.2	2.4	7157	9.3	22.5
1970-71	7221	6.5	20.6	872	7.2	2.5	8093	6.6	23.0
1971-72	7934	2.8	20.2	979	5.1	2.5	8913	3.1	22.7
1972-73	8468	-0.2	18.9	1003	-4.2	2.2	9471	-0.7	21.1
1973-74	10907	13.0	20.3	1071	-6.3	2.0	11978	10.9	22.3
1974-75	14211	7.2	21.9	1221	-6.2	1.9	15431	6.0	23.8
1975-76	16933	2.5	22.1	1432	0.9	1.9	18365	2.4	24.0
1976-77	19783	4.8	22.6	1763	10.4	2.0	21546	5.2	24.6
1977-78	21469	0.4	22.5	2132	11.9	2.2	23601	1.4	24.8
1978-79	23514	2.4	21.7	2300	0.9	2.1	25814	2.3	23.8
1979-80	27539	6.4	22.3	2255	-11.0	1.8	29793	4.8	24.2
1980-81	32769	7.7	23.3	2551	2.4	1.8	35320	7.3	25.1
1981-82	38058	4.2	24.0	2952	3.8	1.9	41010	4.1	25.8
1982-83	41239	-2.4	23.9	3640	11.1	2.1	44879	-1.4	26.0
1983-84	45065	2.2	23.0	4243	9.1	2.2	49308	2.8	25.2
1984-85	53208	11.6	24.5	4782	6.5	2.2	57989	11.1	26.7
1985-86	59248	4.0	24.6	6030	17.8	2.5	65278	5.1	27.1
1986-87	66881	5.4	25.3	6672	3.3	2.5	73553	5.2	27.8
1987-88	75465	5.5	25.2	6093	-14.6	2.0	81558	3.7	27.2
1988-89	83897	2.6	24.7	4899	-25.8	1.4	88796	0.5	26.2
1989-90	91343	2.2	24.7	4651	-10.8	1.3	95995	1.5	25.9
1990-91	93225	-2.1	24.6	4867	0.3	1.3	98093	-2.0	25.9
1991-92	87970	-7.3	22.7	5539	11.8	1.4	93509	-6.4	24.2
1992-93	89434	0.4	22.1	5627	0.4	1.4	95062	0.4	23.5
1993-94	94024	4.0	21.9	6722	18.1	1.6	100747	4.8	23.4
1994-95	105687	11.0	23.1	4743	-30.3	1.0	110430	8.2	24.1
1995-96	116386	7.1	23.8	5302	8.7	1.1	121688	7.2	24.9
1996-97 (estimate)	124363	4.5	24.2	5263	-3.0	1.0	129625	4.1	25.2
1997-98 (estimate)	129433	2.0	23.8	3918	-27.0	0.7	133351	0.9	24.5
1998-99 (forecast)	138248	4.2	24.0	4135	2.9	0.7	142383	4.1	24.7
1999-00 (projection)	146191	3.3	23.9	4139	-2.2	0.7	150330	3.1	24.6
2000-01 (projection)	154796	3.3	23.9	4114	-3.0	0.6	158911	3.1	24.5

APPENDIX A: COMMONWEALTH GENERAL GOVERNMENT SECTOR

This appendix presents forward estimates of the underlying balance — and the revenue and outlays components — for the Commonwealth general government sector. The Commonwealth general government sector comprises both a budget and non-budget component. The budget sector, which dominates the general government sector, consists of those departments and agencies whose transactions are recorded on the Commonwealth Public Account (CPA). The non-budget sector includes Commonwealth government authorities such as the ABC and CSIRO, which operate outside the CPA through their own bank accounts. A more detailed description of these sectors can be found in Statement 7.

The estimates provided in Table F1 are based on GFS classification principles. However, as is the case in the budget sector, in order to provide an estimate of the underlying balance broadly consistent with the ‘net lending’ concept in the national accounts, no adjustment is made for increases in provisions.¹⁸ As required by the Charter of Budget Honesty Bill 1996, general government estimates are also presented on a GFS consistent basis in Appendix D of Statement 7. A discussion of the GFS concepts and how these differ from the budget presentation is also provided in that appendix.

Table F1: Summary of General Government Aggregates (\$m)

	1996-97	1997-98	1998-99	1999-00	2000-01
	Revised	Estimate	Projection	Projection	Projection
Revenue (\$m)	130106	133861	142896	150825	159441
<i>Per cent of GDP</i>	25.3	24.6	24.8	24.7	24.6
Underlying outlays (\$m)	137233	137271	140729	145050	148189
<i>Per cent of GDP</i>	26.7	25.2	24.4	23.7	22.9
Underlying balance (\$m)	-7127	-3410	2167	5775	11252
<i>Per cent of GDP</i>	-1.4	-0.6	0.4	0.9	1.7
<i>Memorandum items:</i>					
Net advances (\$m)	-7404	-10146	-5089	-273	-257
Headline balance (\$m)	277	6736	7256	6048	11509
<i>Per cent of GDP</i>	0.1	1.2	1.3	1.0	1.8

General government aggregates in Table F1 essentially mirror equivalent budget aggregates, although components of Commonwealth outlays can vary substantially between the general government and budget sectors. This reflects the elimination of transfers to the Commonwealth non-budget sector in the general government sector, and the inclusion in other outlay categories of spending by the non-budget sector. An economic type presentation of general government outlays and revenue is presented in Statement 7. Major differences to the equivalent budget sector presentation include:

- higher final consumption expenditure in each year reflecting non-budget spending on goods and services;

¹⁸ Provisions are receipts and payments by the budget sector of PTE superannuation provisions.

- higher personal benefit payments reflecting medicare and pharmaceutical benefits paid by the Health Insurance Commission (a non-budget authority); and
- higher grants to other governments includes payments by the Australian National Training Authority (a non-budget authority).

Table F1 shows that the Commonwealth general government sector is expected to move from underlying deficit to underlying surplus from 1998-99, consistent with expected movements in the budget sector. This movement equates to a change from an underlying deficit of around ½ per cent of GDP to an underlying surplus of around ½ per cent of GDP. Compared with the general government estimates provided in the MYEFO, the move into underlying surplus is expected to occur one year earlier reflecting a stronger budget fiscal position.

The relative movements in the general government underlying and headline balance are dependent on changes in net advances. For instance, there is a larger increase in the headline surplus in 1997-98 compared to the fall in the underlying balance in the same year as a result of an increase in net advances in 1997-98 (mainly reflecting a higher level of equity asset sales).

CONTENTS

STATEMENT 3 — STRUCTURAL CHANGE: RECENT DEVELOPMENTS, BENEFITS AND THE ROLE OF POLICY

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STATEMENT 3 — STRUCTURAL CHANGE: RECENT DEVELOPMENTS, BENEFITS AND THE ROLE OF POLICY

INTRODUCTION

Changes in the Australian economy over recent decades have been profound. Australia has become increasingly open to international trade and investment with reduced levels of protection, free capital flows and a floating exchange rate. Exports and imports as a proportion of production have grown dramatically over this time and the composition of exports has changed markedly. The services sector has become increasingly important in terms of both output and employment. Workplace arrangements have been changing with greater focus on wage-setting at the firm level. Female participation in the workforce has increased and skilled workers are a much larger proportion of total employment.

The world economy has undergone major structural change over the last quarter century. There have been significant and continual changes in the capacity of different countries to supply goods and services as a result of technological change, the opening up of trade, the discovery and harnessing of natural resources and the development of human skills. At the same time, rising incomes and demographic change have influenced the pattern of demand for different goods and services.

Governments around the world have responded differently to structural change at different times, sometimes attempting to restrict trade and to insulate selected activities from that change. Other countries — including Australia — have introduced microeconomic reforms aimed at facilitating structural change. Some of the reforms undertaken include deregulation of financial markets, freeing up aviation and telecommunications markets, taxation reform, making government enterprises more commercial and reductions in border protection such as tariffs and quotas. In recent years, particular attention has been given to reform of public utilities and making labour markets more competitive.

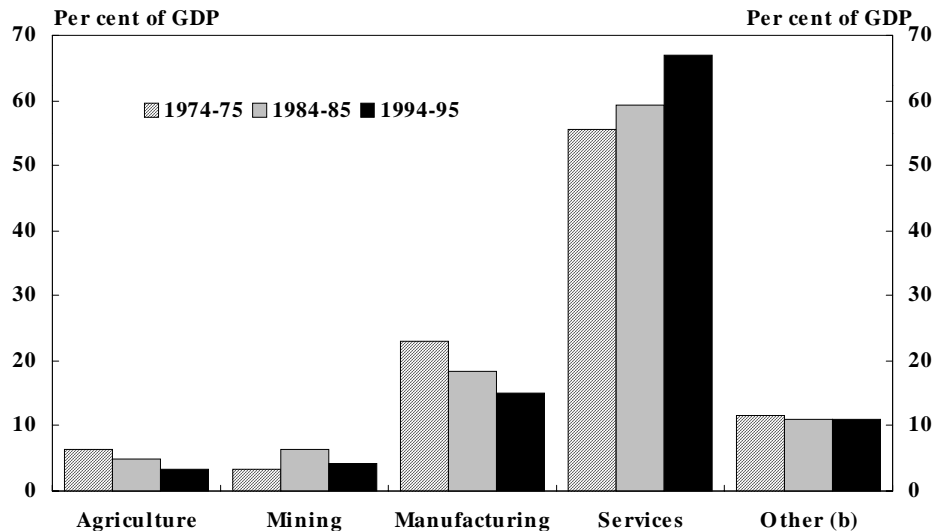
The freeing up of financial markets and rapid advances in communication technology have resulted in speedier and larger international movements of investment funds in response to changing financial conditions. This development has placed more discipline on the conduct of macroeconomic policies, which must now have regard for well-informed and influential market sentiment.

This Statement examines the nature of structural change and the benefits of facilitating change through microeconomic reform in terms of increased productivity, increased economic flexibility, lower prices for consumers and increased employment opportunities. The Statement then considers whether Australia's macroeconomic and microeconomic policies are meeting the demands of structural change and the possible need for further policy change. Consideration of what is an appropriate industry policy is also included in the Statement.

STRUCTURAL CHANGE IN THE AUSTRALIAN ECONOMY

Structural change is continual. The advent of steamships and railways were as revolutionary in their day as satellite communications and microchips are today. The continued urbanisation of society, greater international integration and increased trade flows, more specialised means of production and an expanding array of new products are some of the more obvious features of structural change. One consequence of the collective effect of such change is continual adjustment in industry composition; for example, a common feature of economic development around the world has been a shift in the share of output from manufacturing to the services sector, a trend clearly evident in Australia in recent decades (Chart 1)¹ and in industrial countries generally (Chart 2).

Chart 1: Sectoral Shares of Output — Australia^(a)



(a) Current price data — six year average ending in the year shown.

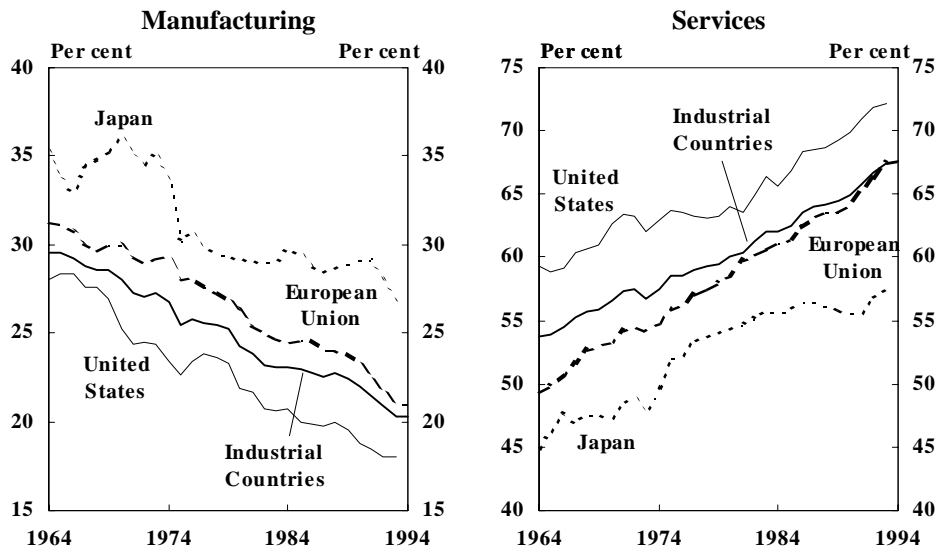
(b) 'Other' includes electricity, gas & water and construction.

Source: Reserve Bank of Australia, *Australian Economic Statistics: 1949-50 to 1994-95*, 1996 and Treasury estimates.

The causes and consequences of structural change are complex and inter-related. Technological advances impact by changing the costs of production, by increasing international trade and by increasing the demand for skilled labour. Increased international integration encourages greater trade and international investment, helps to stimulate innovation and can affect consumption patterns; recent developments in East Asia have been of particular relevance to Australia. Demographic factors influence work preferences and labour force participation, and affect the types of goods and services purchased. And changes in one area of the economy can have wider effects by inducing the transfer of resources from other (less profitable) areas.

¹ The increased relative importance of the services sector has occurred despite increases in output in each of the major sectors.

Chart 2: Sectoral Shares of Value Added — Industrial Countries^(a)



(a) Current price data.
Source: IMF, *World Economic Outlook*, April 1997.

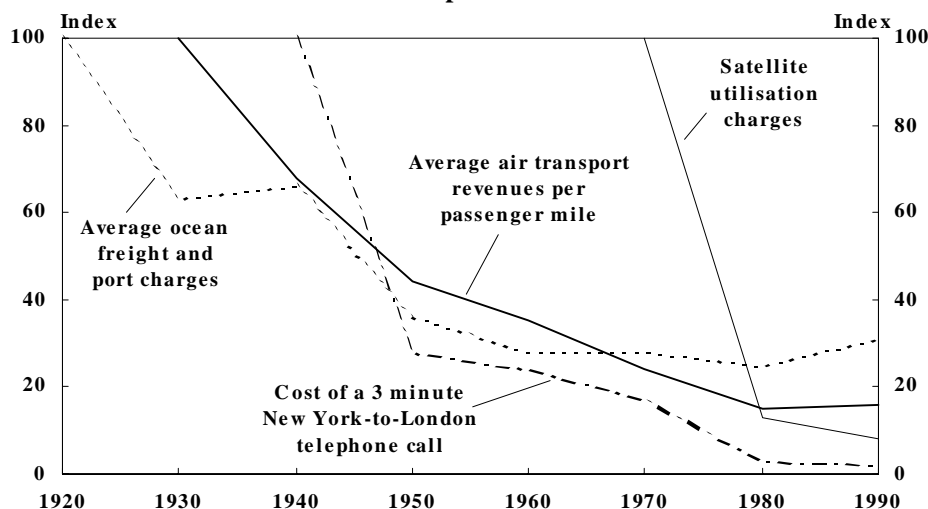
Technological Change

The impact of technological change is primarily felt through the development of new products and new methods of producing existing products or providing services. For example, expansion of Australia's mining industry in the mid-1960s partly reflected the development of new technology for extracting and transporting large volumes of minerals at world competitive prices. More generally, with the pace of technological change differing across industries both locally and overseas, there are likely to be constant changes in relative prices, inducing shifts in the structure of production, consumption and employment.

Advances in transport and communications have been important catalysts for change. Lower costs of international transactions (Chart 3) have helped to enhance the efficiency of international markets, reduce consumer prices and increase international competition. Increased exposure to goods of foreign origin has helped to stimulate greater innovation in order to meet that international competition and has served as a conduit for faster diffusion of technological progress and organisational change.

Changes in information technology have spawned the creation of computer hardware and software industries. Increases in computing power have allowed information to be processed in greater quantities and with more speed, increasing demand for information services and underpinning advances in communication which have assisted the process of increased international integration. Enhanced information processing has also assisted in accelerating the spread of knowledge, potentially advancing the rate of technological progress in a wide range of areas. These influences accelerate changes in the types of goods and services purchased and how and where they are produced.

Chart 3: International Transport and Communication Costs^(a)



(a) Real price index = 100 in the first year of data for each category.
Source: World Bank, *World Development Report*, 1995.

Increasing International Integration

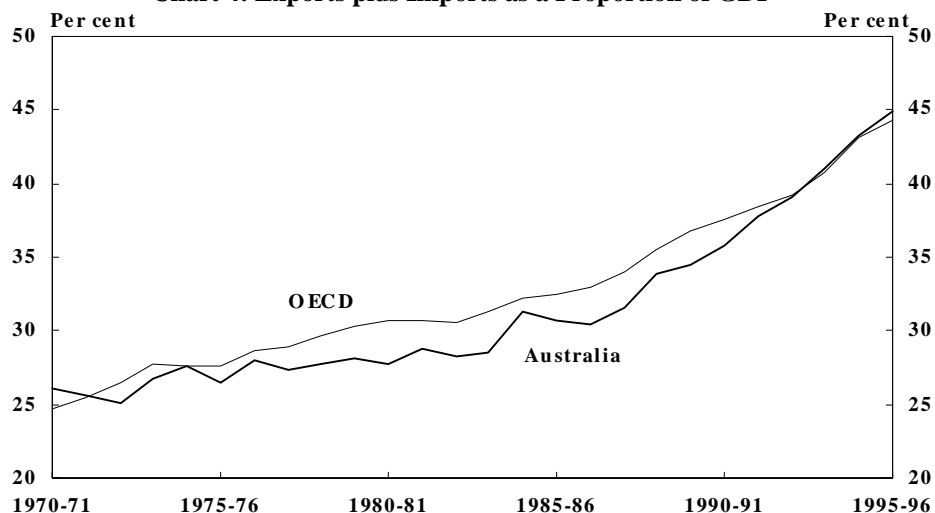
Over recent decades, an increasing proportion of Australia's production has been exported and imports have increased as a share of spending. The overall trade share as a proportion of total domestic output has risen from an average of about 25 per cent in the 1960s to over 40 per cent in recent years. This increase in trade intensity is in keeping with international trends (Chart 4). Substantial changes have also been apparent in the composition of exports, with commodities becoming relatively less significant while manufactures and services have commensurately increased in importance.

Increased trade intensity is partly the result of technological advances in transport and communications. Also important are the reductions that have occurred in trade barriers around the world, flowing from a recognition of the inherent economic costs of such protection. Some of these reductions reflect GATT negotiations, but unilateral initiatives have also been important. More than 70 countries, including Australia, independently reduced their trade barriers between 1986 and 1993.²

Capital has also become increasingly mobile, with advances in computing and communications allowing capital markets to respond rapidly to developments throughout the world. Such technological developments have complemented financial deregulation and the easing of restrictions on foreign exchange transactions, often associated with more flexible exchange rate regimes.

² GATT, *International Trade and the Trading System*, 1993.

Chart 4: Exports plus Imports as a Proportion of GDP^(a)



(a) Constant price data (1989-90 prices for Australia, 1990 prices and exchange rates for the OECD).
Source: ABS Cat. Nos. 5302.0, 5206.0 and OECD, *National Accounts: Main Aggregates*, Vol. 1, 1997.

World capital flows have risen significantly in recent decades. Australia's capital flows have also increased considerably, particularly since the early 1980s. The stock of foreign investment in Australia has risen from around 32 per cent of GDP in the early 1980s to around 90 per cent by the end of 1995-96 (the bulk of this investment is in the form of debt rather than foreign ownership). This sharp rise in foreign investment in Australia has reflected: a shift down in domestic saving relative to overall investment; the breadth of investment opportunities; the stability of our economic and political framework; financial deregulation here and abroad; and the proximity of overseas markets with potential for rapid growth. There has also been a sharp increase in the stock of Australian investment abroad, from around 11 per cent of GDP in the early 1980s to 31 per cent at the end of 1995-96. An important component of this has been direct investment, reflecting a desire of Australian firms to invest in productive capacity in export markets in which they have established a presence and to become insiders in foreign markets by locating some functions abroad.

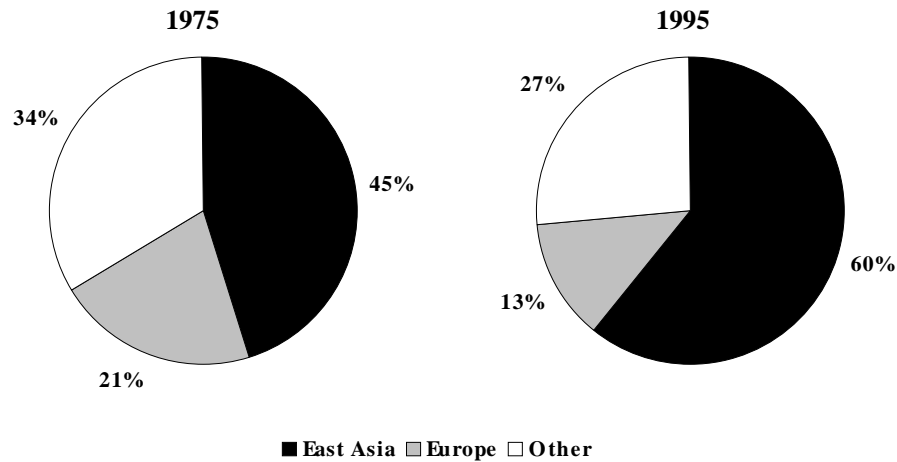
Overall, developments overseas create significant pressures for structural change in the Australian economy. Opportunities for expansion in trade provide the basis for greater specialisation in areas of relative economic strength — a prescription for higher living standards through the opportunity to make the best use of available resources.

The Growth of East Asia

Whereas historically Australia's main markets were distant and grew relatively slowly, the proximity of fast-growing East Asia, combined with lower transport and communication costs, has in recent decades offered opportunities for faster growth in Australia. Australian businesses have taken advantage of these opportunities, and exports to East Asia constitute a growing proportion of Australia's total exports (Chart 5). Not only is East Asia an important destination for Australia's traditional commodity exports, it is also an increasingly important source of demand for manufactures and

such services as tourism and education. Changes in the direction, and composition, of exports will continue to have an impact on the composition of Australia's production.

Chart 5: Direction of Australia's Exports



Source: Department of Foreign Affairs and Trade, *Direction of Trade Time Series: 1975-1995*, May 1996.

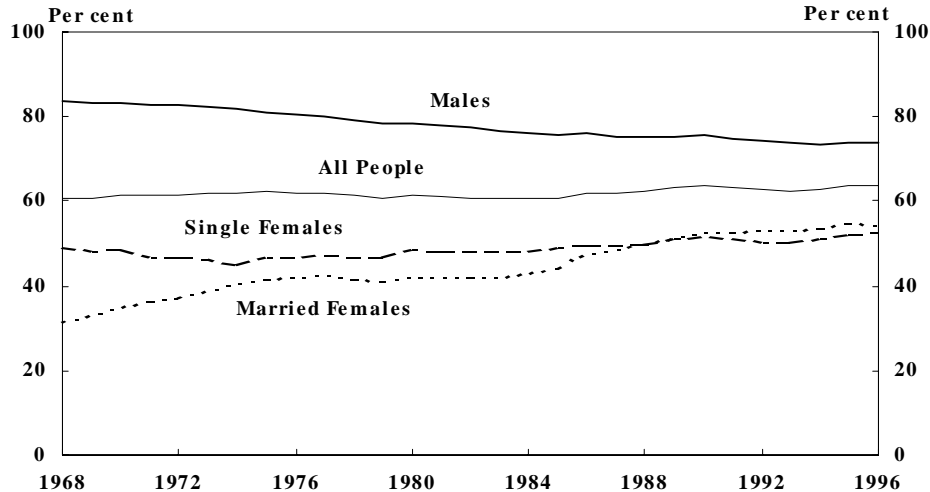
Changing Composition and Organisation of the Labour Force

Demographic influences are a factor in the responsiveness of an economy to change and are also a source of change. Changes in the size and location of industries have been associated with considerable mobility of the work force between industries, occupations and regions. On average over the past twenty years, around 16 per cent of workers changed jobs (employers) in the preceding year. With the addition of workers who did not work in the previous 12 months — reflecting inflows either from unemployment or from outside the labour force, such as school leavers — almost 23 per cent of workers on average over this period had been in their jobs for less than one year. This high turnover of labour provides the opportunity for expanding industries to more readily take up employment losses in declining industries.

Demographic factors and changes in social preferences have resulted in changes in the composition of the work force, particularly in relation to participation and hours worked. Increasing participation by married women in the labour force has underpinned an increase in the past 30 years in the proportion of the population either employed or looking for work (Chart 6). Over the same period, average weekly hours worked have declined from around 39 hours in the second half of the 1960s to around 36 hours in the first half of the 1990s. Notwithstanding that aggregate decline, the proportion of males working more than 49 hours rose from 20 per cent in 1981 to 29 per cent in 1996, while the proportion of employed females working such hours rose from 6 per cent to 9 per cent³.

³ ABS, *Labour Force Australia*, Cat. Nos. 6204.0 and 6203.0.

Chart 6: Labour Force Participation



Source: ABS Cat. Nos. 6203.0 and 6204.0.

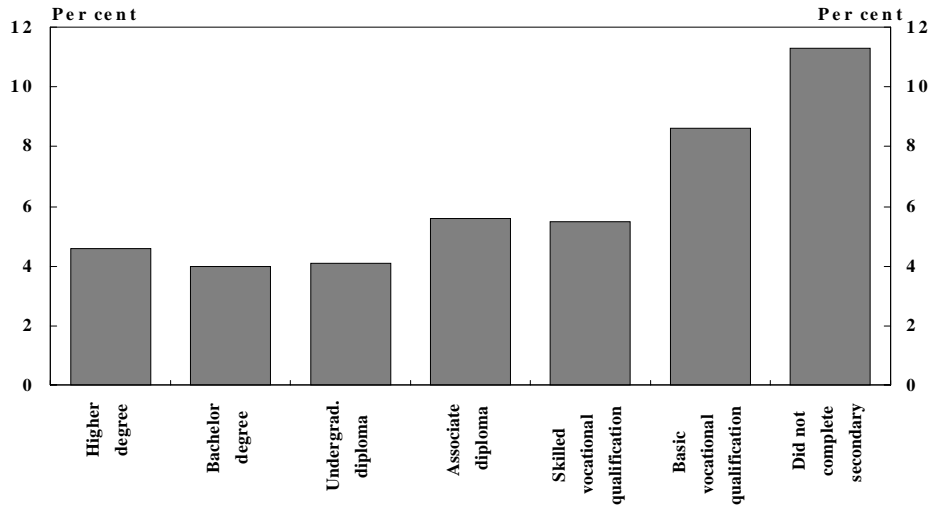
These changes have coincided with increased availability of part-time and casual work. The reasons lie both in increased supply and demand for such forms of work, including the increasing importance of the services sector. For example, many people seek flexibility in working hours to manage family or study commitments and deregulation of shopping hours has increased demand for workers outside traditional working hours. Greater flexibility in the terms and conditions of part-time and casual work has also meant employers have been more willing to take on such workers. The combined effect of longer working hours for some and increased part-time and casual work for others is that a smaller proportion of workers is now working a conventional working week compared to twenty years ago.

Changes in the composition of the work force have been accompanied by declining trade union membership. Membership fell from 51 per cent of employees in 1976 to 31 per cent in 1996.⁴

Skilled workers who are able to take advantage of new technology and are more adaptable to new work arrangements are becoming more highly valued. In both the 1970s and the 1980s employment growth was weakest for the generally less skilled occupations — labourers and related workers — and strongest for the more skilled occupations — professionals and para-professionals. This trend has continued in the 1990s, with the highest incidence of unemployment occurring among those with the lowest levels of educational attainment (Chart 7).

⁴ ABS, *Trade Union Members*, Cat. No. 6325.0.

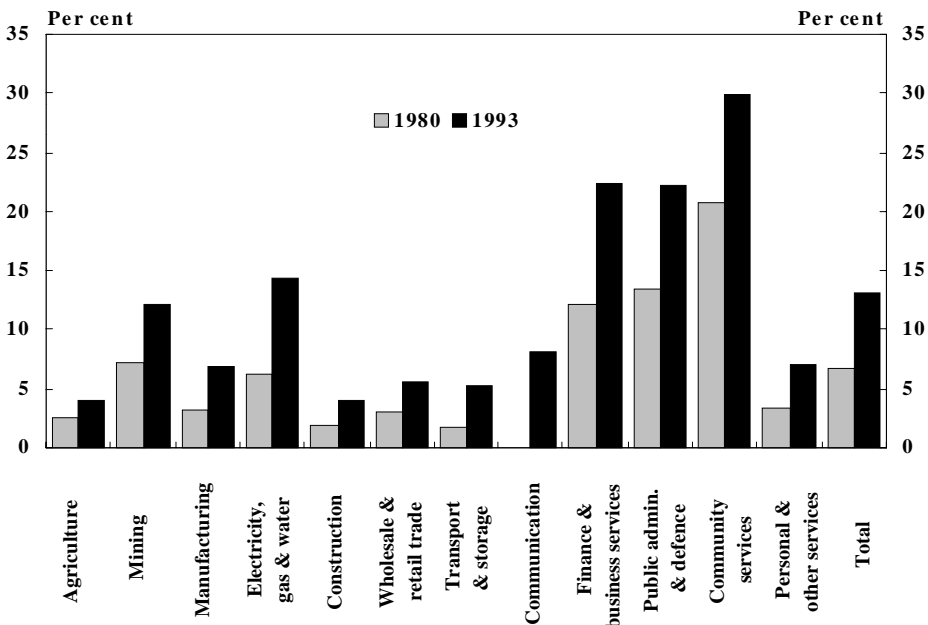
Chart 7: Unemployment Rate by Educational Attainment (May 1996)



Source: ABS Cat. No. 6227.0.

An increase in education levels is apparent in all industries (Chart 8). The overall proportion of employees with post-secondary qualifications rose from 38 per cent in 1980 to 52 per cent in 1993.⁵

Chart 8: Proportion of Industry Employees with a Degree^(a)



(a) Data are not available for communication sector in 1980.

Source: ABS Cat. No. 6235.0.

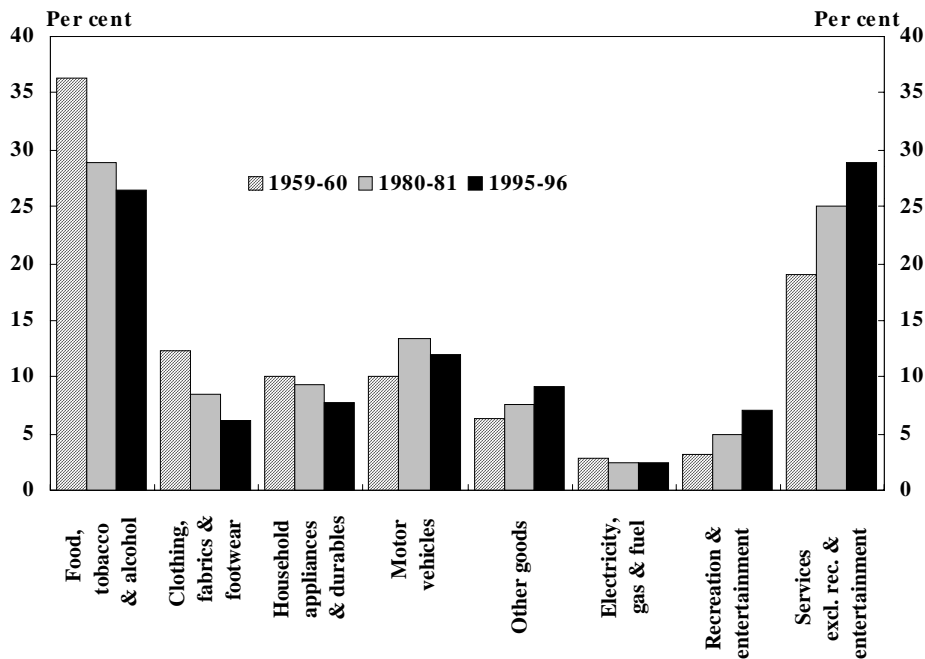
⁵ ABS, *Labour Force Status and Educational Attainment, Australia*, Cat. No. 6235.0 (February 1980 and February 1994).

Changing Consumption Patterns

In the past thirty years or so there have been notable shifts in the composition of consumer spending. In particular, food, clothing and related items now account for almost one-third of consumer spending compared with almost one-half 35 years ago, while consumption of services has increased in relative importance (Chart 9).

Such changes in composition may reflect a response to changes in relative prices and incomes as well as changes in tastes. Changes in relative prices may occur because of, say, the development of new or cheaper products embodying new technology or because of reductions in protection or changes in rates of taxation applying to particular goods and services. Falling relative prices of particular items may result in a higher or lower proportion of income being spent on them, depending on the price and income elasticities of demand. In addition, increasing incomes influence consumption patterns as those on higher incomes tend to spend proportionately less of their incomes on food and more on recreation and entertainment.⁶ Other demographic changes, such as increased female participation in the work force, may also result in changed spending patterns.

Chart 9: Shares of Consumption Spending as a Proportion of Total Consumption^(a)



(a) Total consumption excludes expenditure on dwelling rent. Current price data are used.
Source: ABS Cat. No. 5206.0.

⁶ For measurement purposes, spending at restaurants is divided between a food component and a service component which appears in Chart 9 under 'services excluding recreation and entertainment'.

THE BENEFITS OF MICROECONOMIC REFORM

The preceding section illustrates the widespread and continuous process of structural change occurring domestically and internationally. In broad terms, the spectrum of choice facing governments in relation to structural change ranges from resistance to facilitation. Australia has been actively pursuing microeconomic reform across a number of areas to make the economy more responsive to change.

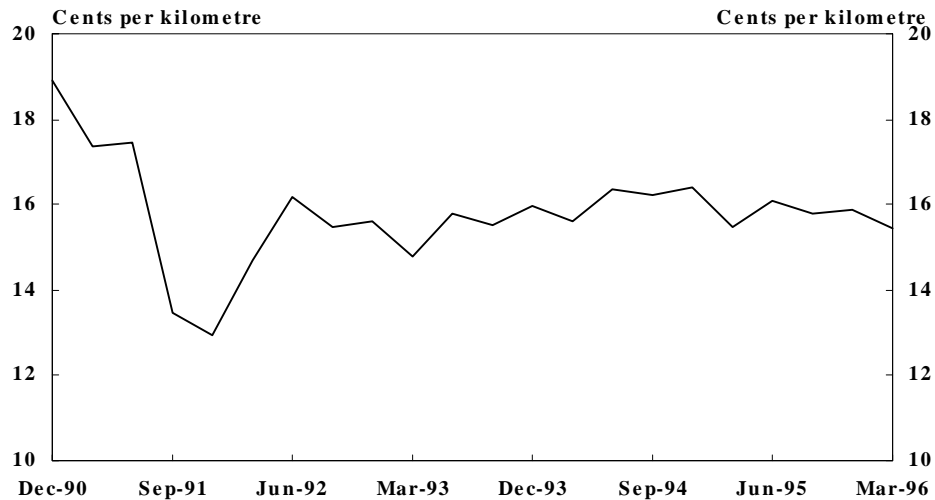
Consistent with the experience of a number of other industrial economies, the overall benefits from the reforms undertaken are becoming evident — particularly in the industries directly affected but also at the economy-wide level.

Benefits of Competition and Commercialisation

A prime focus of reform has been to subject the private sector in Australia to more competition from both domestic and international sources and to improve the performance of public utilities. The direct benefits of these reforms are lower prices and increased productivity which, in turn, reduce input costs for other industries and increase aggregate employment opportunities. Aside from lowering the cost structure of downstream businesses, such price falls also exert downward pressure on overall inflation and inflation expectations.

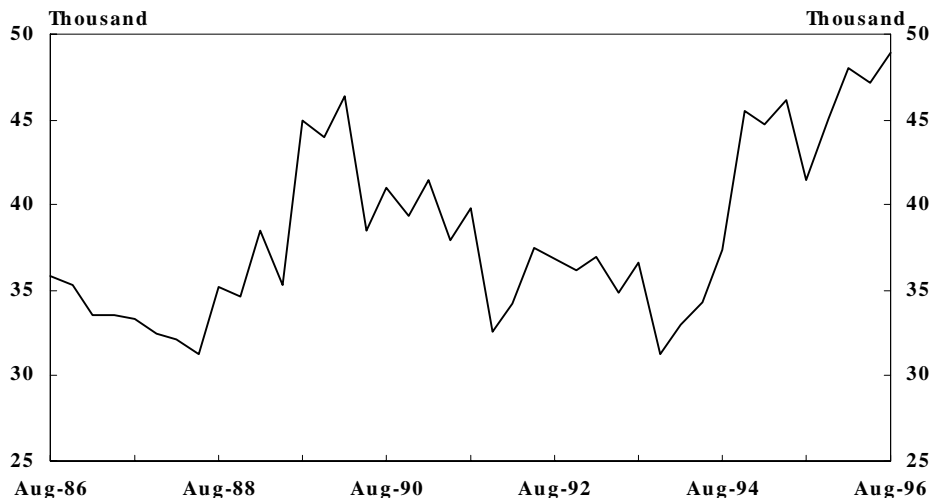
Domestic aviation provides a good example of the benefits of increased competition. Prices fell with the end of the ‘two airline policy’ in October 1990 (Chart 10) and, with lower prices, passenger numbers have increased by around 75 per cent. Employment in August 1996 was 19 per cent above the August 1990 level and also in excess of the temporary peak reached in the late 1980s (Chart 11).

Chart 10: Average Airfares (1989-90 dollars)



Source: Australian Competition and Consumer Commission, *Movement in Average Airfares Quarterly Update*, March 1996.

Chart 11: Employment in Aviation

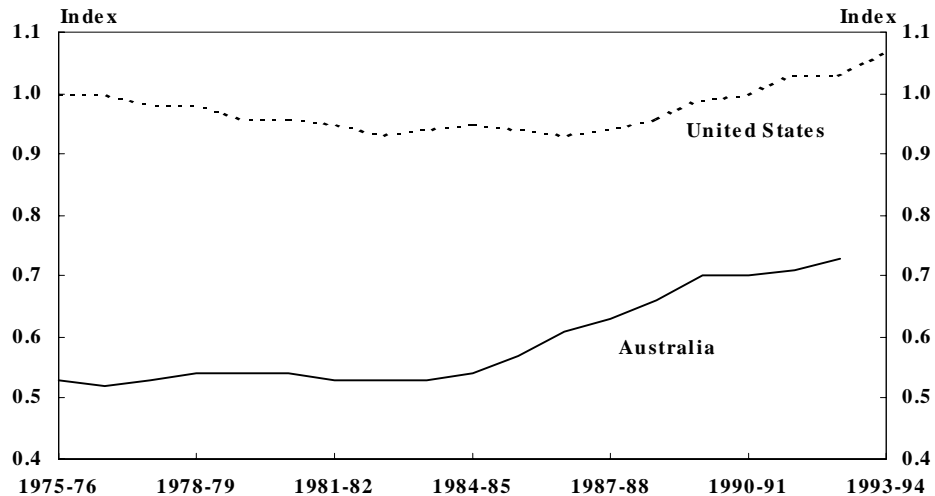


Source: ABS Cat. No. 6204.0.

In the **communication services** industry, measures to improve the commercial focus of Telstra and Australia Post include the introduction of managed competition in the telecommunications sector from 1992 and the reduction in 1994 in Australia Post's monopoly over some previously reserved postal services. A fall in Telstra's employment over the 1990s has been offset by increased employment elsewhere within the industry, including the new carriers (Optus and Vodafone) and the service providers that have emerged since the removal of Telstra's monopoly over many activities. Similarly, a reduction in employment in Australia Post over the 1990s has been offset by increased employment amongst private couriers and mail handlers. Overall employment in the communication industry (postal, courier and telecommunication services) has increased from around 150,000 at the end of 1989 to around 170,000 at the end of 1996. The improved efficiencies stemming from these reforms are illustrated by the marked reductions in the price of Telstra's services during the 1990s accompanied by significant rises in profitability (reflected in higher dividends and corporate tax payments) and by improved quality and responsiveness of service. Similarly, Australia Post's profitability has risen significantly since 1992 even though the price of standard stamps has remained unchanged, and therefore fallen in real terms, over this period.

Corporatisation and privatisation of **electricity** businesses have also fostered a more commercial focus and helped to deliver substantial improvements in productivity in recent years, although productivity remains below international best practice (Chart 12). Some losses in employment in the industry itself have been partly offset by an increase in contracted labour supplying services to the electricity industry. Average prices have fallen by six per cent (in constant dollar terms) between 1989-90 and 1994-95.

Chart 12: Total Factor Productivity Levels in Electricity^(a)



(a) Total factor productivity accounts for output increases beyond those explained by increases in inputs of capital, labour, fuel and other materials and services (eg contract maintenance).

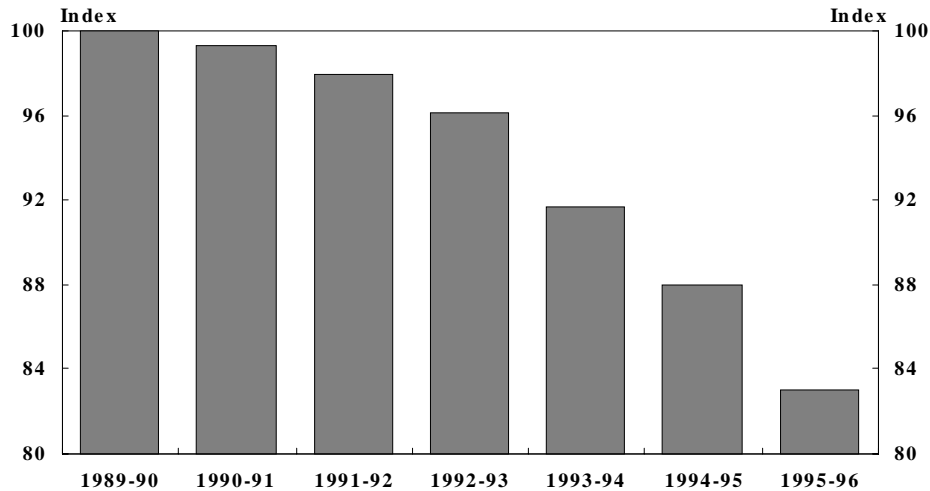
Source: Bureau of Industry Economics, *Electricity 1996: International Benchmarking*, September 1996.

Significant economy-wide benefits — in the form of increased output and employment — can flow from price reductions of significant inputs supplied to other business activities. Electricity is an area of considerable importance to downstream industries, and the Industry Commission (1996) calculated that implementation of a range of reforms in this industry could deliver an eventual gain in GDP of up to 1.3 per cent. The commencement of inter-State competition on the National Grid should help to realise those benefits and lift productivity performance towards international best practice. Benefits of increased competition in electricity have already been seen in Victoria where 78 per cent of firms surveyed by the Australian Chamber of Manufactures consider that they have been able to negotiate better prices as a result of recent reforms and only 10 per cent consider that they are worse off.⁷

Overall, reforms to **government business enterprises** have resulted in lower costs for services provided, with surveyed prices for 58 major Commonwealth, State and Territory enterprises falling by around 10 per cent in the first half of the 1990s (Chart 13).

⁷ Australian Chamber of Manufactures, *Customer feedback on Victoria's competitive electricity market*, 1996.

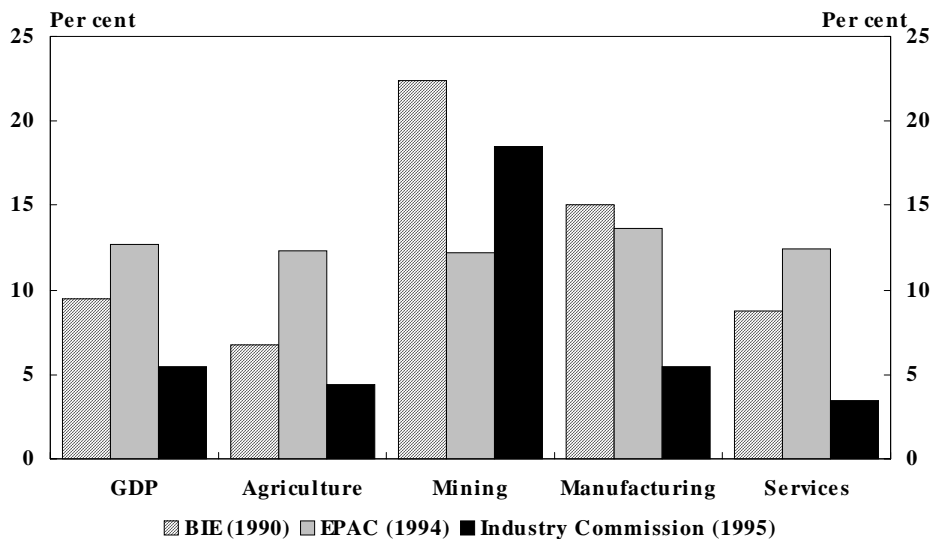
Chart 13: Government Trading Enterprises — Average Real Prices^(a)



(a) Index (1989-90 = 100). Prices of examined enterprises are deflated by consumer price index changes. The decline in the index indicates that average government trading enterprise prices have risen at a slower rate than general inflation. Source: Steering Committee on National Performance Monitoring of Government Trading Enterprises, *Government Trading Enterprises Performance Indicators*, various editions.

Potential benefits from wide-ranging microeconomic reform have been further emphasised in a number of studies (Chart 14). For example, the Industry Commission estimates that a range of reforms associated with the implementation of the National Competition Policy could boost GDP by around 5.5 per cent.

Chart 14: Projected Benefits of Microeconomic Reform^(a)



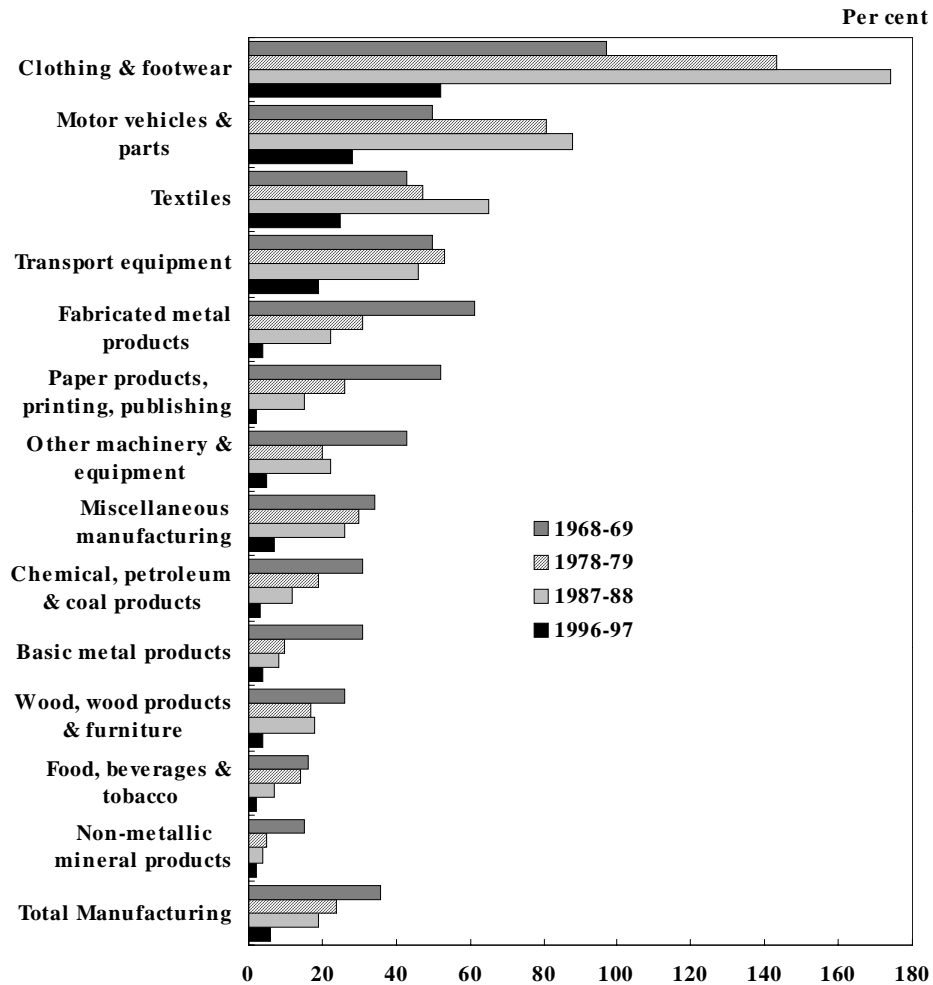
(a) Benefits measured in terms of aggregate GDP and sectoral output. Source: Results reported in Bureau of Industry Economics, *Setting the Scene: Micro Reform — Impact on Firms*, 1996. The results are derived from different studies, each involving wide-ranging, but different, reforms: Bureau of Industry Economics, *Microeconomic Reform and the Structure of Industry*, 1990; Economic Planning and Advisory Council (authors R. Filmer and D. Dao), *Economic Effects of Microeconomic Reform*, 1994; and Industry Commission, *The Growth and Revenue Implications of Hilmer and Related Reforms*, 1995.

Industry Assistance

Industry assistance in the form of tariffs and quotas imposes economic costs by distorting the patterns of production and consumption and results in lower aggregate output. The effects of such assistance include higher consumer prices for some goods and higher input and production costs for other producers.

The removal or reduction of such assistance is a spur to reduced costs, improved productivity and a pattern of production that reflects commercial realities. Chart 15

Chart 15: Effective Rates of Assistance in Manufacturing



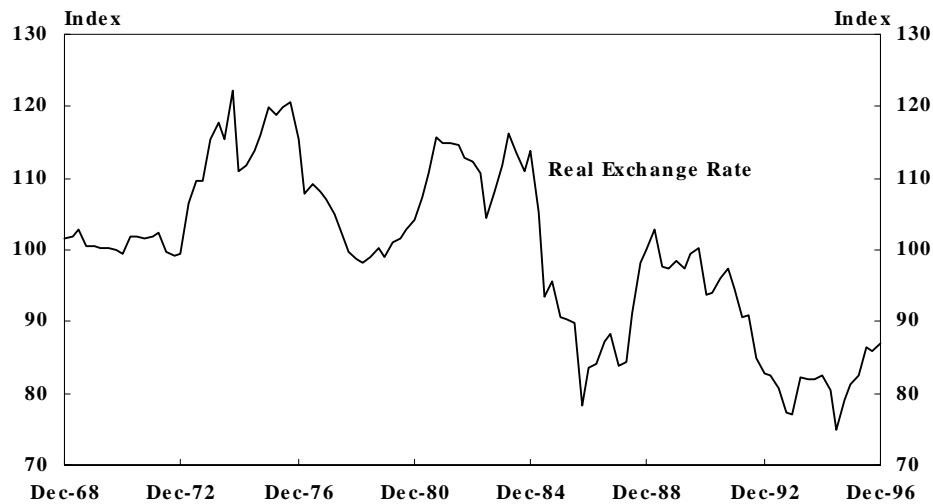
Source: Industry Commission, *Assistance to Agriculture and Manufacturing Industries*, Information Paper, March 1995 and Industry Commission, *Annual Report 1995-96*, September 1996.

shows that effective rates of assistance⁸ for manufacturing industries as a whole have been reduced significantly in recent decades, particularly during the 1980s and 1990s. While considerable variation in rates of assistance remains across industries, there is much greater uniformity than was the case 20, or even 10, years ago.

The impact of such changes cannot be viewed in isolation from movements in the real exchange rate — ie movements in the nominal exchange rate adjusted for relative rates of inflation at home and abroad. As indicated in Chart 16, the real exchange rate has fallen considerably since the early 1980s; despite some more recent increases, the real exchange rate is currently about 25 per cent lower than it was in the early 1980s.

A lower real exchange rate will tend to moderate the effects of reductions in protection on import competing industry and provide a relative stimulus for export industry. In Australia, while manufacturing's share of overall production has continued to decline as in other industrial countries, the share of some manufacturing activities has expanded — and some manufactured exports have increased considerably.

Chart 16: Real Exchange Rate^(a)



(a) The real exchange rate is calculated as the trade weighted index of the Australian dollar exchange rate multiplied by the domestic output deflator divided by a trade weighted foreign output price deflator.
Sources: ABS Cat. No. 1364.0.

Labour Market Reforms

In recent years, Australia has moved away from a centralised wage fixing system towards an enterprise-based bargaining system in which wages should increasingly reflect the circumstances of individual businesses and their employees. The process was accelerated by the *Workplace Relations Act 1996*. These reforms have the objective of reducing unemployment and increasing labour market responsiveness to structural and

⁸ If the value added by a firm is low and if the tariffs on the firm's input costs are low relative to the nominal rate of tariff on its output, the effective rate of tariff assistance can be much higher than the nominal rate.

cyclical shifts in product markets. Increases in productivity should also be bolstered, including by removal of inappropriate workplace restrictions.

Overseas experience indicates that a greater focus on enterprise bargaining and increased wage flexibility across sectors and occupations helps to deliver better employment outcomes. The European Union, with relatively inflexible product and labour markets, had unemployment levels of around 10 per cent during the 1980s, and unemployment rates in Germany, France and Italy have risen to around 12 per cent over the past year. In contrast, in the United Kingdom — a European country that has instituted significant structural labour market reform — unemployment has fallen from around 10 per cent in the mid 1980s to around 6½ per cent today. The United States, with generally more flexible markets, averaged around 6½ per cent unemployment in the 1980s, much lower than in Europe, and unemployment has since fallen below 5½ per cent. In New Zealand, after a decade of major structural reforms, including reforms to the labour market, unemployment has fallen rapidly to just under six per cent from a peak of almost 11 per cent in 1991 (although New Zealand's GDP growth over that period has been less than Australia's).

Effect on Aggregate Productivity

An important objective of structural reform is an improvement in productivity performance, which is the main source of continued rises in living standards. At an individual industry level, such improvements are readily discernible; indications of significant gains in productivity have, for example, been mentioned above for the aviation and electricity sectors. The extent of reforms introduced and the indications of improvements evident at a sectoral level give rise to an expectation that an improved productivity performance should also be apparent at an economy-wide level.

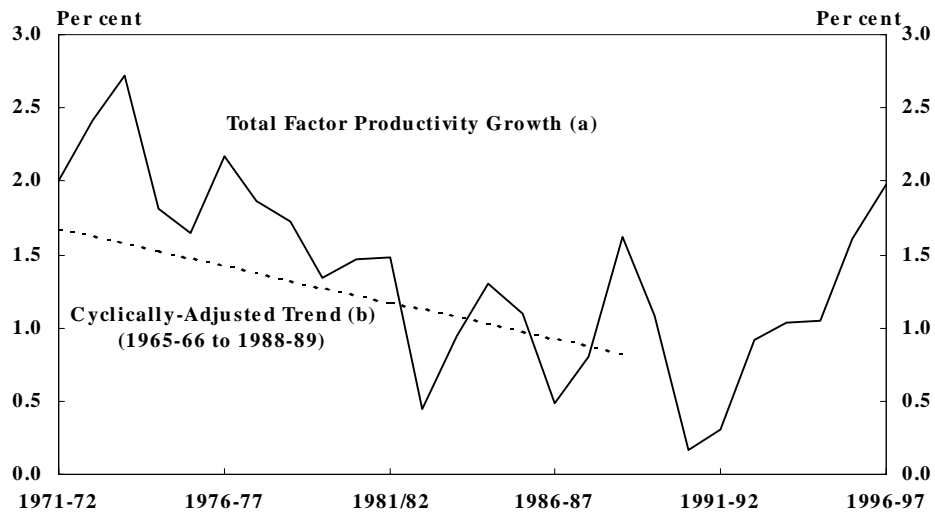
A number of factors, however, complicate analysis of trends in aggregate productivity performance. Cyclical factors obscure recognition of structural improvements; for example, in the early stages of economic recovery, factor inputs may be used more intensively, resulting in increases in output and productivity. Moreover, productivity improvements are generally only incremental and so may only become apparent in aggregate data after a considerable period has elapsed.

Productivity measurement, too, is difficult, particularly in the increasingly important service industries. For example, deregulation of trading hours may have increased efficiency in wholesale and retail trade, one of the largest sectors in the economy. Yet extended shopping hours have actually decreased measured productivity on an hours worked basis as, in the absence of other indicators, measured output is indexed to sales (in effect there is no measurement at all of the improvement in service). Similarly, output in the financial sector is measured in terms of labour inputs and hence labour productivity is by definition unchanged, despite industry reports of large increases in

output per worker in this sector partly as a result of deregulation.⁹ These considerations suggest that the aggregate data may underestimate the true benefits of reform.

Despite the above difficulties, there are some indications that the improved productivity performance observed for particular industries is also becoming apparent at more aggregated levels. Movements in total factor productivity for the non-farm market sector since the early 1970s are shown in Chart 17. As expected, cyclical influences are apparent, even though the data have been expressed in terms of rolling averages. Nevertheless, even allowing for such influences in the first half of the 1990s, recent outcomes give support to the likelihood of a structural improvement in aggregate productivity performance over the 1990s. In particular, outcomes during the 1990s contrast with the general downward trend in productivity growth evident to the end of the 1980s, even though average productivity growth in the 1990s is not significantly above the 1980s experience. A very significant contributor to the improvement in aggregate outcomes over the 1990s appears to have been developments in the public enterprise sector, related to the substantial reforms of government business enterprises mentioned above. Since 1990, labour productivity levels in the public enterprise sector, which accounts for about 11 per cent of total output, have risen by around two-thirds.

Chart 17: Total Factor Productivity Growth — Non-Farm Market Sector



(a) Rolling average growth rates — six years to the year shown.

(b) The cyclically-adjusted trend has been derived by regressing annual total factor productivity growth for the period shown against a cyclical indicator and a time trend.

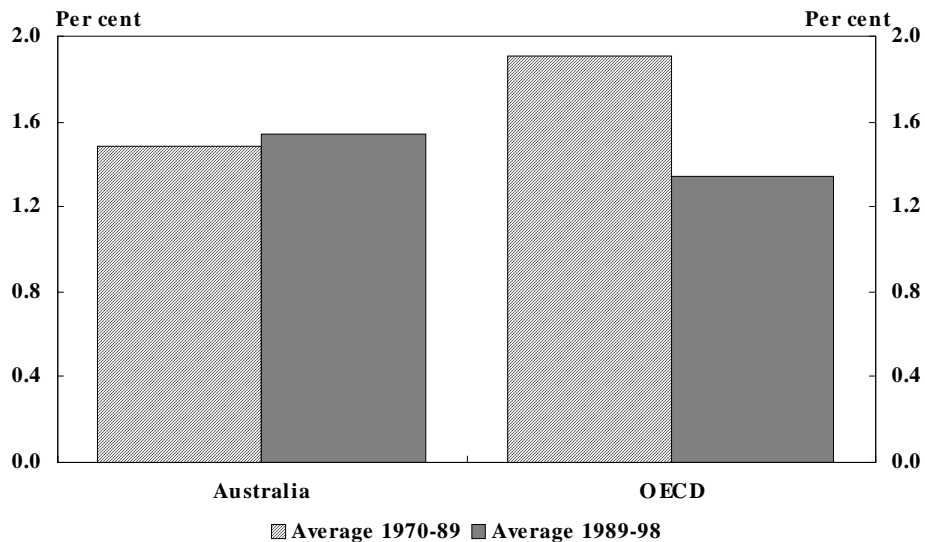
Source: ABS Cat. Nos. 5206.0, 5234.0 and Treasury estimates.

International comparisons also suggest positive productivity developments in Australia. Differences in national accounting conventions create problems in compiling and comparing capital stock estimates, making comparisons of total factor productivity particularly difficult. Concentrating on labour productivity growth, therefore, data from

⁹ Oster A. and Antioch L., 'Measuring Productivity in the Australian Banking Sector' in RBA Conference Volume, *Productivity and Growth*, 1995.

the latest OECD Economic Outlook (including forecasts through 1998) indicate that recent and expected performance in Australia compares favourably with the rest of the OECD. As indicated in Chart 18, average labour productivity growth in Australia in the 1990s is expected to be marginally above that in the 1970s and 1980s, an outcome broadly consistent with the outcomes for total factor productivity noted above. Nevertheless, what is most striking is that Australian experience contrasts sharply with the deceleration evident for the OECD as a whole in the 1990s relative to its earlier experience, highlighting the importance of microeconomic reforms in Australia in enabling these broader trends to be avoided.

Chart 18: Labour Productivity Growth: Australia and the OECD



Source: Treasury estimates based on data from OECD, *Economic Outlook*, December 1996, including OECD forecasts to 1998.

Despite Australia's better recent productivity growth performance (compared with the OECD as a whole), Australia's productivity **level** remains relatively low. An international comparison undertaken by the OECD¹⁰ indicates that Australia's labour productivity level in manufacturing in the mid-1990s was the lowest of the 11 OECD countries analysed. For a limited range of service industries analysed, the same study concluded that Australia's productivity levels were high only in construction and air transport. Similarly, the BIE has estimated that Australian industry lags significantly behind world best practice levels of labour and capital productivity in industries such as electricity, telecommunications, rail freight, waterfront container movement, aviation, gas supply, coastal shipping and road freight¹¹. These international comparisons of Australian productivity performance highlight the need for continued pursuit of reforms to enable ongoing efficiencies to be introduced, both to bridge the existing gap and to match further advances in world best practice.

¹⁰ Pilat D., *Labour Productivity Levels in OECD Countries: Estimates for Manufacturing and Selected Service Sectors*, OECD Working Paper No. 169, 1996.

¹¹ Bureau of Industry Economics, *International Benchmarking — Overview*, Report 95/20.

THE ROLE OF POLICY

Structural change offers the opportunity of higher living standards and faster employment growth, but the extent to which these potential rewards are realised will depend on the capacity of the economy to adapt and harness the benefits in prospect.

The depth, diversity and ever-changing nature of structural change mean that attempts by governments to dictate the shape of industry are inevitably frustrated. Attempting to delay adjustment to structural change through regulatory means is likely to increase the degree of dislocation ultimately involved. Governments, both in Australia and overseas, have increasingly recognised the economic costs of trying to stand in the way of structural change. The benefits are recognised of policies which do not constrain employers, employees, consumers and producers from judging themselves how to respond to change so as to maintain or improve their own well-being — and thereby add to living standards overall. Much microeconomic reform both here and overseas since the early 1980s has been directed to that end: the reduction or removal of unnecessary government regulation that impedes the translation of structural change into changed commercial opportunities.

The overriding aim of microeconomic policy must be to provide a flexible economic structure capable of taking advantage of emerging opportunities by facilitating the movement of resources between and within industries. Macroeconomic policy has a supportive and complementary role in providing a stable economic environment conducive to sound investment decisions by business and to encouraging workers to invest in upgrading their skills to take advantage of new employment opportunities. The interactions and synergies between these two areas of policy have long been emphasised by the IMF and OECD in reporting on the observable factors that contribute to economic success, viz: ‘Experience in recent years has confirmed that economic success requires sustained efforts at both structural reform and macroeconomic stabilization and that efforts over a broad range of policies are mutually reinforcing. It has become particularly apparent that a failure to tackle serious weaknesses in some areas may increase the short-term costs, and delay the positive effects, of those policies that go in the right direction. More comprehensive and better balanced policy approaches are necessary if a greater number of countries are to realize their full growth potential.’¹²

Sound macroeconomic and microeconomic policies thus provide a policy environment conducive to flexible adjustment by industry to ongoing structural change. The conjunction of sound microeconomic and macroeconomic policies provides a general framework for industry which offers the potential of higher medium term growth for the economy overall. Industry policy involves the combination of macroeconomic policies that provide a stable environment in which businesses and workers can plan for adjustment to change and microeconomic policies which allow business, employee and consumer alike to respond to new opportunities presented by structural change. Despite the important complementarities between macroeconomic and microeconomic policies, each of these policies has a separate contribution to make.

¹² IMF, *World Economic Outlook*, October 1996.

Macroeconomic Policy

The maintenance of stable economic conditions in Australia has proven to be a challenging task, with the emergence of unwanted inflation and external current account pressures. Policy action to address these pressures has frequently contributed to a short-term downturn and, inevitably, constrained the sustainable pace of economic growth. The source of the problem, however, is the policy failure which permitted the pressures to emerge. Either way, the resultant sudden changes in the economic outlook affect the confidence of businesses and consumers and their willingness to engage in the process of structural change. In addition, fiscal imbalances and uncertainty about inflation prospects can lead to higher real interest rates, discouraging investment and distorting investment patterns.

In recent years substantial progress has been made in addressing inflation and to a lesser extent current account deficit constraints. The current cycle has been characterised by low inflation, with monetary policy being conducted on a more forward looking basis within the framework of keeping underlying inflation consistent with the RBA's target range of 2 to 3 per cent, on average, over the cycle. Last year the Government introduced a new framework for the conduct of policy, clearly recognising the Reserve Bank's role and endorsing its inflation objective. The clarification of policy responsibilities, and recognition of their observance in practice over time, together with an accumulating record of low inflation, are likely to have a continuing positive impact on lowering inflation expectations and creating confidence in a sound investment environment.

Australia's large structural current account deficit reflects both inadequate national saving and inadequate investment returns overall. On the saving side, the principal cause is a deficiency in public saving especially at the Commonwealth level. The Government through its fiscal consolidation programme, is addressing this problem and has put in place a policy framework that will maintain the adequacy of the Commonwealth contribution to public saving. Statements 1 and 2 spell out in detail the fiscal strategy, including improved transparency and accountability practices, and implementation of the strategy in the years ahead. The benefit of a more soundly based fiscal policy is likely to be seen over time in the capacity of the economy to sustain faster rates of growth than would otherwise be the case. While it is too early to be able to point to any concrete results with confidence, the 1997-98 economic outlook presented in Statement 2 suggests that higher saving in prospect next financial year will help to constrain the current account deficit.

Microeconomic Policy

The central role of microeconomic policy is to improve the return on investments overall by enhancing the flexibility of the economy and increasing its supply potential by allowing product, labour and financial markets to work more efficiently. The pursuit of efficiency — of productivity improvements — is often seen as running contrary to the goal of reducing unemployment yet if an enterprise (or the nation) cannot compete then it stands to lose in a permanent sense. If competitiveness is achieved and maintained, employment growth is limited only by market size — which, for an increasing number of products and services, means the world market. The key to

employment growth and reducing unemployment is through policies and practices which control, or reduce, unit costs.¹³

The importance of unit costs is not set aside by innovation. As discussed earlier, ongoing technological change and innovation are significant drivers of change — with innovation often resulting from the desire to obtain a competitive edge. Unit costs remain a crucial consideration as the products arising from innovation are made and sold: substitute products, for example, are an ever-present threat and the competitive advantage from innovation is usually of limited duration as others seek to share in the advantage.

Controlling unit costs requires restraining the costs of all inputs, be they material, labour, capital or taxes. That there is frequently a focus on labour or taxes reflects no more than that, historically, they have proven to be least amenable to control. Controlling unit labour costs does not require lowering wages: it requires that the combination of labour costs (wages and non-wage labour costs) and labour productivity yield competitive outcomes.

The central role of microeconomic policy assisting that process lies in minimising the constraints faced by enterprises and industries, ie in fostering adjustments including by minimising governments' contribution to unit costs by way of taxes and regulation.

The Government is addressing some of these sorts of issues on a number of fronts including reducing regulation, labour market reform, competition policy, training, small business deregulation, financial system regulation and transport.

Government intervention and regulation is a normal feature of modern market economies and recognises that markets do not necessarily operate with optimal efficiency and that there is a wider role for government in pursuing community and social objectives. A good example is the desirability of regulation, such as the *Trade Practices Act 1974*, to secure competitive outcomes (including where unregulated markets deliver inefficient outcomes) and to protect consumers. Despite there being such legitimate reasons for well-targeted regulation, experience in Australia and abroad shows that regulation, introduced with good intent and often as a temporary measure, has a tendency to become entrenched over time and accepted as part of the economic landscape. It follows that an important policy priority is to keep such regulatory practices under review and ensure they are achieving their intended and legitimate purpose.

Consistent with this, the Government has announced that it will place much greater reliance on competition to keep price increases in check and much less reliance on direct regulation of prices through the *Prices Surveillance Act 1983*. The price declarations under the Act of a number of products such as beer and cigarettes have been rescinded and in the future prices surveillance will only be applied in those markets where competitive pressures are not sufficient to achieve efficient prices and

¹³ Unit cost is the cost of producing one unit of output. For given input prices, unit costs decline as total factor productivity increases.

protect against excessive price increases. The Commonwealth has also announced that it will review by the year 2000 all existing Commonwealth legislation that restricts competition. All together some 90 reviews have been scheduled with the aims being to:

- clarify the objectives of the legislation;
- identify the nature of restrictions on competition;
- analyse the likely effects of the restrictions on competition and the economy generally;
- assess the costs and benefits of the restrictions; and
- consider alternative means of achieving the same results including non-legislative approaches.

Each State and Territory has equivalent review processes established. This systematic review of legislation has the potential to continually re-orient and update the regulatory framework so that it complements competition rather than impedes it.

A key labour market reform is embodied in the *Workplace Relations Act 1996* which came into operation earlier this year. It encourages labour market flexibility by promoting enterprise-level wage bargaining, by providing greater choice in the way enterprise bargaining agreements are negotiated and by limiting the award system to a safety net of fair minimum wages and working conditions. The success and effectiveness of the new arrangements in achieving more flexible work practices and remuneration will be critical to the task of reducing unemployment.

An important objective of Government education policy is increasing the skills of the work force at the entry level, to enhance workers' abilities to move between jobs and to increase their productivity. A new regime of entry level training incentives designed to encourage employers to take on trainees and apprentices and to promote training at higher levels is introduced in this Budget.

The Government also gives high priority to reducing the regulatory burden on small business. In March, in response to the Bell Taskforce, the Prime Minister announced a range of measures aimed at cutting red tape faced by small businesses. Among the measures is an exemption for businesses with 15 or fewer employees from Federal unfair dismissal provisions in respect of new employees until they have been continuously employed for 12 months. Other measures are designed to lower compliance costs in the areas of fringe benefits and capital gains tax, lower regulatory burdens through a single registration for various government authorities, and increase small business' access to finance.

The Wallis Inquiry into the financial system made a large number of recommendations to improve the regulatory framework, and therefore the efficiency, of the financial system, noting that even a 10 per cent improvement in efficiency in the financial sector would translate into cost savings for the economy in excess of \$4 billion per year. The Government will consider these recommendations over the coming months, assessing

how best to adapt the regulatory regime to the changes produced by globalisation, technology advances and consumer preferences.

Transport is a key sector of the Australian economy. Transport provides the link between major cities and forms a critical lifeline throughout regional Australia and between it and the major centres. It provides a key input into many industries, in particular export industries. While there have been recent improvements in productivity in parts of the sector, elements of Australia's transport sector operate at below world's best practice (as evidenced by the international benchmarking studies conducted recently by the Bureau of Industry Economics). To improve the efficiency of the transport sector, a range of reforms have been introduced or are being examined, including:

- privatisation of Federal airports, the Australian National Line, Australian National Railways and the Commonwealth's share in National Rail;
- structural reform of interstate rail services;
- the review of impediments to competition in the aviation sector, including the liberalisation of the domestic aviation market, the establishment of the Single Aviation Market with New Zealand and the proposed review of international air service agreements;
- reform of the road transport sector; and
- a commitment to pursue a broad reform agenda in the maritime sector.

By its very nature, structural change affects individuals and businesses and may impose short-term disruption despite wider community benefits. Adjustment assistance to support individuals directly affected may therefore be warranted, especially in cases of hardship and where significant occupational change is involved. Linking such assistance to training to develop new skills is likely to be the most effective approach in the longer term.

International Experience

There has been heightened interest in recent years in the experience of different countries pursuing economic reform programmes in the context of shaping strategic responses to the key policy challenge of reducing structural unemployment in many industrial countries. Over the past two years the OECD has undertaken detailed country studies, examining the impact of reform programmes which have varied considerably across member countries in the extent and range of reforms involved. Some important policy lessons have been drawn from this work:

- Countries pursuing comprehensive reform programs — such as, the United Kingdom and New Zealand — achieved the best outcomes. This includes sound macroeconomic policies, as well as microeconomic reforms.

- Relatively small areas of reform can be significant to the success of reform as a whole and should not, therefore, be overlooked.
- Reforms take time to work. This suggests that reforms must be sustained over time and that, given the synergies between policies, the benefits of reform are likely to materialise more quickly under a comprehensive approach.
- Effective communication with the public is necessary to explain the need for reform and its benefits.

CONCLUSION

Structural change is a long-standing and continuous process. At the end of the twentieth century, globalisation and rapid advances in information technology are key (related) influences.

Structural change presents both opportunities and challenges: opportunities to achieve higher real wages, increased employment and higher living standards; and the challenges of creating the right environment to take advantage of the opportunities available to the fullest extent possible.

The role of policy is to facilitate the process of change by providing a stable macroeconomic environment and a flexible and responsive microeconomic structure. International experience suggests that a comprehensive strategy with macroeconomic and microeconomic policies directed towards this end is likely to yield the best results. This provides a conceptually sound and tested general policy framework for industry.

There is evidence to suggest that reform in Australia is delivering results. Improvements in productivity growth, service improvement and lower prices are clearly evident in some key sectors such as transport, electricity and communications. For the economy as a whole, the trend decline in productivity growth in the 1970s and 1980s appears to have been reversed so far in the 1990s. Australia's recent performance also appears to have been relatively better than for industrial countries as a whole. These are encouraging developments.

Despite the progress made, there is a need to exploit to the fullest extent possible the reform of structural policy. While Australia's relative performance has improved, productivity levels in many industries remain low compared with international standards. The challenge for policy and for Australian businesses and workers will be to continue moving forward at a faster pace than other countries, laying foundations for more jobs and higher living standards.

STATEMENT 4 - OUTLAYS

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PART I. OVERVIEW OF BUDGET OUTLAYS

INTRODUCTION

Statement 4 presents the 1997-98 Budget and forward estimates of outlays of the Commonwealth Budget Sector. It provides detailed information on the allocation of Commonwealth funds to the various functions of government as well as analysis by economic type and portfolio. The Australian Bureau of Statistics (ABS) Government Purpose Classification (GPC) is used to classify transactions.

The overview discusses trends in outlays, running costs budgets and staffing levels. The Statistical Appendix tables show outlays over the last decade and the budget and forward years by function, subfunction and economic type. Also shown are outlays on capital works, running costs budgets and staffing levels.

Refer to *Budget Paper No. 2* for details of policy decisions affecting outlays in this Budget. *Statement 7* provides information on total public sector outlays and fulfils requirements on the Commonwealth, arising from the revised uniform presentation framework agreed at the March 1997 Loan Council meeting, to report financial statistics using ABS concepts and reporting structures.

OVERVIEW OF BUDGET OUTLAYS

The budget outlays are based on a system of rolling forward estimates, compiled by the Department of Finance in consultation with other departments and agencies. They record the cost of on-going Government policy but do not include any provision for new programmes, expansion of existing programmes that has not been agreed by the Government or programmes that are not expected to continue.

Table 1 provides an overview of underlying outlays by portfolio. Detailed data by function and economic type are contained in the Statistical Appendix to this *Statement*.

TRENDS IN OUTLAYS

Underlying outlays provide a more reliable guide to overall trends in Commonwealth finances than headline outlays. In recent years, underlying outlays mainly reflect the removal from headline outlays of major equity asset sales and repayments of State loans.

Between 1990-91 and 1995-96, underlying outlays grew by around 4.5 per cent a year in real terms. Underlying outlays growth is projected to be much lower in 1996-97 at around 1.1 per cent. For 1997-98 underlying outlays are estimated to fall in real terms by 1.4 per cent, reflecting tight control of Government spending. The last period in which negative real underlying outlays growth was recorded was in 1987-88 and 1988-89. Real growth rates for underlying outlays over 20 years are shown in Chart 1. There is a large divergence between growth rates for underlying and headline outlays in the forward estimates primarily due to the effects of several large equity asset sales and a lower repayment of advances by the States expected in 1998-99.

The ratio of budget outlays to GDP shown in Chart 2 is an indicator of the share of national resources devoted to Commonwealth budget programmes. The ratio largely tracks the economic cycle, partly reflecting the operation of the Commonwealth's automatic stabilisers (during periods of recession Commonwealth outlays on labour market programmes and in the social security and welfare area rise substantially and the reverse occurs in times of economic and employment growth). Outlays are also significantly affected by discretionary policy decisions, which alter the structural

budgetary position. Outlays as a proportion of GDP are expected to decline through the forward years, following policy decisions in this and the 1996-97 Budget which have repaired the structural balance after deterioration in the first half of the 1990s.

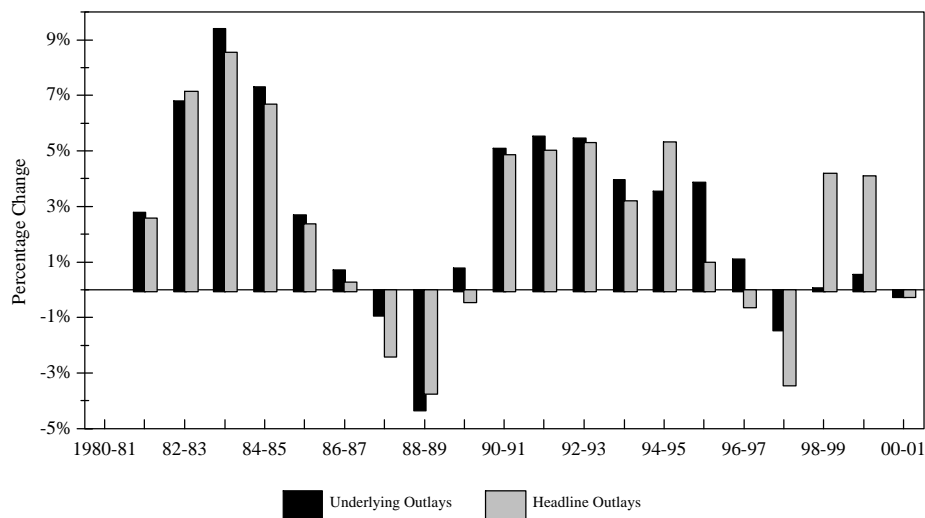
Table 1. Underlying Outlays by Portfolio

	1996-97 Revised \$m	1997-98 Budget \$m	Change %	1998-99 Estimate \$m	1999-00 Estimate \$m	2000-01 Estimate \$m
Parliament	154.1	164.2	6.6	160.1	161.2	162.2
Attorney-General's	1235.2	1118.1	-9.5	866.7	863.5	878.5
Communications and the Arts	1210.5	1189.1	-1.8	1175.1	1166.8	1180.5
Defence	11025.7	11479.8	4.1	11724.6	11966.0	12170.2
Veterans' Affairs	6458.4	6391.1	-1.0	6421.3	6511.2	6586.9
Employment, Education, Training and Youth Affairs	13315.8	12907.4	-3.1	12716.7	12794.2	12922.5
Environment, Sport and Territories	1827.8	1980.7	8.4	2128.6	2148.5	2100.4
Finance (a)	467.3	1079.3	131.0	517.3	608.5	564.6
Administrative Services (b)	400.1	52.6	-86.9	252.4	388.2	445.4
Foreign Affairs and Trade	1989.8	2081.9	4.6	1947.6	1982.6	2021.4
Health and Family Services	20671.5	22209.4	7.4	22920.0	24024.8	25237.3
Immigration and Multicultural Affairs	474.2	519.6	9.6	477.8	473.8	485.7
Industrial Relations	258.5	268.7	3.9	271.6	274.9	279.5
Industry, Science and Tourism	3084.8	3238.6	5.0	3219.6	3164.5	3073.4
Primary Industries and Energy	1786.0	1584.5	-11.3	1427.6	1375.6	1194.3
Prime Minister and Cabinet	1045.4	1131.6	8.2	1274.5	1398.3	1521.9
Social Security	41327.0	42229.6	2.2	42712.1	43993.3	45018.3
Transport and Regional Development	1727.4	1386.1	-19.8	1298.6	1268.0	1233.9
Treasury	28172.0	27414.2	-2.7	28183.7	28512.1	28405.4
Contingency Reserve	-150.0	-1222.2	na	1090.1	1871.1	2736.9
TOTAL	136481.3	137204.0	0.5	140786.0	144946.9	148219.1

(a) Increase in Finance outlays in 1997-98 primarily reflects cost of the Telstra sale in 1997-98 and proceeds from the sale of DASFLEET reducing outlays in 1996-97.

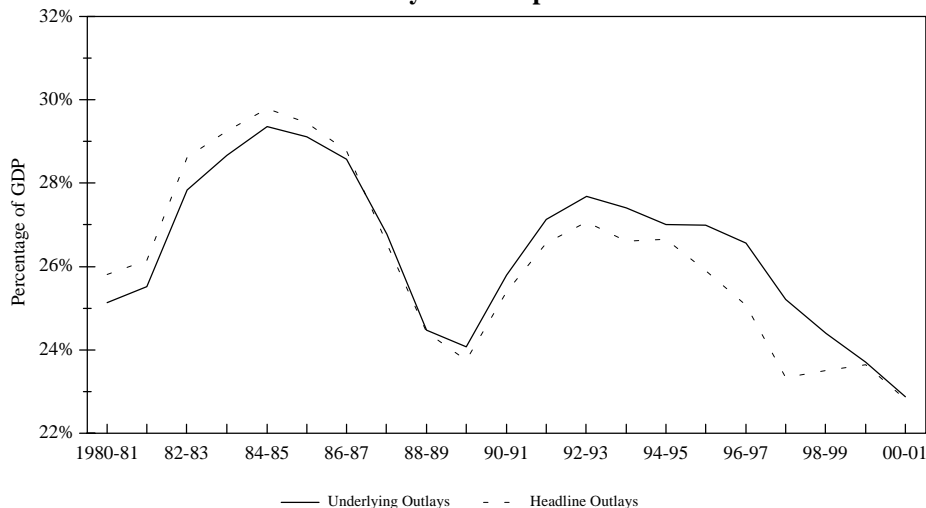
(b) Decrease in Administrative Services outlays in 1997-98 primarily reflects divestment of real property.

Chart 1. Real Growth in Outlays



In the late 1980s, policy decisions and strong economic growth combined to reduce the ratio of outlays to GDP. With the onset of recession in 1990, this pattern was reversed, partly due to the operation of the automatic stabilisers and partly due to spending packages provided to stimulate growth. Between 1992-93 and 1995-96 the ratio of underlying outlays fell slowly from its peak level of 27.7 per cent to around 27.0 per cent of GDP. In 1996-97 and 1997-98, sharper falls are expected, with the ratio reaching 22.9 per cent of GDP by the end of the forward estimates in 2000-01. This will be the lowest level of outlays since 1973-74, when underlying outlays were 20.5 per cent of GDP.

Chart 2. Outlays as a Proportion of GDP



RUNNING COSTS BUDGETS

Running costs are the recurrent and minor capital costs incurred by a budget department or agency in providing the government services for which it is responsible. They include salary costs, administrative expenses, employer superannuation costs and property operating expenses.

Table 2 shows the 1997-98 Budget and forward estimates of running costs for all portfolios. In nominal terms running costs are expected to increase by 0.8 per cent from 1996-97 to 1997-98 while in real terms they are expected to decrease by 1.1 per cent.

Approximately \$300 million is being carried forward from 1996-97 running costs budgets into 1997-98. Based on this and previous historical trends, a further \$300 million has been included in the Contingency Reserve for carryover of running costs from 1997-98 to 1998-99.

Staffing Levels

Substantial restructuring is being undertaken by Commonwealth departments and agencies in achieving Government objectives and ensuring efficient operations. No staffing targets have been set by the Government. Relevant portfolios are expected to address staffing levels in the context of resources made available under running costs arrangements.

Consistent with practice in past years, Table 2 in this section and Table XIIIa in the Statistical Appendix include estimates provided by each portfolio on average staffing levels. The total average staffing level (ASL) in running costs agencies is forecast to decline by 4,285 in 1997-98 as compared to 1996-97. ASL is projected to decline to some extent in most portfolios. The anticipated increase in ASL in the Social Security portfolio largely reflects and is offset by the transfer of staff from the Department of Employment, Education, Training and Youth Affairs to the new Commonwealth Services Delivery Agency, which commences operation on 1 July 1997.

ASL is the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time employees to show the full-time equivalent. This measure of employment allows for comparison between average employment in particular financial years, rather than reflecting the actual number of staff being employed at the end of successive financial years or at other specific points in time. ASL figures are the most relevant for funding purposes, but do not indicate the change in total staff numbers from the end of one financial year to the next in the Australian Public Service. Movements in ASL as compared to point-in-time figures may vary significantly due to differences in the coverage of the two series (especially in the Department of Administrative Services) and from the partial ASL effect of staffing changes occurring during the financial year.

Based on point-in-time figures provided by Public Service Act agencies to the Public Service and Merit Protection Commission, it is expected that the total number of people employed (full-time and part-time permanent and temporary staff) under the Public Service Act will decline by some 16,500 between 30 June 1997 and 30 June 1998. This compares to a reduction of 11,200 now expected by Public Service Act agencies to occur between 30 June 1996 and 30 June 1997; in last year's Budget papers, portfolios predicted a reduction of 10,500 staff over the same period.

The expected reduction of staff numbers in the APS in the year to 30 June 1998 reflects the Government's public sector reforms, such as the sales of businesses in the Department of Administrative Services and the transfer of the employment placement function out of the APS to the Public Employment Placement Enterprise (PEPE) and to private sector providers. PEPE will be a wholly-owned Commonwealth company with staff employed outside the Public Service Act.

Table 2. Total Running Costs Budgets by Portfolio

	1996-97 Estimate \$m	1997-98 Budget \$m	Change %	1998-99 Estimate \$m	1999-00 Estimate \$m	2000-01 Estimate \$m
Parliament	123.3	133.3	8.1	128.4	128.7	129.0
Attorney-General's	692.1	709.4	2.5	672.8	680.5	678.7
Communications and the Arts	110.0	110.1	0.1	104.5	105.0	105.8
Defence	5516.2	5648.3	2.4	5613.5	5578.1	5696.5
Veterans' Affairs	239.9	221.9	-7.5	209.8	204.6	205.2
Employment, Education, Training and Youth Affairs	955.1	757.2	-20.7	360.0	325.6	331.4
Environment, Sport and Territories	272.0	276.5	1.7	264.6	252.3	248.5
Finance	166.4	170.1	2.2	157.7	154.6	151.5
Administrative Services	237.9	246.7	3.7	222.1	216.5	217.8
Foreign Affairs and Trade	516.8	599.8	16.1	496.1	500.1	504.7
Health and Family Services	291.9	305.4	4.6	285.9	263.4	269.9
Immigration and Multicultural Affairs	352.4	374.2	6.2	357.0	354.7	365.6
Industrial Relations	104.9	109.8	4.7	107.2	107.8	108.5
Industry, Science and Tourism	511.7	517.4	1.1	498.1	495.2	494.4
Primary Industries and Energy	213.0	182.9	-14.1	173.3	168.8	168.4
Prime Minister and Cabinet	92.7	92.1	-0.6	82.0	81.8	82.3
Social Security	1443.0	1794.2	24.3	1606.3	1490.1	1487.2
Transport and Regional Development	93.1	79.0	-15.1	76.7	76.0	76.9
Treasury	1713.7	1683.2	-1.8	1573.2	1562.4	1627.6
Contingency Reserve (Allowance for Net carryover/borrowings)	-50.0	-300.0	na	na	na	na
TOTAL	13596.1	13711.5	0.8	12989.3	12746.1	12949.8
TOTAL (excluding Contingency Reserve)	13646.1	14011.5	2.7	12989.3	12746.1	12949.8
Portfolio ASL (a)	176527	172242	-2.4	na	na	na

(a) ASL figures are as provided by portfolios.

PART II: FUNCTION OUTLAYS

1. GENERAL PUBLIC SERVICES

This category covers outlays on a number of general public services and activities concerned with the organisation and operation of government. General Public Services is an aggregate of six functions: legislative and executive affairs; financial and fiscal affairs; foreign economic aid, general research; general services; and government superannuation benefits.

1A. LEGISLATIVE AND EXECUTIVE AFFAIRS

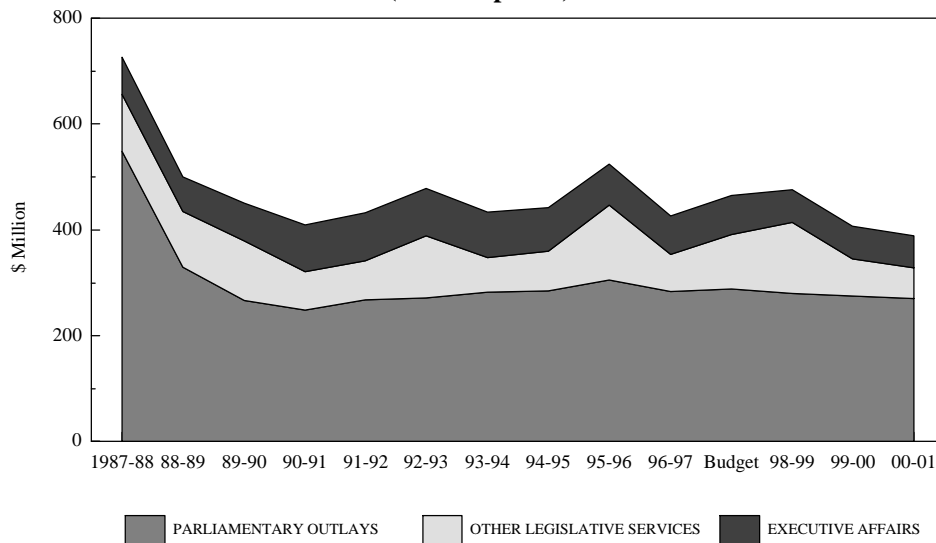
NATURE OF OUTLAYS

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 Ministerial and Parliamentary Services.

This function includes outlays of the following portfolios:

- Administrative Services;
- Attorney-General's; and
- Prime Minister and Cabinet.

**Chart 1. Overview of Commonwealth Outlays on
Legislative and Executive Affairs
(1989-90 prices)**



TRENDS IN LEGISLATIVE AND EXECUTIVE AFFAIRS OUTLAYS

Trends over the period to 1987-88 were dominated by outlays toward completion of the new Parliament House, which was occupied in 1988. Subsequently, parliamentary outlays have stabilised to reflect ongoing running costs, capital and provision of remuneration and services to Members and Senators.

The Other Legislative Services trend reflects the impact on outlays of Federal elections. The 1997-98 Budget figure includes funding for the election of delegates to the Constitutional Convention. Provision for the next election is included in the Forward Estimates in 1998-99.

Commonwealth outlays on Executive Affairs remain largely stable after 1997-98 at a level which reflects the ongoing impact of the Prime Minister and Cabinet portfolio savings announced in last year's Budget. The higher level of outlays in 1997-98 compared to the forward years is the result of one-off funding in 1997-98 for the Constitutional Convention and carryovers from 1996-97 into 1997-98.

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
1A.1 Parliamentary Outlays	\$m	328.2	340.5	338.0	340.8	343.7
	%		3.7	-0.7	0.8	0.9
1A.2 Other Legislative Services	\$m	81.5	121.6	162.8	87.8	74.1
	%		49.2	33.9	-46.1	-15.6
1A.3 Executive Affairs	\$m	82.8	86.8	75.9	75.8	76.4
	%		4.8	-12.6	-0.1	0.8
TOTAL	\$m	492.5	548.9	576.6	504.4	494.1
	%		11.5	5.0	-12.5	-2.0

1A.1 PARLIAMENTARY OUTLAYS

Parliamentary outlays cover services to Senators and Members by the Parliamentary Departments and the Department of Administrative Services. These include: Hansard; advisory, procedural, research and administrative support; library; communications support; building and facilities management; Members' and Ministers' staff salaries; electorate office costs; and travel within Australia and overseas. The costs of superannuation benefits for Senators and Members of Parliament appear in *IF.2 Civilian Schemes*.

1A.2 OTHER LEGISLATIVE SERVICES

Other Legislative Services covers the funding of elections, the cost of the AEC and drafting of Bills by the Office of Parliamentary Counsel, within the Attorney-General's portfolio.

1A.3 EXECUTIVE AFFAIRS

The Executive Affairs subfunction covers the running costs and other outlays of the Department of the Prime Minister and Cabinet (including support services for former Governors-General and the Prime Minister's official residences), the Office of the Commonwealth and Defence Force Ombudsman, the Office of the Official Secretary to the Governor-General, and the Public Service and Merit Protection Commission.

1B. FINANCIAL AND FISCAL AFFAIRS

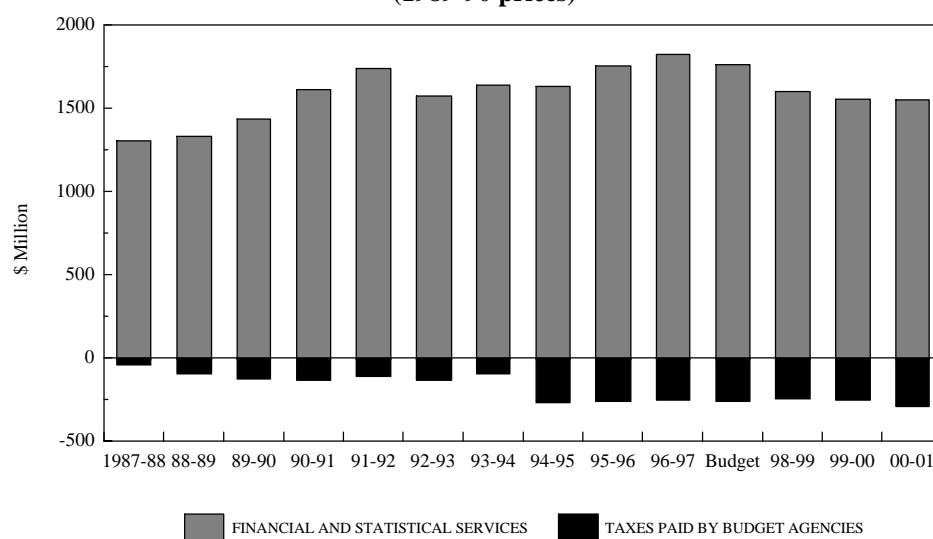
NATURE OF OUTLAYS

This function includes outlays on administrative processes of government covering tasks such as collecting taxes, collecting and reporting statistical information, raising and managing the public debt of the Commonwealth, overseeing disbursement and efficient use of public funds, auditing Commonwealth entities, supervising insurance and superannuation, and providing economic, financial and other policy advice to government.

This function includes outlays of the following portfolios:

- Treasury;
- Finance; and
- Industry, Science and Tourism.

**Chart 1. Overview of Commonwealth Outlays on
Financial and Fiscal Affairs
(1989-90 prices)**



TRENDS IN FINANCIAL AND FISCAL AFFAIRS OUTLAYS

Significant policy changes for the function in the period to 1996-97 were:

- a strengthening of the Australian Taxation Office (ATO) resource base, including introduction of the Tax File Number System from 1988-89, modernisation of systems commencing 1989-90, compliance enforcement from 1993-94, and debt management activities from 1994-95;
- additional funding for the Insurance and Superannuation Commission (ISC) for audit of superannuation funds and improved enquiry services from 1991-92, as well

as enhanced capacity for superannuation and insurance supervision from 1992-93; and

- taxes paid rose with the introduction from 1987-88 of Fringe Benefits Tax (FBT) and from 1990-91 of customs duty payable by Commonwealth departments and budget sector agencies. FBT payments increased significantly from 1994-95 as a result of legislation which effectively increased the FBT liability of departments and budget sector agencies from 48.25 per cent to around 93 per cent; the departments and agencies are tax exempt employers and therefore not eligible for tax deductions for any FBT costs.

Outlays show a moderate decline over the period of the forward estimates mainly due to the following items:

- a peak in outlays for the Australian Bureau of Statistics (ABS) in 1996-97 reflecting the 1996 Census of Population and Housing offset in part by significant census outlays expected in 2000-01;
- a winding down in the ATO's Modernisation Project; and
- higher receipts of FBT payments by Commonwealth departments and budget sector agencies (reducing outlays).

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
1B.1 Financial and Statistical Services	\$m	2111.3	2081.1	1940.0	1929.6	1974.1
	%		-1.4	-6.8	-0.5	2.3
1B.2 Taxes Paid by Budget Agencies	\$m	-282.2	-301.8	-284.1	-305.3	-366.1
	%		6.9	-5.9	7.5	19.9
TOTAL	\$m	1829.1	1779.3	1655.9	1624.3	1608.1
	%		-2.7	-6.9	-1.9	-1.0

1B.1 FINANCIAL AND STATISTICAL SERVICES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Department of the Treasury	\$m	55.0	53.3	49.7	47.2	46.9
	%		-3.1	-6.8	-5.0	-0.6
Australian Taxation Office	\$m	1260.3	1295.3	1167.8	1149.3	1173.2
	%		2.8	-9.8	-1.6	2.1
Australian Bureau of Statistics	\$m	303.1	218.7	212.8	214.1	246.1
	%		-27.8	-2.7	0.6	14.9
Department of Finance	\$m	88.1	93.6	90.1	86.0	81.3
	%		6.2	-3.7	-4.6	-5.5
Australian National Audit Office	\$m	33.8	38.9	35.9	36.6	37.4
	%		15.1	-7.7	1.9	2.2
Australian Customs Service	\$m	330.3	344.3	348.2	360.8	353.3
	%		4.2	1.1	3.6	-2.1
Insurance & Superannuation Commission	\$m	40.7	37.0	35.6	35.6	35.9
	%		-9.1	-3.8	-	0.8
TOTAL	\$m	2111.3	2081.1	1940.0	1929.6	1974.1
	%		-1.4	-6.8	-0.5	2.3

Department of the Treasury is responsible for advising and assisting the Government in the management of the Australian economy.

Australian Taxation Office is responsible for ensuring the collection of revenue payable under the laws administered by the Commissioner of Taxation.

Australian Bureau of Statistics is responsible for the collection of statistics Australia wide including the five yearly Census of Population and Housing as well as other cyclical surveys.

Department of Finance is responsible for promoting efficient, effective and ethical financial management and accountability practices within Commonwealth agencies and value for money in the design and delivery of Commonwealth programmes. Payments relating to Commonwealth Superannuation Administration and the Office of Government Information Technology are also included against this item.

Australian National Audit Office (ANAO) is responsible for audits of Commonwealth departments and authorities. The ANAO charges fees for audits of financial statements of Commonwealth authorities and companies and those fee receipts are treated as offsets within outlays.

Australian Customs Service is involved in facilitating the movement of people and goods into and out of Australia, the delivery of industry assistance programmes and the collection of customs duty and excise.

Insurance and Superannuation Commission is responsible for prudential supervision of the insurance (including life insurance) and superannuation industries.

1B.2 TAXES PAID BY BUDGET AGENCIES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Fringe Benefits Tax	\$m	-280.1	-299.7	-282.0	-303.1	-363.8
	%		7.0	-5.9	7.5	20.0
Customs Duty	\$m	-2.1	-2.1	-2.1	-2.2	-2.2
	%		-	-	4.8	-
TOTAL	\$m	-282.2	-301.8	-284.1	-305.3	-366.1
	%		6.9	-5.9	7.5	19.9

Taxes and levies received from budget sector agencies and classified as offsets within outlays are reported under this subfunction whereas the payments are reported under the functions to which the paying departments and agencies are classified. These items, combined with their offsets in other functions, have no net effect on aggregate budget outlays.

1C. FOREIGN ECONOMIC AID

NATURE OF OUTLAYS

The bulk of Foreign Economic Aid outlays are counted as Official Development Assistance. Also covered are some outlays other than aid, including for the conduct of foreign and international trade relations (but not including trade promotional activities) and contributions to the activities of international organisations such as the United Nations (UN), including assessed contributions to UN peacekeeping operations.

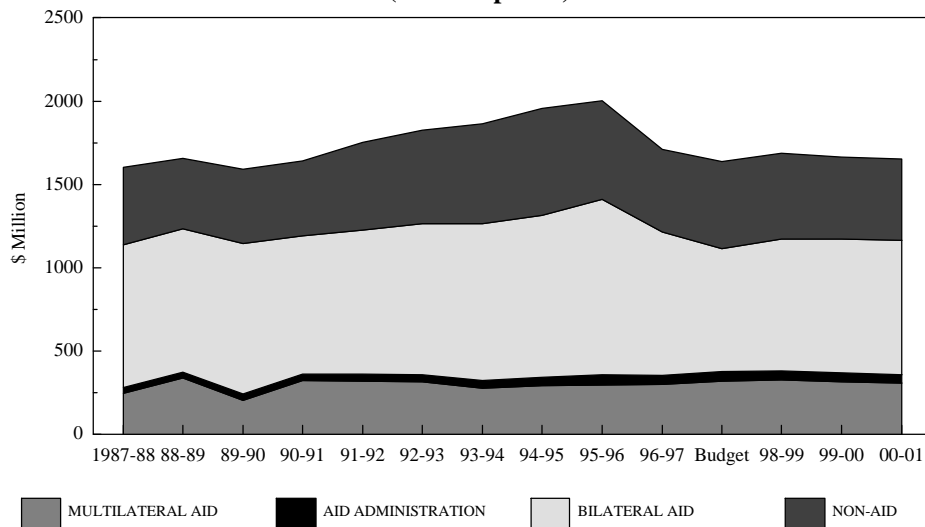
This function principally includes outlays of the following portfolios:

- Foreign Affairs and Trade;
- Administrative Services; and
- Treasury;

with minor outlays from:

- Health and Family Services;
- Industrial Relations;
- Attorney-General's;
- Immigration and Multicultural Affairs;
- Industry, Science and Tourism; and
- Transport and Regional Development.

Chart 1. Overview of Commonwealth Outlays on Foreign Economic Aid (1989-90 prices)



TRENDS IN FOREIGN ECONOMIC AID OUTLAYS

Outlays for bilateral and multilateral aid under this function primarily reflect funding for programmes classified as Official Development Assistance. Following implementation of savings measures in 1987-88, one-off funding was provided to make additional payments to International Development Financial Institutions in 1988-89. Overall increases in Overseas Aid outlays between 1989-90 and 1995-96 reflect decisions made to increase aid funding in real terms. The reduction in these outlays in 1996-97 and 1997-98 reflects the abolition of the Development Import Finance Facility, general savings measures and repayment of a loan by the Papua New Guinea Government in 1997-98.

Growth in Foreign Affairs Non-Aid over the period since 1987-88 has largely been influenced by Australian contributions to UN peacekeeping operations and by property. UN peacekeeping contributions have decreased in recent years and are projected to remain at this lower level. The fluctuations over the current, budget and forward years for Non-Aid outlays primarily reflect greater than average overseas property sales in 1996-97, carryovers in the Overseas Property Group's medium and minor works from 1996-97, transitional arrangements for devolving overseas property funding from the Overseas Property Group, affecting only 1997-98 at this stage, and the completion of major works overseas.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
1C.1 Bilateral Aid	\$m	994.7	873.2	958.2	1000.3	1024.6
	%		-12.2	9.7	4.4	2.4
1C.2 Multilateral Aid	\$m	347.7	378.7	395.7	391.9	391.7
	%		8.9	4.5	-1.0	-0.1
1C.3 Aid Administration	\$m	64.1	67.4	64.6	65.1	65.7
	%		5.1	-4.2	0.8	0.9
Sub-total - Overseas Aid	\$m	1406.4	1319.3	1418.4	1457.2	1482.0
	%		-6.2	7.5	2.7	1.7
1C.4 Foreign Affairs Non-Aid	\$m	575.2	615.8	625.6	610.5	618.8
	%		7.1	1.6	-2.4	1.4
TOTAL	\$m	1981.7	1935.1	2044.0	2067.7	2100.8
	%		-2.4	5.6	1.2	1.6

1C.1 BILATERAL AID

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Papua New Guinea - Budget Support	\$m	142.2	37.2	71.0	35.5	-
	%		-73.8	90.9	-50.0	-100.0
Projects, Technical Cooperation and Related Activities	\$m	533.1	525.7	569.6	626.3	674.3
	%		-1.4	8.4	10.0	7.7
Training	\$m	156.3	156.8	159.4	168.9	176.5
	%		0.3	1.7	6.0	4.5
Emergency Aid	\$m	11.2	11.2	11.4	13.7	14.1
	%		-	1.8	20.2	2.9
Refugee Relief	\$m	70.3	70.0	71.8	77.6	79.5
	%		-0.4	2.6	8.1	2.4
Non-government Organisations	\$m	30.1	32.1	33.7	36.1	37.0
	%		6.6	5.0	7.1	2.5
Development Import Finance Facility	\$m	11.8	-	-	-	-
	%		-100.0	na	na	na
Australian Centre for International Agricultural Research	\$m	39.7	40.1	41.1	42.2	43.2
	%		1.0	2.5	2.7	2.4
TOTAL	\$m	994.7	873.2	958.2	1000.3	1024.6
	%		-12.2	9.7	4.4	2.4

Bilateral Aid supports development assistance programmes provided to specific countries, such as technical and other training, education, health and other humanitarian programmes. The principal recipients of Australia's bilateral aid are countries in the Asia-Pacific region, with Papua New Guinea being the largest.

Papua New Guinea - Budget Support

Under the Papua New Guinea-Australia Treaty on Development Cooperation, Budget Support is being phased out and substituted with programmed aid. In 1997-98, the loan made to Papua New Guinea in 1995-96 to help fill the External Financing Gap is to be repaid.

Development Import Finance Facility

The Development Import Finance Facility was abolished in the 1996-97 Budget.

1C.2 MULTILATERAL AID

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
International Development Financial Institutions	\$m	218.7	246.4	261.5	245.1	239.6
	%		12.7	6.1	-6.3	-2.2
United Nations Organisations	\$m	74.7	67.5	69.1	74.9	76.7
	%		-9.6	2.4	8.4	2.4
Commonwealth Organisations	\$m	8.8	8.8	9.0	10.2	10.5
	%		-	2.3	13.3	2.9
Other International Organisations	\$m	16.3	23.3	20.5	22.4	22.2
	%		42.9	-12.0	9.3	-0.9
Regional Organisations	\$m	29.1	32.7	35.5	39.2	42.8
	%		12.4	8.6	10.4	9.2
TOTAL	\$m	347.7	378.7	395.7	391.9	391.7
	%		8.9	4.5	-1.0	-0.1

Multilateral aid outlays encompass contributions to economic development funds administered by international, regional or other multinational organisations including the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the International Fund for Agricultural Development, and the International Monetary Fund's Enhanced Structural Adjustment Facility.

1C.3 AID ADMINISTRATION

Aid Administration outlays provide for the administrative costs of the Australian aid programme, including the operational costs of AusAID.

1C.4 FOREIGN AFFAIRS NON-AID

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Membership of International Organisations	\$m	68.9	79.8	77.3	75.8	75.8
	%		15.8	-3.1	-1.9	-
United Nations Peacekeeping Operations	\$m	35.7	40.0	40.0	40.0	40.0
	%		12.0	-	-	-
Other Activities	\$m	9.1	8.8	8.5	8.5	8.6
	%		-3.3	-3.4	-	1.2
General Administration	\$m	461.5	487.2	499.8	486.1	494.4
	%		5.6	2.6	-2.7	1.7
TOTAL	\$m	575.2	615.8	625.6	610.5	618.8
	%		7.1	1.6	-2.4	1.4

Foreign Affairs Non-Aid outlays cover the promotion of Australia's interests through diplomatic relations with other countries, both bilaterally and through our participation in, and contributions to, international organisations and forums including UN peacekeeping operations.

Because of the nature of the events covered, the contributions for UN Peacekeeping activities are uneven and not easy to predict. The forward years, therefore, reflect a provision based on previous experience.

General administration outlays include the major part of the Department of Foreign Affairs and Trade administration costs (other than a small proportion of the Department's costs which relate to 3. *Public Order and Safety*) and the administrative costs of the Department of Administrative Services' Overseas Property Group.

1D. GENERAL RESEARCH

NATURE OF OUTLAYS

Outlays under General Research fund research directed towards the increase in scientific knowledge and its application. Outlays provide funding for the Commonwealth research agencies, elements of the national research infrastructure and general research programmes. Programmes supporting research in specific sectors are generally included under the relevant function, e.g. health research is included in 5. *Health*.

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 most of their funding directly from the Budget. Additional research funding is received from the private sector and from a variety of Commonwealth assisted grant schemes.

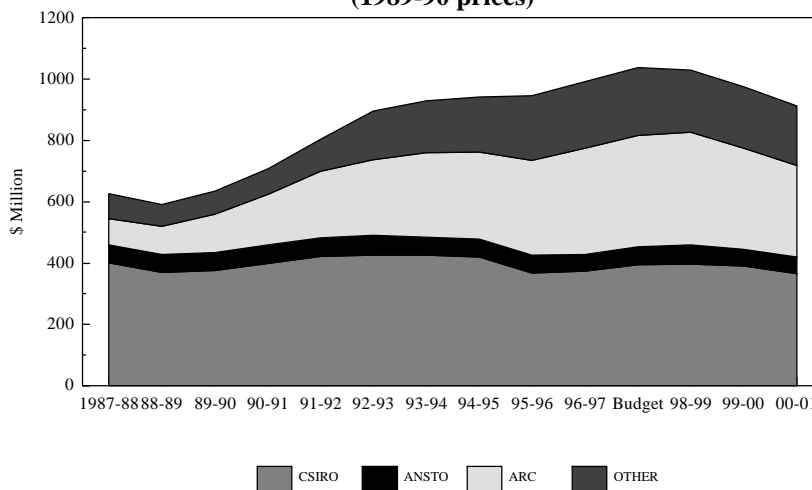
Australia maintains several Antarctic research stations and supports associated research through the Antarctic Division of the Department of the Environment, Sport and Territories (DEST).

Commonwealth grants are provided for higher education research on the advice of the Australian Research Council (ARC) and through the Cooperative Research Centres (CRC) Programme to supplement contributions from CRC partner organisations.

This function includes outlays of the following portfolios:

- Industry, Science and Tourism;
- Employment, Education, Training and Youth Affairs;
- Environment, Sport and Territories;
- Communications and the Arts; and
- Administrative Services.

Chart 1. Overview of Commonwealth Outlays on General Research (1989-90 prices)



TRENDS IN GENERAL RESEARCH OUTLAYS

The growth in outlays from 1988-89 reflects a significant real increase in funding for the ARC, the provision of \$30 million of equity to the Australian Technology Group in 1992-93, and the establishment of the CRC and Major National Research Facilities programmes. Outlays are expected to decline, in real terms, over 1997-98 to 2000-01 due to a reduction in ARC funding and the phase down of some programmes in the 'Other' category.

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
1D.1 Commonwealth Scientific and Industrial Research Organisation	\$m	433.1	466.8	480.7	484.1	465.3
	%		7.8	3.0	0.7	-3.9
1D.2 Australian Nuclear Science and Technology Organisation	\$m	63.7	70.4	74.6	67.8	68.3
	%		10.5	6.0	-9.1	0.7
1D.3 Australian Research Council	\$m	401.2	429.2	445.3	410.9	381.2
	%		7.0	3.8	-7.7	-7.2
1D.4 Other General Research, nec	\$m	251.0	260.8	245.4	247.2	247.0
	%		3.9	-5.9	0.7	-0.1
TOTAL	\$m	1148.9	1227.2	1246.0	1209.9	1161.8
	%		6.8	1.5	-2.9	-4.0

1D.1 COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

The Commonwealth Scientific and Industrial Research Organisation (CSIRO), an independent statutory authority, is Australia's largest and most diverse scientific research organisation. Its primary role is to undertake scientific research which is of direct value to the community and industry generally. CSIRO has strong international links and maintains a substantial part of the national research infrastructure, including biological collections and some major national research facilities such as the Australia Telescope, the Australian Animal Health Laboratory, the National Measurement Laboratory and the Research Vessel *Franklin*. CSIRO contributes to Government policy formulation through the provision of expert advice on scientific and technological issues.

1D.2 AUSTRALIAN NUCLEAR SCIENCE AND TECHNOLOGY ORGANISATION

The Australian Nuclear Science and Technology Organisation (ANSTO) is Australia's major centre of nuclear science research and development. It contributes to the development of nuclear science and technology and its application in industries which include health, mining, environment and advanced materials. ANSTO also assists with the development of Australia's nuclear non-proliferation safeguards and wider technology policies and interests.

1D.3 AUSTRALIAN RESEARCH COUNCIL

The Australian Research Council (ARC) advises the Government on national research priorities and the coordination of research policy. It also makes recommendations to the Minister for Employment, Education, Training and Youth Affairs on the allocation of Commonwealth funding in a range of research schemes, including postgraduate

scholarships, fellowships, research centres, and infrastructure and research grants to higher education institutions.

The Government has foreshadowed a restructuring of the ARC with a wider range of functions including responsibility for allocating competitive research grants, liaising with industry, promoting the role and importance of research within the broader community and developing closer links between the universities, public research organisations and the private sector.

1D.4 OTHER GENERAL RESEARCH, NEC

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Policy, Coordination and Promotion	\$m	7.8	6.5	6.5	6.6	6.7
	%		-16.7	-	1.5	1.5
Cooperative Research Centres	\$m	141.9	146.2	138.1	140.6	145.8
	%		3.0	-5.5	1.8	3.7
Antarctic Division	\$m	60.1	61.0	61.3	63.7	62.4
	%		1.5	0.5	3.9	-2.0
Australian Institute of Marine Science	\$m	16.4	16.4	16.8	16.8	17.0
	%		-	2.4	-	1.2
International and Other Research	\$m	24.8	30.8	22.7	19.4	15.1
	%		24.2	-26.3	-14.5	-22.2
TOTAL	\$m	251.0	260.8	245.4	247.2	247.0
	%		3.9	-5.9	0.7	-0.1

Cooperative Research Centres

The Cooperative Research Centres (CRC) Programme provides support for long-term collaborative research ventures between universities, public research organisations, Government agencies and private enterprises. It aims to promote high quality research, strengthen links between research and its commercial and other applications, and provide a training ground for Australia's future researchers.

Antarctic Division

The Antarctic Division (of the Department of the Environment, Sport and Territories) maintains an Australian presence at three stations on the Antarctic continent and one on Macquarie Island. The Division's main research effort is directed at building up a systematic knowledge of the Antarctic and its environment, and understanding the role that this region has in relation to global climate change.

Australian Institute of Marine Science

The Australian Institute of Marine Science (AIMS) undertakes research directed towards improving the understanding of the marine environment in the coastal and continental shelf regions of Australia and assists with the development, conservation and management of marine resources including the environmental sustainability of offshore resource industries and of Great Barrier Reef management plans.

International and Other Research

The significant programmes in this subgroup include: the Major National Research Facilities Programme; the International Science and Technology Cooperation Programme; the Anglo-Australian Telescope; and the Department of Administrative Services' Centre for Environmental Management.

1E. GENERAL SERVICES

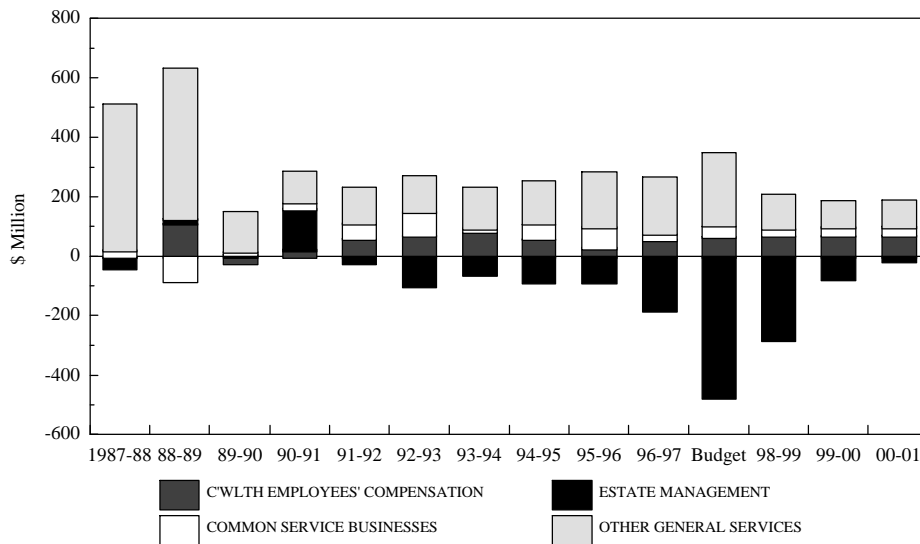
NATURE OF OUTLAYS

This function covers outlays relating to overall economic, social planning, statistical and general services not connected with a specific function. It includes the administrative processes of government not classified elsewhere including the provision of real property, centralised employee compensation and business services to government departments and agencies.

This function includes outlays of the following portfolios:

- Administrative Services;
- Industrial Relations;
- Environment, Sport and Territories; and
- Attorney-General's.

Chart 1. Overview of Commonwealth Outlays on General Services (1989-90 prices)



TRENDS IN GENERAL SERVICES OUTLAYS

Variations in outlays in the subfunction reflect the following significant policy changes:

- the progressive introduction from 1987-88 of commercialisation in the delivery of common services by the Department of Administrative Services (DAS);
- ACT self-government in May 1989;
- the introduction of revised arrangements for funding Commonwealth employees' compensation, including the payment of premiums by agencies from 1989-90;

- the introduction, from 1989-90, of rent payments by agencies which occupy Commonwealth owned real estate;
- the effect of property sales from 1996-97; and
- the rationalisation of DAS common service businesses in 1996-97.

Outlays on Estate Management include funding for new property developments, receipts from the sale of property and rent received on the existing estate. The net outlays pattern from 1988 through to 1991 reflects outlays on major development projects in Sydney and Melbourne. Expected outlays for 1997 to 1999 reflect expected receipts from property sales. These will in turn result in a reduction in rent receipts by the end of the decade.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
1E.1 Commonwealth Employees' Compensation	\$m	64.6	77.1	82.6	85.0	88.8
	%		19.3	7.1	2.9	4.5
1E.2 Estate Management	\$m	-213.4	-559.3	-343.8	-94.2	-26.3
	%		162.1	-38.5	-72.6	-72.1
1E.3 Common Service Businesses	\$m	22.2	43.3	29.0	36.7	38.3
	%		95.0	-33.0	26.6	4.4
1E.4 Other General Services	\$m	221.9	289.4	140.2	111.2	112.4
	%		30.4	-51.6	-20.7	1.1
TOTAL	\$m	95.4	-149.5	-92.1	138.7	213.2
	%		na	-38.4	na	53.7

1E.1 COMMONWEALTH EMPLOYEES' COMPENSATION

Comcare Australia (Comcare) collects annual premiums which are paid into the Consolidated Revenue Fund. Agency premiums for any one year reflect the full cost of all compensation liabilities expected to be incurred in that premium year and for the full life of each claim. Agency premiums include a component for the administrative costs of Comcare.

Premium rates for 1997-98 will be decided by the Safety, Rehabilitation and Compensation Commission in June 1997. The downward trend experienced from 1995-96 to 1996-97 is expected to continue, largely due to claims frequency continuing to decrease whilst the average cost of claims appears to be stabilising.

1E.2 ESTATE MANAGEMENT

This covers management by DAS of the Commonwealth's ownership of real property for non-defence purposes.

The Government has agreed on a set of Commonwealth Property Principles which will have the effect of restricting Commonwealth ownership of property to cases where there are strong public interest or financial reasons for ownership. As a result, major sales are forecast for the budget and later years. No new developments are planned, although some properties may be refurbished. The Government has outsourced the management of its office estate, reflecting the trend to outsource activities which are not core functions of government.

1E.3 COMMON SERVICE BUSINESSES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Australian Government Publishing Service	\$m	13.1	6.8	7.0	7.0	8.5
	%		-48.1	2.9	-	21.4
Australian Property Group (a)	\$m	1.3	2.3	-	-	-
	%		76.9	-100.0	na	na
DAS Distribution (a)	\$m	0.6	-	-	-	-
	%		-100.0	na	na	na
DAS Removals	\$m	-3.3	-1.2	-3.4	-4.0	-4.0
	%		-63.6	183.3	17.6	-
DASFLEET (b)	\$m	-55.6	-1.5	-3.7	5.2	5.2
	%		-97.3	146.7	-240.5	-
DAS Interiors (a)	\$m	0.8	-	-	-	-
	%		-100.0	na	na	na
Works Australia (a)	\$m	-	-	-	-	-
	%		na	na	na	na
Asset Services (a)	\$m	14.3	2.0	-	-	-
	%		-86.0	-100.0	na	na
Australian Surveying and Land Information Group	\$m	23.7	25.0	25.9	25.4	25.4
	%		5.5	3.6	-1.9	-
Australian Valuation Office	\$m	-2.2	0.1	-1.6	-1.6	-1.6
	%		-104.5	na	-	-
COMCAR	\$m	2.7	9.8	4.8	4.8	4.8
	%		na	-51.0	-	-
Business Support/Australian Operational Support Services (a)	\$m	26.8	-	-	-	-
	%		-100.0	na	na	na
TOTAL	\$m	22.2	43.3	29.0	36.7	38.3
	%		95.0	-33.0	26.6	4.4

- (a) The Office of Asset Sales (OAS) is progressing the sale of these businesses. Sales are expected to be concluded by mid 1997.
(b) OAS is currently assessing the sale of DASFLEET or refinancing of the vehicle fleet, with a target completion date of mid 1997. Budget estimates are based on refinancing the fleet.

As part of the Commonwealth property review, the Government has decided to divest itself of the Australian Property Group (APG) through a trade sale or employee/management buyout.

Estimates of the proceeds from sale/refinancing of the DAS businesses are included in the totals under *14E. Asset Sales*. The costs associated with the handling of surplus staff and property following the sale and/or restructure are reported in *1E.4 Other General Services* below.

1E.4 OTHER GENERAL SERVICES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Department of the Environment, Sport and Territories	\$m	20.9	23.6	16.7	16.2	16.5
	%		12.9	-29.2	-3.0	1.9
Department of Administrative Services	\$m	176.9	240.0	99.7	71.2	72.1
	%		35.7	-58.5	-28.6	1.3
Other	\$m	24.2	25.8	23.7	23.7	23.8
	%		6.6	-8.1	-	0.4
TOTAL	\$m	221.9	289.4	140.2	111.2	112.4
	%		30.4	-51.6	-20.7	1.1

Department of the Environment, Sport and Territories

This element covers the running costs and other outlays of the Territories Programme that are not elsewhere classified. Government policy is to bring the laws, standards and infrastructure on the Indian Ocean Territories of the Cocos (Keeling) Islands and Christmas Island up to the standard of those on mainland Australia.

Department of Administrative Services

The Government's decision to withdraw from or to restructure the common service businesses in DAS will result in a large number of staff and properties becoming surplus to requirements. Surplus staff are given short term assistance with retraining and redeployment counselling through the DAS Business Sale and Restructuring - Staff Management Programme. These costs are met by the budget and are reported under this subfunction. The decline in outlays from 1998-99 reflects the progressive wind down of the programme.

Other

This item covers outlays on the Administrative Appeals Tribunal and other small agencies not elsewhere classified.

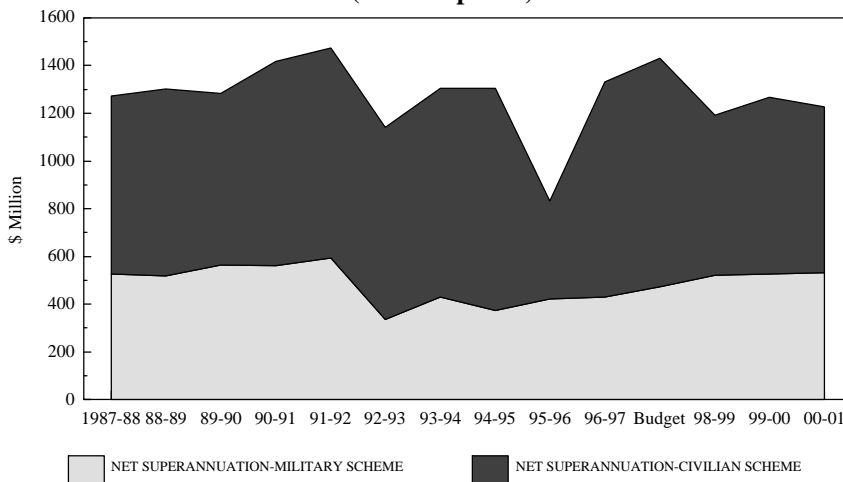
1F. GOVERNMENT SUPERANNUATION BENEFITS

NATURE OF OUTLAYS

This function relates to the Finance and Defence portfolios and comprises outlays associated with the Commonwealth's provision of superannuation schemes for its employees, military personnel and members of Parliament. The function also includes reimbursements to certain State schemes in respect of former State railway employees and the outlays of the Commonwealth Superannuation Administration (ComSuper).

The major Commonwealth civilian superannuation schemes are the Public Sector Superannuation (PSS) Scheme and the Commonwealth Superannuation Scheme (CSS), while the Parliamentary Contributory Superannuation Scheme exists for members of Parliament. The Military Superannuation and Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme provide benefits to military personnel.

Chart 1. Overview of Commonwealth Net Outlays on Government Superannuation Benefits (1989-90 prices)



TRENDS IN GOVERNMENT SUPERANNUATION OUTLAYS

Major features of Chart 1 are:

- decreased net outlays in 1992-93 reflecting the commencement of payment by the Department of Defence of employer superannuation contributions to the Consolidated Revenue Fund;
- decreased net outlays in 1995-96, due to the commencement of notional employer superannuation contributions by running cost departments and agencies, so bringing running cost departments and agencies into line with other government agencies:
 - these contributions reduce net superannuation outlays but have a neutral net effect on total Commonwealth budget outlays as they are offset by an equivalent increase in running costs outlays in other functions; and

- a large increase in net superannuation outlays in 1996-97, which is expected to continue into 1997-98, due to lump sum benefit payments associated with public sector redundancies.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
1F.1 Military Schemes	\$m	500.7	560.1	632.7	652.9	675.4
	%		11.9	13.0	3.2	3.4
1F.2 Civilian Schemes	\$m	1040.3	1128.9	810.9	919.5	882.8
	%		8.5	-28.2	13.4	-4.0
TOTAL	\$m	1541.0	1689.0	1443.5	1572.4	1558.2
	%		9.6	-14.5	8.9	-0.9

2. DEFENCE

NATURE OF OUTLAYS

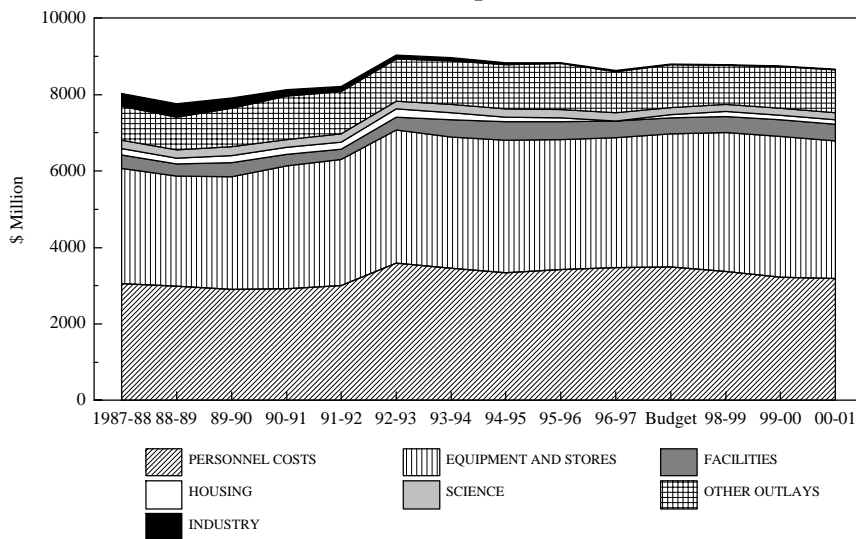
The Defence function covers outlays on military equipment and technology, stores, Defence personnel and related benefits, Defence industry support and Defence administration.

This function includes outlays of the following portfolios:

- Administrative Services;
- Defence; and
- Finance.

The bulk of Defence function outlays are transacted through the Department of Defence.

**Chart 1. Overview of Commonwealth Outlays on Defence
(1989-90 prices)**



TRENDS IN DEFENCE OUTLAYS

Defence outlays declined between 1987-88 and 1988-89 as the global allocation for Defence's core activities was reduced as part of general budgetary restraint. Defence outlays grew between 1989-90 and 1991-92 reflecting the impact of the introduction of user charging by Commonwealth agencies, the provision of supplementary resources for Defence participation in peacekeeping activities and funding for special communications projects. The inclusion of employer superannuation costs for Defence staff who are members of Commonwealth superannuation schemes resulted in an increase in Defence outlays from 1992-93. Since then Defence outlays have declined, reflecting the 1993-94 Budget decision to apply year on year reductions to the Defence outlays base to 1996-97. Estimates for 1997-98 onwards reflect zero real growth in Defence base outlays.

Savings arising from the Commercial Support Programme have been allocated by Defence to higher priority areas. Defence also retains the proceeds from the sale of most surplus or under-utilised properties. The Government's policy is to reallocate funds from lower priority and support areas to enhance Defence's combat capabilities. This process will be reinforced by the Defence Reform Programme (DRP) which will implement the agreed recommendations of the 1997 Defence Efficiency Review report, *Future Directions for the Management of Australia's Defence*. The forward year estimates reflected in the preceding chart and the following tables do not yet fully reflect the impact of the DRP.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
2.1	Personnel Costs	\$m 4020.3	4114.3	4086.0	4003.9	4044.6
	%		2.3	-0.7	-2.0	1.0
2.2	Defence Equipment and Stores	\$m 3945.0	4133.5	4401.9	4570.6	4597.2
	%		4.8	6.5	3.8	0.6
2.3	Defence Facilities	\$m 485.0	489.2	520.3	529.3	543.8
	%		0.9	6.4	1.7	2.7
2.4	Defence Housing	\$m 16.8	104.6	150.4	154.5	159.2
	%		na	43.8	2.7	3.0
2.5	Defence Industry	\$m 54.3	23.4	19.2	17.9	18.3
	%		-56.9	-17.9	-6.8	2.2
2.6	Defence Science	\$m 244.8	214.9	211.0	223.2	226.7
	%		-12.2	-1.8	5.8	1.6
2.7	Other Defence Outlays	\$m 1237.1	1325.0	1248.6	1349.9	1431.7
	%		7.1	-5.8	8.1	6.1
	TOTAL	\$m 10003.4	10404.8	10637.4	10849.3	11021.5
	%		4.0	2.2	2.0	1.6

1997-98 and forward year allocations do not yet fully reflect the impact of the DRP.

2.1 PERSONNEL COSTS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
	Defence Force Personnel	\$m 2698.2	2757.3	2728.8	2713.9	2732.4
	%		2.2	-1.0	-0.5	0.7
	Civilian Personnel	\$m 670.8	700.3	713.3	635.4	645.6
	%		4.4	1.9	-10.9	1.6
	Employer Superannuation Contribution	\$m 528.8	524.0	514.1	522.9	532.4
	- Military	%	-0.9	-1.9	1.7	1.8
	Employer Superannuation Contribution	\$m 122.5	132.8	129.8	131.8	134.2
	- Civilian	%	8.4	-2.3	1.5	1.8
	TOTAL	\$m 4020.3	4114.3	4086.0	4003.9	4044.6
	%		2.3	-0.7	-2.0	1.0

Employer Superannuation Contribution

The emerging employer liability for civilian and military staff who are members of Commonwealth superannuation schemes is met by making fortnightly payments to ComSuper, the receipts for which are shown in *IF. Government Superannuation Benefits*.

2.2 DEFENCE EQUIPMENT AND STORES

Outlays largely provide for an ongoing equipment procurement programme undertaken in accordance with strategic priorities. Outlays on equipment are expected to rise over the budget and forward estimates period and beyond as savings from the DRP become available for new investment.

The subfunction also provides for the acquisition of stores, including ammunition and fuel, required to maintain the operations of the Australian Defence Force (ADF).

2.3 DEFENCE FACILITIES

This subfunction covers the development of bases, airfields, communications, training and other facilities. It also includes the provision of live-in accommodation for single ADF personnel and repairs and maintenance projects costing \$0.25 million or more. It excludes the provision of housing which is mostly provided through the Defence Housing Authority, see 2.4 *Defence Housing*.

2.4 DEFENCE HOUSING

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Capital Contributions to Defence	\$m	-71.0	-51.1	-1.2	-1.2	-1.3
Housing Authority	%		-28.0	-97.7	-	8.3
Rent Payments to Defence Housing	\$m	183.9	253.6	254.6	264.2	274.2
Authority	%		37.9	0.4	3.8	3.8
Rent Recoveries	\$m	-97.4	-101.1	-107.2	-113.6	-119.7
	%		3.8	6.0	6.0	5.4
Other Housing Payments	\$m	1.3	3.2	4.2	5.1	6.0
	%		146.2	31.3	21.4	17.6
TOTAL	\$m	16.8	104.6	150.4	154.5	159.2
	%		na	43.8	2.7	3.0

This subfunction covers the cost of providing housing for eligible ADF personnel and their families, largely through the Defence Housing Authority (DHA). DHA administers and maintains some 21,500 dwellings. DHA also has the authority to develop and trade in land and buildings. Dividends from the DHA, which became payable from 1996-97, are included in *Statement 5*.

Capital Contributions to Defence Housing Authority

Capital contributions (including reinvested interest until 30 June 1996) were provided to enable DHA to fund its housing investment programme, including the Government's \$750 million Defence housing improvement programme, which commenced in 1986 and was completed in 1996. This item also includes repayment of the principal of former Commonwealth/State Housing Agreement (Service Personnel) loans taken over by the authority and, up to 1997-98, capital repayments by the authority. DHA also funds its investment programme from retained earnings.

Rent Payments to Defence Housing Authority and Rent Recoveries

Market rents charged by DHA are reviewed annually to reflect current market conditions. Recoveries of rent paid by ADF members under the Group Rent Scheme are based on rank entitlements. Service personnel receive significant rental assistance reflected in the difference between rent payments by the Department of Defence to the DHA and rent recoveries from personnel.

2.5 DEFENCE INDUSTRY

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Defence Production	\$m	22.1	17.8	17.6	17.9	18.3
	%		-19.5	-1.1	1.7	2.2
AeroSpace Technologies of Australia	\$m	31.4	4.4	1.6	-	-
	%		-86.0	-63.6	-100.0	na
ADI Limited	\$m	0.8	1.2	0.1	0.1	0.1
	%		50.0	-91.7	-	-
TOTAL	\$m	54.3	23.4	19.2	17.9	18.3
	%		-56.9	-17.9	-6.8	2.2

Defence Production

The item assists defence industry development projects and the participation of Australian industry at various Defence exhibitions in Australia and overseas.

Payments to Australian defence industries for goods and services supplied to the Department of Defence on a commercial basis are included under 2.2 *Defence Equipment and Stores*.

AeroSpace Technologies of Australia

In 1994-95, the bulk of AeroSpace Technologies of Australia Limited (ASTA) was sold by the Commonwealth. Payments arising from the Sale and Purchase Agreement for ASTA are included under this item. Also included in this item are payments and receipts related to the winding up or sale of remaining elements of ASTA.

ADI Limited

This item provides for capital injections and other assistance to ADI Limited. Dividends from ADI Limited are included in *Statement 5*.

2.6 DEFENCE SCIENCE

This item covers the cost of the Defence Science and Technology Organisation (DSTO), which gives advice on the application of science and technology best suited to Australia's defence and security needs.

DSTO seeks to enhance Australian use of future developments in defence-relevant technologies through developing new capabilities where Australia has special needs, and supporting existing capabilities by increasing operational performance and reducing costs of ownership. DSTO also undertakes some commercial activities and participates in a number of Cooperative Research Centres.

2.7 OTHER DEFENCE OUTLAYS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Defence Cooperation Programme	\$m	66.8	67.9	68.3	68.5	69.4
	%		1.6	0.6	0.3	1.3
General Administration	\$m	1522.7	1569.2	1560.3	1602.0	1676.2
	%		3.1	-0.6	2.7	4.6
Recoveries and Repayments	\$m	-352.4	-312.1	-380.0	-320.6	-313.9
	%		-11.4	21.8	-15.6	-2.1
TOTAL	\$m	1237.1	1325.0	1248.6	1349.9	1431.7
	%		7.1	-5.8	8.1	6.1

Defence Cooperation Programme

This programme aims to promote a favourable strategic environment for Australia through the promotion of shared security interests in the Asia-Pacific region. The programme includes training of regional students, professional exchanges, exercises and equipment and facilities projects.

General Administration

This category includes Fringe Benefits Tax, rent, office requisites, compensation and legal expenses, postage and telephones, fuel (but not fuel for Service operational activities) and payments for medical, dental and computer services.

Recoveries and Repayments

Recoveries and repayments include charges made for meals and accommodation at Defence establishments, defence-related recoveries from other governments, proceeds from the sale of under-utilised or surplus properties and reimbursements from the United Nations for part of the costs of overseas peacekeeping deployments. Receipts from sales of former Defence properties that are not attributable to the Defence function are shown under *1E. General Services* and *14E. Asset Sales*.

3. PUBLIC ORDER AND SAFETY

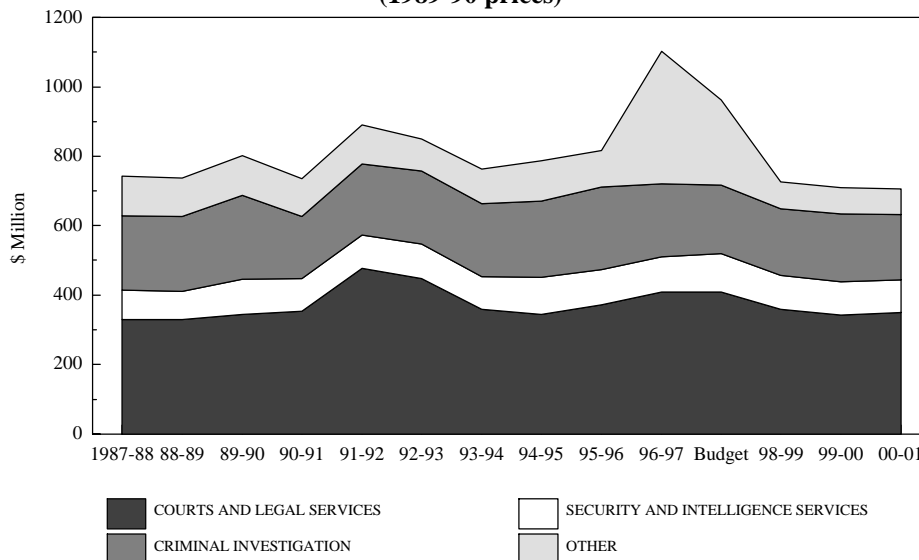
NATURE OF OUTLAYS

The purpose of these outlays is to ensure that all Australians have access to appropriate legal services and protection under the law. They cover courts and related legal services (other than those concerned with industrial relations), legal aid, law enforcement, security and intelligence services and a range of other public safety activities.

This function includes outlays of the following portfolios:

- Attorney-General's;
- Foreign Affairs and Trade;
- Environment, Sport and Territories;
- Industry, Science and Tourism; and
- Prime Minister and Cabinet.

Chart 1. Overview of Commonwealth Outlays on Public Order and Safety (1989-90 prices)



TRENDS IN PUBLIC ORDER AND SAFETY OUTLAYS

Outlays on Public Order and Safety increased in 1989-90 due to the creation of the Australian Transaction Reports and Analysis Centre and funding provided to the Australian Federal Police (AFP) for purposes such as a major office refit and additional salary costs arising from decisions of the Police Arbitral Tribunal.

The subsequent decline in outlays in 1990-91 reflected the introduction of user charging by the Australian Protective Service and the transfer of funding to the Australian

Capital Territory (ACT) Government for the ACT Magistrates Court and the AFP's policing activities in the ACT.

1991-92 saw another increase in outlays, largely associated with the purchase of land for the Brisbane court building, the installation of the Legal Office Information System (LOIS) within the Attorney-General's Department and the preparation of war crimes legislation.

The transfer of funding for legal services to other functions in 1992-93 led to a reduction in outlays in this function. This trend continued in 1993-94 as projects under the Courts Construction Programme and LOIS were completed. Outlays rose again in 1995-96 as the first initiatives of the previous government's Justice Statement commenced.

The peak in 1996-97 reflects the Commonwealth Government's contribution to the National Firearms Program. These costs mainly constitute the Commonwealth's reimbursement of payments made by the States and Territories to firearm owners, dealers and collectors who surrender guns as part of the compensation-for-surrender scheme. The reimbursement has been funded from the gun levy collected as a one-off increase in 1996-97 of 0.2 per cent in the Medicare levy raising approximately \$500 million. It is now estimated that \$169 million of the \$500 million will be expended in 1997-98, as the gun amnesty expires in September 1997. Commonwealth reimbursements to the States may continue to be made after this date.

The forward estimates indicate that the real value of outlays will decline from a peak in 1996-97, despite temporary increases in two subfunctions in 1997-98. The measures that most affected the forward estimates include: changes to the financing arrangements for the construction of the Melbourne Law Courts building; the limiting of Commonwealth legal aid contributions to matters arising under Commonwealth law; divestment and restructuring of commercial business units in the Attorney-General's portfolio; and savings identified by the Attorney-General (including a 4 per cent reduction to the portfolio's running costs) to contribute to the achievement of the Government's fiscal targets.

These reductions have been partly offset by increases in funding to the Federal Court of Australia for native title matters, and to the National Crime Authority to target fraud against the Commonwealth and related crime.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
3.1	Courts and Legal Services	\$m 472.6	483.0	434.8	425.3	446.7
		%	2.2	-10.0	-2.2	5.0
3.2	Security and Intelligence Services	\$m 118.7	130.8	118.0	120.0	119.4
		%	10.2	-9.8	1.7	-0.5
3.3	Criminal Investigation	\$m 242.4	234.3	233.4	241.4	236.7
		%	-3.3	-0.4	3.4	-1.9
3.4	Other Public Order and Safety	\$m 443.1	290.8	94.6	94.4	94.2
		%	-34.4	-67.5	-0.2	-0.2
	TOTAL	\$m 1276.8	1139.0	880.8	881.1	896.9
		%	-10.8	-22.7	-	1.8

3.1 COURTS AND LEGAL SERVICES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
High Court	\$m	9.6	9.2	9.3	9.4	9.6
	%		-4.2	1.1	1.1	2.1
Other Commonwealth Courts	\$m	174.4	188.6	173.6	172.7	190.6
	%		8.1	-8.0	-0.5	10.4
Legal Services	\$m	121.5	140.2	119.1	108.6	109.8
	%		15.4	-15.0	-8.8	1.1
Legal Aid	\$m	147.8	127.1	121.0	122.9	125.0
	%		-14.0	-4.8	1.6	1.7
Protection of Human Rights	\$m	19.3	17.8	11.8	11.7	11.7
	%		-7.8	-33.7	-0.8	-
TOTAL	\$m	472.6	483.0	434.8	425.3	446.7
	%		2.2	-10.0	-2.2	5.0

Outlays under this subfunction include:

- the High Court, the Federal Court of Australia, the Family Court of Australia and the Human Rights and Equal Opportunity Commission;
- the regulation and administration of bankruptcies by the Insolvency and Trustee Service, Australia;
- the running costs of the Office of the Director of Public Prosecutions, the operational expenses of the Law Reform Commission, and the Legal Practice of the Attorney-General's Department; and
- the Commonwealth's contribution to funding for State Legal Aid Commissions for general legal aid services and specific legal aid programmes including the defence of claims under the *Native Title Act 1993*. The Commonwealth's funding arrangements for legal aid are currently being negotiated with each State and Territory and aim to better target legal aid funding to matters arising under Commonwealth law.

3.2 SECURITY AND INTELLIGENCE SERVICES

Outlays under this subfunction largely include the operations of the Australian Security Intelligence Organization, the Australian Secret Intelligence Service and the Office of National Assessments. These agencies collect and assess information relevant to protection against threats to Australia's national interests. Other activities include the 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.

3.3 CRIMINAL INVESTIGATION

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Australian Federal Police	\$m	187.7	173.6	177.8	185.4	186.8
	%		-7.5	2.4	4.3	0.8
Other Criminal Investigation	\$m	54.7	60.8	55.6	56.0	49.9
	%		11.2	-8.6	0.7	-10.9
TOTAL	\$m	242.4	234.3	233.4	241.4	236.7
	%		-3.3	-0.4	3.4	-1.9

These outlays provide for law enforcement and associated investigation activities and include:

- the AFP's enforcement of the law in relation to drug trafficking, organised crime, fraud against the Commonwealth, counter terrorism, and community policing in the ACT; and
- police and criminology support activities such as those provided by the Australian Bureau of Criminal Intelligence, the Australian Institute of Criminology, the National Crime Authority and Australian Transaction Reports and Analysis Centre.

3.4 OTHER PUBLIC ORDER AND SAFETY

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
General Administration	\$m	28.2	27.2	27.0	27.4	27.4
	%		-3.5	-0.7	1.5	-
Coastwatch	\$m	34.8	34.9	35.5	36.1	36.8
	%		0.3	1.7	1.7	1.9
National Firearms Programme	\$m	331.0	169.0	-	-	-
	%		-48.9	-100.0	na	na
Other	\$m	49.0	59.7	32.1	30.8	30.0
	%		21.8	-46.2	-4.0	-2.6
TOTAL	\$m	443.1	290.8	94.6	94.4	94.2
	%		-34.4	-67.5	-0.2	-0.2

This subfunction incorporates all other outlays on Public Order and Safety activities such as:

- the residual general administration costs of the Attorney-General's Department, grants and payments to Australian and overseas bodies, and the costs of publishing legislation;
- the Coastwatch unit of the Australian Customs Service, which is responsible for the aerial surveillance of Australian Coastal and Fishing Zone areas, for the purposes of detecting smuggling, illegal entry, unauthorised fishing and quarantine breaches;
- the National Firearms Program which provides compensation to gun owners, dealers and collectors for the surrender of certain categories of firearms;
- provision of community policing in the Territories of Christmas Island and Cocos (Keeling) Islands; and
- the protection of Commonwealth property.

4. EDUCATION

NATURE OF OUTLAYS

The bulk of Commonwealth funding is provided, as grants, to the suppliers of education services, namely:

- higher education institutions;
- vocational education and training (VET) providers including Technical and Further Education (TAFE) institutions; and
- government (State and Territory) and non-government schools.

Other funds, sourced from general purpose grants to the States, which also flow to the schools and VET sectors, are reported in *14B. General Purpose Inter-Government Transactions*.

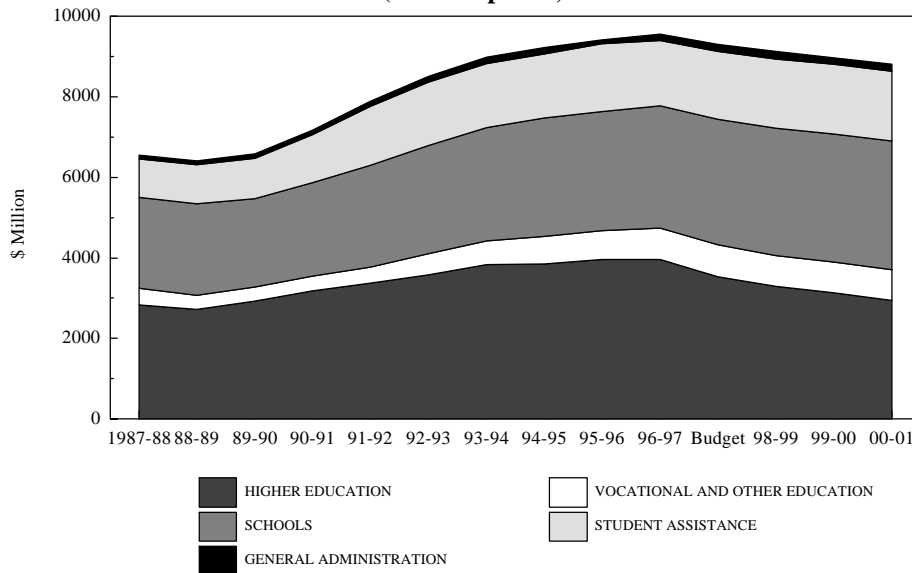
Outlays under this function also include income or other support for students (mainly through the Student Assistance Scheme (AUSTUDY) and the Aboriginal Student Assistance Scheme (ABSTUDY)), English language tuition for recently arrived migrants and running costs associated with the education function within the Employment, Education, Training and Youth Affairs portfolio.

Offsets to outlays include the repayment of Higher Education Contribution Scheme (HECS) liabilities and AUSTUDY supplement loans.

This function includes outlays of the following portfolios:

- Employment, Education, Training and Youth Affairs; and
- Immigration and Multicultural Affairs.

Chart 1. Overview of Commonwealth Outlays on Education (1989-90 prices)



TRENDS IN EDUCATION OUTLAYS

Education outlays have increased in real terms for all sectors since 1989-90, with increases coming from:

- a significant expansion of the higher education sector (from around 370,000 places in 1985 to over 634,000 in 1996), with a flow-on to student assistance programmes, partly offset by revenue collected under HECS;
- major increases in funding for vocational education from 1991;
- enhanced Commonwealth support for schools, particularly since the early 1990s; and
- the restructuring of student assistance schemes in 1987 to improve incentives for students to undertake secondary and tertiary studies beyond the level of compulsory education including, in 1993, the introduction of the AUSTUDY Supplement Loans Scheme.

The forward years reflect a decline in higher education outlays resulting from increases in HECS revenue and reductions to operating grants. This is partly offset by continuing growth in non-government school enrolments and per capita grant payments to needier non-government schools and the buying back of AUSTUDY Supplement Loan debt from the Commonwealth Bank of Australia.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
4.1 Higher Education	\$m	4580.3	4186.4	3988.3	3890.0	3747.0
	%		-8.6	-4.7	-2.5	-3.7
4.2 Vocational and Other Education	\$m	900.3	919.7	925.5	944.4	967.4
	%		2.2	0.6	2.0	2.4
4.3 Schools	\$m	3533.4	3691.4	3830.7	3941.1	4064.6
	%		4.5	3.8	2.9	3.1
4.4 Student Assistance	\$m	1865.2	1984.7	2086.0	2155.2	2216.4
	%		6.4	5.1	3.3	2.8
4.5 General Administration	\$m	187.4	198.0	216.4	209.0	209.6
	%		5.7	9.3	-3.4	0.3
TOTAL	\$m	11066.6	10980.1	11046.8	11139.8	11204.9
	%		-0.8	0.6	0.8	0.6

4.1 HIGHER EDUCATION

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Higher Education Grants to Institutions	\$m	3906.9	3690.0	3464.9	3362.0	3352.7
	%		-5.6	-6.1	-3.0	-0.3
Net Payments from Higher Education Trust Fund	\$m	629.2	466.1	497.8	502.2	367.7
	%		-25.9	6.8	0.9	-26.8
Open Learning Initiative	\$m	18.0	5.2	5.3	5.4	5.5
	%		-71.1	1.9	1.9	1.9
Other Higher Education	\$m	15.7	15.6	15.3	15.4	15.9
	%		-0.6	-1.9	0.7	3.2
Sub-total	\$m	4569.8	4176.9	3983.3	3884.9	3741.8
	%		-8.6	-4.6	-2.5	-3.7
International Education	\$m	10.6	9.5	5.0	5.1	5.2
	%		-10.4	-47.4	2.0	2.0
TOTAL	\$m	4580.3	4186.4	3988.3	3890.0	3747.0
	%		-8.6	-4.7	-2.5	-3.7

Higher Education Grants to Institutions and Net Payments from the Higher Education Trust Fund

Support for higher education institutions involves direct grants and payments from the Higher Education Trust Fund. Funding is legislated for three forward years on a calendar year basis. Research grants are reported under *1D. General Research*.

Funding for the John Curtin School of Medical Research which was previously reported in *5.6 Other Health Services* is now reported in this subfunction.

Higher Education Contribution Scheme

All Australian citizens, New Zealand citizens and Australian permanent residents enrolled in higher education student places funded by the Commonwealth, unless specifically exempt, are required to make a contribution to the cost of their course through the Higher Education Contribution Scheme (HECS). Since the introduction of HECS in 1989, a proportion of total operating grants for State and Commonwealth institutions has been paid through the Higher Education Trust Fund each year, equal to all contributions deferred by students and discounts provided for up-front payments.

Differential HECS contributions apply to students commencing a HECS liable course from 1997 onwards on the basis of the units of study undertaken. Units of study have been divided into three different bands with a contribution rate of \$3,300, \$4,700 and \$5,500 for Bands 1, 2 and 3 respectively for a full-time equivalent load. Continuing students will be charged HECS under the previously existing arrangements until the completion of their course. The contribution rate for these students in 1997 is \$2,478 for a full-time student load.

The income threshold for compulsory HECS repayments is \$20,701 for income earned in 1997-98. From 1 July 1997 people who have deferred their HECS liability and who have a spouse or dependent children and would otherwise be required to make a repayment under the new arrangements will be exempted from making a repayment in any income year in which they receive an exemption or reduction of the Medicare levy because of low family income.

4.2 VOCATIONAL AND OTHER EDUCATION

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Vocational Education and Training	\$m	875.6	900.0	905.2	923.9	946.6
Grants	%		2.8	0.6	2.1	2.5
Other Vocational Education and Training	\$m	24.7	19.7	20.3	20.5	20.8
	%		-20.2	3.0	1.0	1.5
TOTAL	\$m	900.3	919.7	925.5	944.4	967.4
	%		2.2	0.6	2.0	2.4

Vocational Education and Training Grants

The Commonwealth's primary involvement in vocational education and training is conducted through the joint Commonwealth-State body, the Australian National Training Authority (ANTA).

Under the current ANTA agreement (which is subject to revision in 1997), the States are to maintain their effort in vocational education and training, while the Commonwealth has committed itself to maintaining a base level of financial support and to providing funding for growth in the VET sector.

Other Vocational Education and Training

The Commonwealth also provides funds to the States for operating the Advanced English for Migrants Programme, for ANTA's operating expenses and for developing innovative approaches to VET programmes.

4.3 SCHOOLS

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Schools in the States and Territories						
Government	\$m	1167.1	1178.3	1195.0	1204.9	1236.8
	%		1.0	1.4	0.8	2.6
Non-Government	\$m	1881.5	2006.4	2146.8	2283.5	2376.7
	%		6.6	7.0	6.4	4.1
Targeted Programmes	\$m	341.1	366.4	342.6	349.3	356.2
	%		7.4	-6.5	2.0	2.0
Indigenous Education Strategic Initiatives Programme	\$m	110.1	111.2	117.3	80.9	80.8
	%		1.0	5.5	-31.0	-0.1
Other Assistance	\$m	33.6	29.1	29.1	22.5	14.0
	%		-13.4	-	-22.7	-37.8
TOTAL	\$m	3533.4	3691.4	3830.7	3941.1	4064.6
	%		4.5	3.8	2.9	3.1

Government and Non-Government Schools

The major part of Commonwealth funding for schools is provided on a calendar year basis under the *States Grants (Primary and Secondary Education Assistance) Act 1996* which provides funding for the 1997 to 2000 quadrennium. This includes funding for recurrent and capital grants. Commonwealth grants represent about 12 per cent of total spending on government schools with the balance being met by State governments either from General Purpose Grants or from their own revenue sources. About 38 per cent of total support for non-government schools is provided by the Commonwealth

with the balance being met by other governments (19 per cent) and private sources (43 per cent).

Targeted Programmes

On 1 January 1997 Commonwealth programmes for schools were broadbanded, effectively streamlining over 40 smaller programmes into five priority areas of Literacy, Languages, Special Learning Needs, School-to-Work and Quality Outcomes. Programmes funded under these priority areas aim to enhance educational outcomes across both government and non-government schools. For example, funding under the literacy programme goes to such projects as providing grants to schools to improve literacy outcomes for students from educationally disadvantaged backgrounds, including students from low socio-economic backgrounds and those needing to improve their English language competency.

Indigenous Education Strategic Initiatives Programme

The Indigenous Education Strategic Initiatives Programme provides supplementary funding assistance to pre-schools, government and non-government school systems, TAFE authorities and independent Indigenous education providers to improve educational outcomes for Indigenous peoples.

Other Assistance

The Commonwealth also provides other assistance through its Grants and Awards Programme. This includes Grants in Aid, the Australian Students Prize and grants to the Asia Education Foundation, Language Australia and the Curriculum Corporation.

4.4 STUDENT ASSISTANCE

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
AUSTUDY	\$m	1570.2	1677.1	1787.1	1855.3	1911.0
	%		6.8	6.6	3.8	3.0
ABSTUDY and Other Assistance to Aboriginals	\$m	184.4	181.5	179.8	180.2	184.9
	%		-1.6	-0.9	0.2	2.6
Migrant Education	\$m	76.1	95.6	83.0	83.3	83.9
	%		25.6	-13.2	0.4	0.7
Other	\$m	34.5	30.5	36.1	36.3	36.6
	%		-11.6	18.4	0.6	0.8
TOTAL	\$m	1865.2	1984.7	2086.0	2155.2	2216.4
	%		6.4	5.1	3.3	2.8

AUSTUDY

AUSTUDY provides income support grants to full-time students 16 years of age and older undertaking approved courses of study in secondary schools, TAFE colleges, approved TAFE equivalent courses offered by private providers and higher education institutions.

Under the AUSTUDY Supplement Loans Scheme eligible students have the option of trading-in part of their grant for a loan of twice that amount, up to a maximum of \$7,000 a year.

ABSTUDY and Other Assistance to Aboriginals

ABSTUDY is similar to AUSTUDY, assisting Aboriginal and Torres Strait Islander students in primary, secondary and tertiary education by providing income support and other assistance tailored to their needs. Retention rates for Aboriginal and Torres Strait Islander students were estimated at 30 per cent in 1995 compared to 74 per cent for the general population.

The Aboriginal Tutorial Assistance Scheme provides Aboriginal students with tutorial assistance by contracting tutors and with assistance for the establishment and operation of homework centres. The Aboriginal Student Support and Parental Awareness programme funds school-based parents' committees to undertake activities aimed at increasing education participation.

Migrant Education

The Adult Migrant English Programme provides access to English as a second language tuition for all recently arrived migrants without functional English.

4.5 GENERAL ADMINISTRATION

Outlays under this subfunction consist almost entirely of running costs associated with the administration of the Education function.

5. HEALTH

NATURE OF OUTLAYS

The Health function covers outlays on facilities or services for the prevention and treatment of human illness, setting standards for safety and efficacy of therapeutic goods and services, support for health research and the promotion of better health. Aged persons' hostels and most outlays on Aboriginals are classified to 6. *Social Security and Welfare*. The major purpose of Commonwealth health outlays is to ensure that all Australians have access to necessary health services without excessive price barriers.

Universal health cover under Medicare includes subsidised medical and pharmaceutical services and public hospital services. Other Commonwealth assistance in the health area includes subsidised residential care services and certain allied health services (e.g. hearing services). Assistance is also provided through a number of tax measures (e.g. sales tax exemptions on a range of medical related goods and tax rebates under the private health insurance incentives).

Medical and pharmaceutical benefits under Medicare are provided directly by the Commonwealth. Financial assistance for State hospitals under the Medicare Agreements ensure public hospital patients have free shared ward accommodation and treatment for both inpatient and outpatient services.

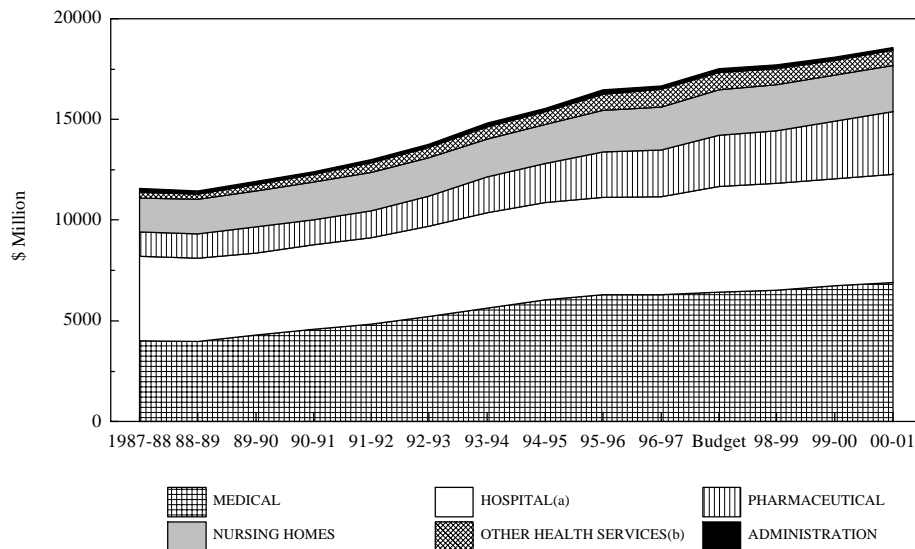
The Commonwealth promotes access of Aboriginal and Torres Strait Islander people to a range of health services through its own programmes and by working with the States in the planning and funding of mainstream health services.

A group of broadbanded public health programmes (a major component of 5.6 *Other Health Services*) provide for the promotion of better health, health research and direct responses to national health issues such as HIV/AIDS and drug abuse.

This function includes outlays of the following portfolios:

- Health and Family Services; and
- Veterans' Affairs.

**Chart 1. Overview of Commonwealth Outlays on Health
(1989-90 prices)**



- (a) Includes Identified Health Grants, which were classified to 14B. *General Purpose Inter-Government Transactions* during the period 1981-82 to 1987-88.
 (b) Includes Aboriginal and Torres Strait Islander Health.

TRENDS IN HEALTH OUTLAYS

Growth in Commonwealth health outlays has averaged around 4 per cent a year in real terms since 1987-88 (refer Chart 1). The growth mainly reflects a steady increase in utilisation of medical services and pharmaceutical services over the period and a drift towards more costly drugs and medical services.

In the forward years real growth in Commonwealth health outlays is expected to continue, but at a rate less than recent years. The reduced growth reflects mainly lower growth in outlays on Medical Services and Benefits as a result of a range of measures taken over a number of years to constrain the growth in the Medicare Benefits Scheme. The rapid growth in pharmaceutical benefits is expected to moderate over the next two years as a result of measures, particularly in this and the previous budget, but with an outlook for renewed growth as demand for new, more effective but high cost drugs continues. Outlays for Hospital Services are projected to grow at the rate specified in the current Medicare Agreements. The current agreements conclude in June 1998 and new agreements with the States are to be negotiated during 1997-98.

1997-98 AND FORWARD ESTIMATES

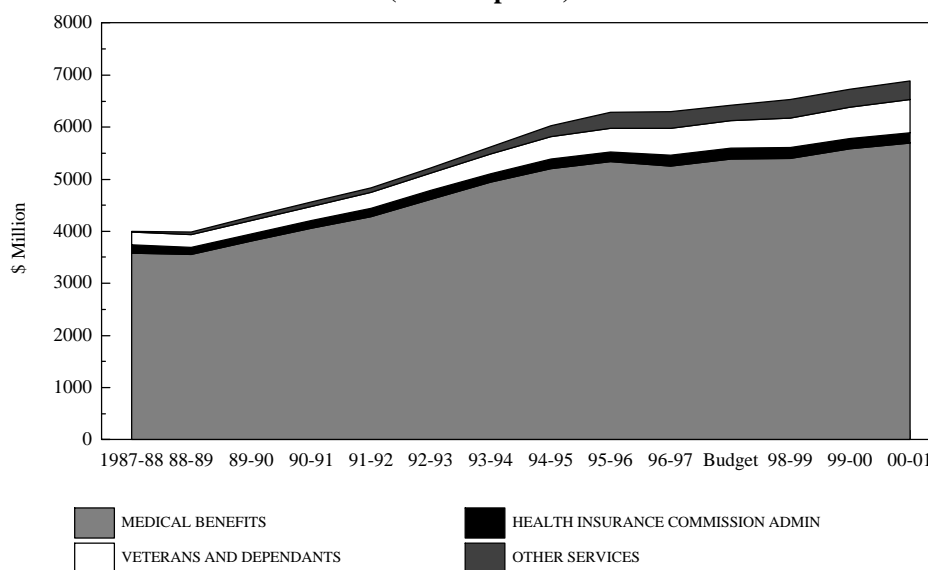
		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
5.1	Medical Services and Benefits	\$m 7300.6	7584.2	7904.8	8351.4	8768.0
		%	3.9	4.2	5.6	5.0
5.2	Hospital Services	\$m 5613.1	6206.7	6402.3	6612.0	6838.7
		%	10.6	3.2	3.3	3.4
5.3	Pharmaceutical Services and Benefits	\$m 2678.4	3013.0	3175.5	3555.8	3986.1
		%	12.5	5.4	12.0	12.1
5.4	Nursing Home Subsidies and Domiciliary Care Services	\$m 2484.2	2636.1	2757.0	2827.5	2905.5
		%	6.1	4.6	2.6	2.8
5.5	Aboriginal and Torres Strait Islander Health	\$m 112.0	127.1	130.9	131.9	125.7
		%	13.5	3.0	0.8	-4.7
5.6	Other Health Services	\$m 898.8	904.3	842.6	796.4	813.3
		%	0.6	-6.8	-5.5	2.1
5.7	General Administration	\$m 207.0	228.2	209.0	173.8	179.3
		%	10.2	-8.4	-16.8	3.2
	TOTAL	\$m 19294.1	20699.5	21422.1	22448.7	23616.6
		%	7.3	3.5	4.8	5.2

5.1 MEDICAL SERVICES AND BENEFITS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
	Medical Benefits	\$m 6073.2	6368.1	6538.6	6917.2	7243.1
		%	4.9	2.7	5.8	4.7
	Health Insurance Commission Administrative Costs	\$m 251.1	248.8	252.1	250.1	257.2
		%	-0.9	1.3	-0.8	2.8
	Veterans and Dependants	\$m 598.4	629.7	686.6	746.8	813.0
		%	5.2	9.0	8.8	8.9
	Other Services	\$m 377.9	337.8	427.5	437.2	454.7
		%	-10.6	26.6	2.3	4.0
	TOTAL	\$m 7300.6	7584.2	7904.8	8351.4	8768.0
		%	3.9	4.2	5.6	5.0

The purpose of these outlays is to achieve high quality health outcomes for people by enabling access to timely and appropriate health care services at reasonable cost.

**Chart 2. Medicare Benefits Outlays
(1989-90 prices)**



Medical Benefits

The Commonwealth provides assistance under Medicare towards the cost of out-of-hospital medical services (85 per cent of the schedule fee with a limit on the gap between the benefit and schedule fee for individual claims) and towards the cost of medical services provided to patients under private care in hospital (75 per cent of the schedule fee with no limit on the gap between the benefit and schedule fee on individual claims). A safety net applies to out-of-hospital medical services.

For medical services rendered to private patients in either public or private hospitals, registered health insurers are required to offer gap insurance in their hospital tables to cover the difference between 75 per cent and the full amount of the schedule fee. Insurers are not permitted to provide cover for payments above the schedule fee, unless they have a contract with the medical practitioner providing the service.

Medical practitioners may direct bill the Commonwealth on behalf of any patient and accept the Medicare benefit as full payment for their services.

The increase in outlays over the decade to 1996-97, averaging growth in real terms of 5 per cent a year, reflects the following components:

- about half from growth in the volume of services, mostly driven by increased utilisation of services per person with some growth due to increases in the size and age of the population; and
- the remainder from increases in the schedule fee and the drift to more expensive services and procedures.

Health Insurance Commission - Administration of Medicare Benefits

The Health Insurance Commission (HIC) is a budget funded agency which pays Medicare benefits in respect of services listed in the Medicare Benefits Schedule to the *Health Insurance Act 1973*. Medicare benefits may be claimed through Medicare

shopfronts, direct billing and also through pharmacies in some rural and regional areas. Electronic claiming will also be available through some medical practices commencing in 1997-98.

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.

Other Services

The largest item under this category is the General Practice Reforms (including grants to Divisions of General Practice, Better Practice Payments and the Rural Incentives Programme), which are designed to improve the service quality of general practice and address the structural issues contributing to growth in Medicare benefits outlays.

5.2 HOSPITAL SERVICES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Public Hospitals	\$m	4782.0	4947.8	5132.9	5310.2	5501.6
	%		3.5	3.7	3.5	3.6
Veterans and Dependants	\$m	825.7	806.7	812.9	840.7	871.5
	%		-2.3	0.8	3.4	3.7
Private Health Insurance Incentives	\$m	-	451.3	455.8	460.3	464.9
	%		na	1.0	1.0	1.0
Other Hospital Services	\$m	5.4	1.0	0.8	0.7	0.7
	0.0%		-81.5	-20.0	-12.5	-
TOTAL	\$m	5613.1	6206.7	6402.3	6612.0	6838.7
	%		10.6	3.2	3.3	3.4

Outlays under this subfunction are designed to ensure efficient and effective delivery of hospital care under Medicare, which entitles all Australian residents to free shared ward accommodation and treatment, and free outpatient, accident and emergency treatment at public hospitals. Those electing to have 'doctor-of-choice' or private ward accommodation in a public hospital must bear the cost or take out appropriate hospital insurance cover. From July 1997, the Commonwealth will provide incentives to people to take out private health insurance through the Private Health Insurance Incentive Programme.

Public Hospitals

To support free hospital care under Medicare, the Commonwealth provides substantial financial assistance to the States through Medicare Agreements. The current Medicare Agreements cover the period 1 July 1993 to 30 June 1998 and focus on increasing public patient access and improving the efficiency and effectiveness of service delivery. Hospital funding is indexed for wage and price increases and age/sex weighted population growth.

The Agreements also include:

- arrangements under which a proportion of funding is linked to the achievement of performance targets in areas of public patient activity (inpatient and outpatient), elective surgery waiting times and emergency department waiting times; and

- a specific Commonwealth contribution for the treatment of AIDS patients in public hospitals, which is indexed to the actual growth in cases treated, in recognition of the impact of AIDS on public hospital systems.

Veterans and Dependants

All Repatriation General Hospitals have been either integrated into the States' public hospital systems or sold to the private sector. Formal proposals have been invited from the private sector for the purchase and operation of the remaining Repatriation Auxiliary Hospital, Lady Davidson. Veterans are now treated under the Repatriation Private Patient Scheme which allows them to be treated at public hospitals or private hospitals with which the Department of Veterans' Affairs (DVA) has a contract. Consequently, veterans can be treated closer to home and linked into their local health care networks.

Private Health Insurance Incentives

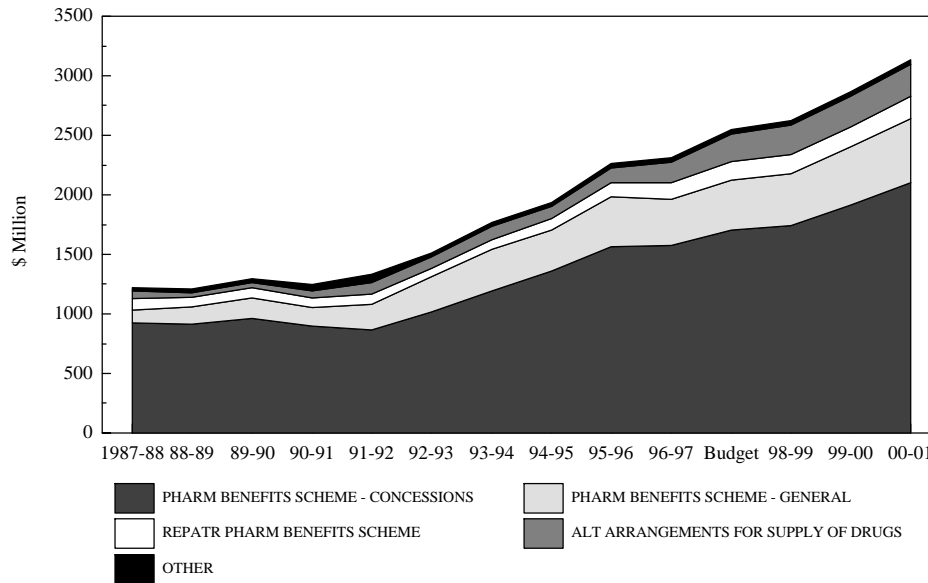
The Private Health Insurance Incentives Scheme, which commences on 1 July 1997, will provide an income-tested financial incentive to families and individuals to take out and maintain private health insurance cover. The amount of incentive paid will depend on the type and level of private health insurance coverage held. Recipients will have the choice of claiming the incentives through their health insurance fund in the form of reduced premiums or as an income tax rebate, claimable after the end of the income year.

5.3 PHARMACEUTICAL SERVICES AND BENEFITS

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Pharmaceutical Benefits Scheme						
General	\$m	445.6	495.4	533.7	604.3	685.0
	%		11.2	7.7	13.2	13.4
Concessional	\$m	1824.6	2012.8	2106.6	2374.0	2676.7
	%		10.3	4.7	12.7	12.8
Sub-total	\$m	2270.2	2508.2	2640.3	2978.3	3361.7
	%		10.5	5.3	12.8	12.9
Repatriation Pharmaceutical Benefits Scheme	\$m	160.8	188.4	194.5	211.7	231.9
	%		17.2	3.2	8.8	9.5
Alternative Arrangements for the Supply of Drugs	\$m	201.6	269.8	295.0	320.4	346.6
	%		33.8	9.3	8.6	8.2
Pharmacy Restructuring	\$m	7.0	8.7	8.8	8.9	9.0
	%		24.3	1.1	1.1	1.1
Health Insurance Commission Administrative Costs	\$m	38.7	38.0	37.0	36.5	36.9
	%		-1.8	-2.6	-1.4	1.1
TOTAL	\$m	2678.4	3013.0	3175.5	3555.8	3986.1
	%		12.5	5.4	12.0	12.1

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.

**Chart 3. Pharmaceutical Services and Benefits
(1989-90 prices)**



Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme

Under the Pharmaceutical Benefits Scheme (PBS), the Commonwealth provides assistance towards the cost of pharmaceuticals. Concessional patients (pensioners, the unemployed and low income families) are entitled to a higher subsidy than the general public. A safety net applies to both the general public and concessionals on a calendar year basis.

Under the Repatriation Pharmaceutical Benefits Scheme (RPBS), beneficiaries (veterans with recognised war or service related disabilities) have access to both pharmaceuticals under the PBS and a supplementary Repatriation list, at the same cost as patients entitled to the concessional payment.

Patient contributions and safety net levels are indexed annually in accordance with movements in the Consumer Price Index (CPI).

The Commonwealth presently has an agreement with retail pharmacies under which pharmacists are approved to supply benefits under these schemes, and remuneration levels for pharmacists in respect of pharmaceutical benefits are determined.

The key determinants of growth in pharmaceutical benefits have been the listing of new, more expensive drugs and the shift in prescribing patterns towards those drugs; and underlying growth in demand reflecting both growth in utilisation and changes in the size and composition of the population (as a result of ageing).

Alternative Arrangements for the Supply of Drugs

In certain circumstances some pharmaceuticals are not suitable for the normal supply arrangements under the PBS and alternative arrangements are made. These include:

- human growth hormone which is supplied free of charge through doctors, mainly paediatricians;

- selected highly specialised drugs (including drugs for the treatment of HIV/AIDS), which are supplied by States through hospitals to outpatients. The Commonwealth funds part of the costs of these drugs through grants to the States, with additional costs met by patient contributions; and
- some essential vaccines, as part of the National Childhood Immunisation Programme (part of the new broadbanded National Public Health Programme), which will be provided free of charge through doctors and other immunisation providers.

Health Insurance Commission - Administration of Pharmaceutical Benefits

The Health Insurance Commission (HIC) administers the PBS. It 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.

5.4 RESIDENTIAL CARE SUBSIDIES AND DOMICILIARY CARE SERVICES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Nursing Home Subsidies for the Aged	\$m	2204.3	2338.1	2415.4	2460.9	2508.0
	%		6.1	3.3	1.9	1.9
Nursing Care for Veterans and Dependants	\$m	83.9	84.8	88.3	91.9	96.8
	%		1.1	4.1	4.1	5.3
Domiciliary Nursing Care Benefit	\$m	64.9	71.6	102.3	114.8	128.8
	%		10.3	42.9	12.2	12.2
Home Nursing Service	\$m	131.0	141.6	150.9	159.8	171.9
	%		8.1	6.6	5.9	7.6
TOTAL	\$m	2484.2	2636.1	2757.0	2827.5	2905.5
	%		6.1	4.6	2.6	2.8

The Commonwealth provides funding for aged persons living in residential care facilities and receiving care in the community. In 1997-98 nursing homes and hostels will be brought together under one set of arrangements for residential care. The outlays shown here relate to the higher levels of care provided by services currently classified as nursing homes. Hostel-type facilities and community based care funding are covered under *6. Social Security and Welfare*. Access to residential care services and Community Aged Care Packages follows identification of care needs by Aged Care Assessment Teams which are administered by the States with recurrent funding provided by the Commonwealth.

Nursing Home Subsidies for the Aged

The Commonwealth sets fees based on the assessed care needs of residents. The amount of subsidy paid by the Commonwealth is determined by the fee, less a statutory resident contribution. This subsidy will be income tested from 1997-98. The fee provides for the nursing and personal care costs of residents, and their accommodation costs.

Refundable accommodation bonds will apply across residential care services from 1997-98. The interest earnings and administration fee will provide the principal funding source for the construction, extension and upgrading of the former nursing home sector.

Nursing Care for Veterans and Dependants

Nursing care for veterans and dependants is funded through the Department of Veterans' Affairs. Funds are paid directly to the Department of Health and Family Services which acts as agent in the delivery of these services.

Domiciliary Nursing Care Benefit

The Commonwealth pays a fortnightly benefit (adjusted by the Consumer Price Index (CPI) each January) to eligible persons who provide care at home for persons aged 16 years or more who would otherwise be eligible for a high level of residential care.

Home Nursing Service

Home nursing services are one of a range of services offered through the Home and Community Care programme. Others include respite care, home help and dementia projects (see 6. *Social Security and Welfare*).

5.5 ABORIGINAL AND TORRES STRAIT ISLANDER HEALTH

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Aboriginal and Torres Strait Islander Health	\$m	112.0	127.1	130.9	131.9	125.7
	%		13.5	3.0	0.8	-4.7
TOTAL	\$m	112.0	127.1	130.9	131.9	125.7
	%		13.5	3.0	0.8	-4.7

The Commonwealth contributes to the health of Aboriginal and Torres Strait Islander people through funding community-controlled Aboriginal Health Services. Commonwealth funding also supports a range of specialist services, including mental health and hearing services. In addition, the Commonwealth is involved in seeking to improve the access of indigenous people to mainstream health services by working with the States in the planning and funding of these services.

5.6 OTHER HEALTH SERVICES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Health Research	\$m	163.4	174.1	149.2	128.2	130.8
	%		6.5	-14.3	-14.1	2.0
Health Promotion & Disease Prevention	\$m	292.5	259.9	215.2	210.5	214.3
	%		-11.1	-17.2	-2.2	1.8
Health Support Services	\$m	419.6	403.1	426.3	448.1	459.6
	%		-3.9	5.8	5.1	2.6
Other	\$m	23.3	67.2	51.9	9.5	8.7
	%		188.4	-22.8	-81.7	-8.4
TOTAL	\$m	898.8	904.3	842.6	796.4	813.3
	%		0.6	-6.8	-5.5	2.1

The Commonwealth, in partnership with other levels of government and the non-government sector, aims to support an improvement in the health of all Australians and help reduce the disparities between social groups.

Health Research

Commonwealth support for health research activities includes funding for medical and public health research through the Medical Research Endowment Fund, the Public

Health Research and Development Committee and the Australian Institute of Health and Welfare. Funding is also provided to supplement capital spending at medical research institutes.

The John Curtin School of Medical Research, which was previously reported in this section, has been moved to *4.1 Higher Education*, and its funding has been combined with other higher education funding.

Health Promotion and Disease Prevention

The bulk of funding is provided under the National Public Health Programme, which aims to promote and protect the health of all Australians and to minimise the incidence and severity of preventable illness, injury and disability. This includes elements such as women's health, family planning, AIDS control, drug strategies and childhood immunisation. The Commonwealth is currently negotiating new outcome-based agreements with the States to cover the period to 1998-99. These agreements will allow funds, previously provided through a variety of specific purpose payments, to be pooled into one block grant, giving the States greater flexibility in managing the nation's public health agenda.

The National Youth Suicide Prevention Strategy provides funding for counselling services, information programmes, education and research. The Commonwealth also provides funding under the National Mental Health Strategy to accelerate the transfer of mental health services out of stand-alone psychiatric institutions into the acute hospital and community care systems, and for innovative mental health projects of national significance.

Health Support Services

These services include:

- provision of a range of blood products from Australian sourced plasma, through a commercial contract with Commonwealth Serum Laboratories Limited;
- the annual operating and capital costs of the Red Cross Society's Blood Transfusion Service which are shared by the States and the Commonwealth;
- health support services under the National Rural and Remote Health Support programme: aero-medical services to rural and remote communities by the Royal Flying Doctor Service; training of medical professionals under the Advanced Specialist Training Post programme and university departments of rural health; innovative delivery of health services to rural and remote communities; and rural health research;
- the provision of a range of hearing services through the Australian Hearing Services Authority and private sector providers, to eligible pensioners and all people under the age of 21 years. Increased consumer choice in hearing services will be available in 1997-98 with the planned introduction of a voucher funding system;
- the Therapeutic Goods Administration (TGA), which is responsible for ensuring the safety and effectiveness of therapeutic goods available in Australia. The TGA currently recovers a large proportion of its costs from the therapeutic goods industry. This will increase to 100 per cent by 1998-99;
- medical assessments of Commonwealth personnel and applicants for Commonwealth income support payments by the Australian Government Health

Service (AGHS). The AGHS is scheduled to become a Commonwealth owned company by 1 July 1997; and

- the development and maintenance of appropriate food standards for Australia and New Zealand by the Australia New Zealand Food Authority.

5.7 GENERAL ADMINISTRATION

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Department of Health and Family Services	\$m	173.9	192.7	179.4	143.7	148.6
	%		10.8	-6.9	-19.9	3.4
Department of Veterans' Affairs	\$m	33.1	35.4	29.6	30.1	30.7
	%		6.9	-16.4	1.7	2.0
TOTAL	\$m	207.0	228.2	209.0	173.8	179.3
	%		10.2	-8.4	-16.8	3.2

Outlays under this subfunction comprise part of the general administrative and capital expenses of the Department of Health and Family Services (DHFS) and the Department of Veterans' Affairs.

Department of Health and Family Services

This item comprises a proportion of the operating costs of DHFS. The balance of the operating costs of DHFS is classified under 6. *Social Security and Welfare*.

6. SOCIAL SECURITY AND WELFARE

NATURE OF 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 to maintain their real value.

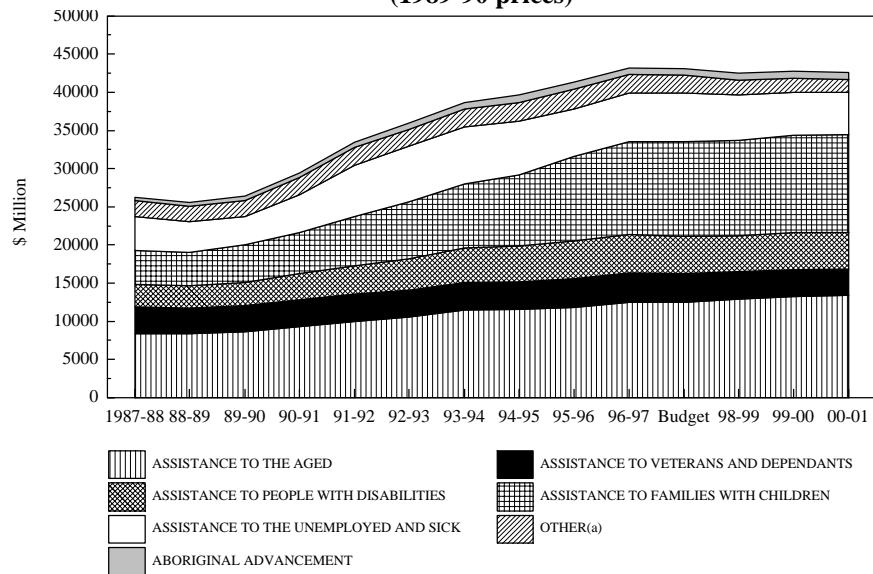
This function also includes funding for a wide range of welfare services for people with special needs. These services are provided directly or through State and local government authorities and voluntary agencies. They include services to the aged and people with disabilities, a variety of child care services and advancement programmes for Aboriginal and Torres Strait Islander peoples.

Not included under this function is assistance provided indirectly through the personal income tax system. This assistance includes concessional income tax rebates for pensioners and beneficiaries; dependent spouse rebates, family tax assistance and sole parent rebates which mainly assist low to middle income families; and deductions allowed for gifts to certain welfare bodies which provide indirect assistance to the organisations concerned.

This function includes outlays of the following portfolios:

- Social Security;
- Veterans' Affairs;
- Health and Family Services;
- Treasury;
- Immigration and Multicultural Affairs;
- Transport and Regional Development;
- Employment, Education, Training and Youth Affairs; and
- Prime Minister and Cabinet (Aboriginal and Torres Strait Islander Affairs).

Chart 1. Overview of Commonwealth Outlays on Social Security (1989-90 prices)



(a) 'Other' includes Other Welfare Programmes; General Administration and Recoveries and Repayments

TRENDS IN SOCIAL SECURITY AND WELFARE OUTLAYS

Priorities within the Social Security and Welfare function have over time 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 and use of assets, such as improved arrangements for the collection of child support payments from the non-custodial parent and deeming income from financial assets;
- direct new spending initiatives towards areas of greatest need - for example, increased assistance to families with children, focusing in particular on low income families;
- improve the targeting of assistance, including the means testing of payments to families and the introduction of a 2 year waiting period for most social security payments for newly arrived immigrants, other than refugees and humanitarian migrants;
- minimise incorrect receipt of entitlements through the introduction of initiatives such as data matching with the Australian Taxation Office and measures to tighten administration of the activity test for receipt of Newstart Allowance;
- encourage sole parents and the unemployed to enter or re-enter the labour market, particularly through the provision of assistance for child care, and the introduction of specific programmes for the long-term unemployed and sole parents; and

- introduce a more active approach for those on Disability Support Pension to improve the workforce attachment of people with disabilities.

The major factors contributing to growth in outlays over the past decade have been the indexation of pensions and benefits; growth in client numbers in demand driven programmes; and changes in outlays resulting from Government policy initiatives.

Of particular interest is the growth in outlays between 1989-90 and 1993-94. Major contributors to this were:

- increases in unemployment outlays, largely as a result of a deterioration in economic conditions; and
- increases in the real level of assistance, such as higher rates of payment and the introduction of supplementary payments, for clients such as families with children, people with disabilities and the aged.

The main outlays expected to contribute to growth over the budget and forward years include assistance to families with children (including the Family Tax Payment component of the Family Tax Initiative), assistance to the aged and Aboriginal advancement programmes.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
6.1	Assistance to the Aged	\$m 14455.3	14791.9	15588.4	16415.8	17114.8
	%		2.3	5.4	5.3	4.3
6.2	Assistance to Veterans and Dependants	\$m 4468.5	4371.7	4349.9	4338.3	4292.9
	%		-2.2	-0.5	-0.3	-1.0
6.3	Assistance to People with Disabilities	\$m 5895.0	5798.0	5756.5	6032.1	6149.9
	%		-1.6	-0.7	4.8	2.0
6.4	Assistance to Families with Children	\$m 14005.6	14707.6	15076.6	15823.3	16323.0
	%		5.0	2.5	5.0	3.2
6.5	Assistance to the Unemployed and Sick	\$m 7326.9	7515.3	7223.6	7014.9	6914.0
	%		2.6	-3.9	-2.9	-1.4
6.6	Other Welfare Programmes	\$m 1121.7	852.0	778.4	771.8	770.2
	%		-24.0	-8.6	-0.8	-0.2
6.7	Aboriginal Advancement Programmes nec	\$m 974.2	1061.0	1113.9	1138.4	1161.6
	%		8.9	5.0	2.2	2.0
6.8	General Administration	\$m 1767.6	1919.2	1697.6	1573.5	1569.0
	%		8.6	-11.5	-7.3	-0.3
6.9	Recoveries and Repayments	\$m -62.1	-78.5	-89.3	-89.3	-89.3
	%		26.4	13.8	-	-
	TOTAL	\$m 49952.8	50938.3	51495.7	53018.9	54206.1
	%		2.0	1.1	3.0	2.2

6.1 ASSISTANCE TO THE AGED

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Age Pension and Allowances	\$m	13258.3	13468.6	14167.1	14884.2	15491.7
	%		1.6	5.2	5.1	4.1
Aged Persons' Hostels	\$m	626.1	667.5	685.5	722.5	748.1
	%		6.6	2.7	5.4	3.5
Home and Community Care and Community Aged Care Packages	\$m	412.0	458.6	509.0	556.4	607.9
	%		11.3	11.0	9.3	9.3
Partner Pension	\$m	159.0	197.1	226.9	252.7	267.1
	%		24.0	15.1	11.4	5.7
TOTAL	\$m	14455.3	14791.9	15588.4	16415.8	17114.8
	%		2.3	5.4	5.3	4.3

Outlays provide income support for aged people and their dependants, residential care for those aged people who are unable to live at home but who do not require intensive nursing care, and community care alternatives for those frail aged and younger people with a disability for whom long-term residential accommodation would be inappropriate.

Age Pension and Allowances

Age Pension is payable to women aged 60.5 years and over (increasing to 65 years by 2014) and to men aged 65 years and over, subject to residency requirements and income and assets tests. Pensioners (as well as allowance recipients and some family payment recipients) may also qualify for Rent Assistance if they are renting privately.

Aged Persons' Hostels

The Commonwealth pays subsidies for personal care and respite care for aged or disabled persons in approved residential care facilities. In 1997-98, nursing homes and hostels will be brought together under one set of residential care service arrangements. The expenditures shown here are those related to the lower levels of personal care provided by services currently classified as hostels. Funding for more intensive assistance is shown under the Health Function (see 5.4 *Residential Care Subsidies and Domiciliary Care Services*).

Home and Community Care and Community Aged Care Packages

The Commonwealth, in conjunction with the States, funds a range of services for frail aged and younger people with a disability at risk of institutionalisation to enable them to continue to live in their own homes. Funding for Home and Community Care (HACC) is shared with the States (see also 5.4 *Residential Care Subsidies and Domiciliary Care Services*). The level of Commonwealth funds made available for the HACC program each year increases by six per cent (in real terms), with some adjustment of this rate for expected changes in the level of user charging. Funding for Community Aged Care Packages is growing at an even higher rate as the number of Packages grows towards the target of ten per thousand people aged 70 and over.

Partner Pension

Partner Pension is paid to partners (of pensioners) born on or before 1 July 1955 who have no recent workforce experience and no dependent children.

6.2 ASSISTANCE TO VETERANS AND DEPENDANTS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Disability Pensions and Allowances	\$m	1823.2	1841.7	1872.9	1914.0	1934.4
	%		1.0	1.7	2.2	1.1
Service Pensions	\$m	2626.1	2511.1	2461.1	2407.7	2347.1
	%		-4.4	-2.0	-2.2	-2.5
Other	\$m	19.3	18.9	15.9	16.7	11.4
	%		-2.1	-15.9	5.0	-31.7
TOTAL	\$m	4468.5	4371.7	4349.9	4338.3	4292.9
	%		-2.2	-0.5	-0.3	-1.0

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. The number of veterans is declining, resulting in reduced outlays on Service Pensions. However, due to veterans' increased mortality and worsening of their war-caused disabilities, outlays on War Widows' Pensions and on Disability Pensions and Allowances is increasing.

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. War Widows' Pension is payable to the widow(er)s of veterans, peacekeepers, mariners and defence personnel whose death was service-related (and in certain other limited circumstances). Disability Pension and Allowances and War Widows' Pension are not subject to personal income tax or income and assets tests.

Service Pensions

These are payable to veterans who have qualifying service, and are of qualifying age (60 years for men and 55.5 years for women, increasing to age 60 by 2014), or who are incapacitated for work. Service Pension carries the same rates and range of additional payments as the Age Pension. It also has the same income test as the Age Pension, except that any Disability Pension and related allowances received are not regarded as income for these purposes.

Other

This item includes grants to veterans' associations and to community groups in relation to non-institutional care and hostel accommodation for veterans.

6.3 ASSISTANCE TO PEOPLE WITH DISABILITIES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Disability Support Pension and Allowances	\$m	5193.9	5074.9	5032.8	5286.3	5384.5
	%		-2.3	-0.8	5.0	1.9
Other Payments to People with Disabilities	\$m	40.2	45.7	51.1	57.2	63.8
	%		13.7	11.8	11.9	11.5
Disability and Rehabilitation Services	\$m	660.9	677.4	672.5	688.6	701.7
	%		2.5	-0.7	2.4	1.9
TOTAL	\$m	5895.0	5798.0	5756.5	6032.1	6149.9
	%		-1.6	-0.7	4.8	2.0

Outlays provide means tested income support to people with disabilities as well as partners and carers of people with disabilities, assistance with labour force related transport costs, and services which increase the independence and employment opportunities for people with disabilities. Payments are made to the States under the Commonwealth State Disability Agreement (CSDA) for accommodation and related services. The current CSDA expires on 30 June 1997 and negotiations are underway for a second agreement.

Disability Support Pension

Eligibility for the Disability Support Pension requires at least a 20 per cent level of medical impairment and a continuing inability to work or undertake educational or vocational training within the following two years. Disability support pensioners are assessed with a view to their undertaking suitable training, rehabilitation or job search (where appropriate), to increase their chances of employment.

Other Payments to People with Disabilities

Mobility Allowance is payable to people with a disability who are in employment, vocational training, a combination of work or training, or voluntary work and who are unable to use public transport without substantial assistance. Disability Wage Supplement provides supplementary assistance to people with a disability working under the Supported Wages System administered by the Department of Health and Family Services.

Disability and Rehabilitation Services

The CSDA delineates the roles and responsibilities of the Commonwealth and the States. The States provide accommodation and support services with funding assistance from the Commonwealth through specific purpose grants. Assistance directed at helping people with a disability to gain employment is provided by the Commonwealth under this agreement through the Disability Services Programme. The Commonwealth Rehabilitation Service provides vocational rehabilitation programmes to people with disabilities who are of working age.

6.4 ASSISTANCE TO FAMILIES WITH CHILDREN

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Family Payments	\$m	6305.0	6428.6	6516.7	6706.9	6812.4
	%		2.0	1.4	2.9	1.6
Sole Parent Pensions and Allowances	\$m	3010.5	2176.9	-	-	-
	%		-27.7	-100.0	na	na
Parenting Allowance	\$m	2258.6	1647.4	-	-	-
	%		-27.1	-100.0	na	na
Parenting Payment	\$m	-	1636.8	5741.4	6078.8	6390.4
	%		na	na	5.9	5.1
Family Tax Payment	\$m	292.1	573.1	573.1	595.1	573.1
	%		96.2	-	3.8	-3.7
Other Child Payments	\$m	239.5	257.0	263.1	288.5	291.1
	%		7.3	2.4	9.7	0.9
Maternity Allowance	\$m	196.6	183.7	171.8	218.6	218.0
	%		-6.6	-6.5	27.2	-0.3
Child Care	\$m	1086.8	1133.6	1141.8	1235.8	1307.2
	%		4.3	0.7	8.2	5.8
Child Care Cash Rebate - HIC Running Costs	\$m	15.4	12.8	0.9	-	-
	%		-16.9	-93.0	-100.0	na
Other	\$m	601.2	657.7	667.8	699.6	730.9
	%		9.4	1.5	4.8	4.5
TOTAL	\$m	14005.6	14707.6	15076.6	15823.3	16323.0
	%		5.0	2.5	5.0	3.2

Outlays under this subfunction are mainly to ensure that families with children receive financial assistance towards the support of their children. This assistance is tailored to various groups, in particular, children in low income families. Assistance is also provided to sole parents in recognition of the difficulties they face in combining responsibility for dependent children with paid employment and of the additional cost of children in sole parent families.

Family Payment

Family Payment (FP) is a non-taxable means tested payment to families with children under the age of 16 years and certain full-time dependent students aged 16-18 years. FP has two components: minimum rate and above minimum rate FP. Minimum rate FP is payable to families with taxable incomes up to around \$66,000 (for those with one child).

Above minimum rate FP is an additional amount paid to low income families. A higher rate is payable for each child aged 13-15 years. Rates may also be higher for recipients who receive Rent Assistance and/or Guardian Allowance.

The **Sole Parent Pension** is a means tested payment to sole parents with a child under 16 years of age, or aged 16 to 24 years and eligible for a Child Disability Allowance (CDA). Sole parents are also eligible for Guardian Allowance. Sole Parent Pension will be amalgamated into a new Parenting Payment. (See Parenting Allowance below.)

The **Parenting Allowance** is paid to spouses who care for children aged under 16 years of age at home. The Parenting Allowance has two payment components: a non-taxable component (basic Parenting Allowance) based on the claimant's personal income only, and a taxable component (additional Parenting Allowance) based on the income and assets of each partner.

The Government has decided in this Budget to introduce a new **Parenting Payment** in place of Sole Parent Pension and Parenting Allowance. This is to be introduced from March 1998 and will establish a single income support payment for those with child rearing responsibilities.

Family Tax Payment (FTP). The Family Tax Initiative commenced on 1 January 1997. It provides additional assistance to families with children through tax concessions (Family Tax Assistance), or fortnightly cash payments (FTP) to low income families.

FTP is paid as a non-taxable payment to families with dependent children up to the age of 16 years and dependent secondary students up to 18 years. It is available as an extra fortnightly cash payment to all families whose taxable incomes entitle them to above minimum rate Family Payment.

Other Child Payments cover outlays on Child Disability Allowance and Double Orphan Pension. (Double Orphan Pension is paid to a person who has care of a child whose parents have both died, and in certain other limited circumstances.) These payments are made fortnightly with Family Payment. Neither is means tested or taxable.

Maternity Allowance is a non-taxable lump sum amount paid on the birth of a child to families who meet the eligibility requirements for minimum rate FP. From 1 January 1998 Maternity Allowance will be paid in two instalments, one upon the birth of a child, and a further instalment at 18 months, receipt of which will be linked to immunisation of the child.

Child Care

The main forms of Commonwealth assistance for child care are:

- income tested Childcare Assistance to eligible families using approved services including non-profit community based, private and employer sponsored services. To ensure assistance is targeted to working parents, Childcare Assistance for non work related care will be limited to 20 hours per week per child, from January 1998;
- a Childcare Cash Rebate to families using formal or informal child care for work-related purposes; and
- operational subsidies paid to support family day care services, occasional care and community based long day care centres. These subsidies will no longer be paid to community based long day care centres after June 1997. Capital subsidies paid to non-profit community based services are reducing in line with the completion of the joint National Child Care Strategy. Child care is provided for sole parents participating in the Jobs, Education and Training (JET) programme. Funding is also provided to assist other special needs groups.

Child Care - Outlays by Funding Type

	1996-97	1997-98	1998-99	1999-00	2000-01
	Budget	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
Childcare Assistance	718.8	765.4	801.7	891.2	956.2
Childcare Cash Rebate	131.0	145.5	145.2	153.5	167.6
Operational Subsidies	143.4	98.1	89.8	97.7	99.2
JET - Sole Parents	9.8	11.4	11.3	11.3	11.5
Capital Funding	15.3	28.0	18.7	12.2	2.2
Other (a)	68.5	85.2	75.1	69.9	70.5
TOTAL	1,086.8	1,133.6	1,141.8	1,235.8	1,307.2

(a) Mainly Special Services, Supplementary Services, Programme Support, Accreditation and innovative service strategy.

Other

Outlays provide for the Child Support Agency (CSA) in the Australian Taxation Office and include expected payments from the Child Support Trust Account to parents with custody of children. Child Support payments collected from non custodial parents are paid into this Trust Account but are classified as revenue.

Funding is also included for the Australian Institute of Family Studies for research into matters affecting family well-being.

6.5 ASSISTANCE TO THE UNEMPLOYED AND SICK

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Newstart Allowance	\$m	6087.5	7012.8	6719.4	6516.9	6417.1
	%		15.2	-4.2	-3.0	-1.5
Job Search Allowance	\$m	726.0	-	-	-	-
	%		-100.0	na	na	na
Sickness Allowance	\$m	156.1	135.9	134.0	132.9	129.6
	%		-12.9	-1.4	-0.8	-2.5
Partner Allowance	\$m	357.3	366.7	370.2	365.1	367.2
	%		2.6	1.0	-1.4	0.6
TOTAL	\$m	7326.9	7515.3	7223.6	7014.9	6914.0
	%		2.6	-3.9	-2.9	-1.4

Income support is provided to persons who are unemployed or unable to work because of temporary incapacity and who have limited alternative means of support. The decline in outlays from 1998-99 is based on lower expected client numbers as a result of an anticipated improvement in economic conditions.

From September 1996, **Job Search Allowance** and **Newstart Allowance (NSA)** were merged into one payment, called Newstart Allowance. The merged NSA is available to men and women below Age Pension age who are unemployed and who are capable of undertaking, and actively seeking, work. Partners of recipients are required to test their eligibility for a payment in their own right. The aim of NSA is to support and require active job search or participation in appropriate training or other job preparation activities.

Other payments classified under Newstart Allowance are the **Mature Age Allowance** and the **Youth Training Allowance**. The Mature Age Allowance allows unemployed people aged 60 to Age Pension age, who have no recent workforce experience, to transfer to an allowance with no job search requirements. Youth Training Allowance is

paid to young unemployed people under the age of 18 years, but above minimum school leaving age, who are undertaking approved education, training or job search activities.

Sickness Allowance (SA) is paid to people who are employed (or studying full-time) and have suffered a loss of income due to temporary illness or incapacity. SA payments are generally limited to 12 months.

Partner Allowance is paid to partners of income support allowance recipients who were born on or before 1 July 1955, who have no dependent children aged under 16 years and have no recent workforce experience.

6.6 OTHER WELFARE PROGRAMMES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Special Benefit	\$m	137.9	110.3	93.0	94.6	94.9
	%		-20.0	-15.7	1.7	0.3
Other Assistance to Widows	\$m	408.5	286.4	257.1	251.1	241.7
	%		-29.9	-10.2	-2.3	-3.7
Accommodation Assistance	\$m	196.9	196.8	193.8	191.8	195.1
	%		-0.1	-1.5	-1.0	1.7
Asylum Seeker Assistance	\$m	14.0	11.8	3.8	3.9	4.0
	%		-15.7	-67.8	2.6	2.6
Migrant Settlement Support	\$m	54.2	59.3	59.8	60.7	61.6
	%		9.4	0.8	1.5	1.5
Communication Allowances and Postal Concessions	\$m	21.2	25.5	25.6	25.6	25.7
	%		20.3	0.4	-	0.4
Other	\$m	289.0	161.8	145.2	144.1	147.4
	%		-44.0	-10.3	-0.8	2.3
TOTAL	\$m	1121.7	852.0	778.4	771.8	770.2
	%		-24.0	-8.6	-0.8	-0.2

This subfunction comprises a number of related programme elements with the following objectives:

- income support to people in special circumstances;
- 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 item comprises Special Benefit and Disaster Relief Payment. Special 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 allowance and who can prove hardship. Disaster Relief Payment is a one-off payment available to victims of declared major disasters.

Other Assistance to Widows

This item comprises the Class B Widow Pension, the Bereavement Allowance and the Widow Allowance. Class B Widow 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.

Bereavement Allowance is payable to recently widowed persons who do not have dependent children. Widow Allowance is payable to women 50 years or over who become widowed, divorced or separated after reaching 40, and who have no recent workforce experience.

Accommodation Assistance

Accommodation Assistance comprises a number of programmes targeted at those in short-term housing crisis. The Supported Accommodation Assistance Programme (SAAP), in conjunction with the States, funds transitional support services for those who are homeless as a result of a crisis.

The Crisis Accommodation Programme (CAP) provides for the purchase, construction, renovation or leasing of dwellings to provide transitional accommodation for SAAP clients. CAP is funded under the Commonwealth-State Housing Agreement (see 7. *Housing and Community Amenities*).

The Emergency Relief Programme provides grants to non-government community welfare agencies for distribution as short-term emergency assistance to people in financial crisis.

Asylum Seeker Assistance

Assistance is provided to destitute onshore refugee applicants awaiting a primary decision from six months after initial lodgement of their application.

Migrant Settlement Support

The Government provides settlement support for migrants including assistance to relevant community organisations for provision of services, on-arrival accommodation, translator and interpreter services, funding for migrant resource centres, maintenance of unattached humanitarian children and assistance to voluntary agencies under the Community Refugee Settlement Scheme.

Other

Included under this heading is reimbursement to the Australian National Railways Commission for concessional passenger fares for eligible pensioners and beneficiaries (see 12.4 *Rail Transport*). Also included are wage 'top-up' payments for apprentices and trainees employed under the new industrial arrangements which provide for the wage to be paid only for productive time. The top-up payments ensure that apprentice and trainee incomes are at guaranteed levels.

6.7 ABORIGINAL ADVANCEMENT NEC

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Aboriginal and Torres Strait Islander Commission	\$m	813.6	882.6	922.8	948.4	974.6
	%		8.5	4.6	2.8	2.8
Torres Strait Regional Authority	\$m	31.7	34.3	34.5	35.7	36.9
	%		8.2	0.6	3.5	3.4
Indigenous Land Corporation	\$m	47.1	48.3	49.2	50.5	51.6
	%		2.5	1.9	2.6	2.2
Aboriginal Hostels Limited	\$m	28.0	28.4	28.6	28.9	29.3
	%		1.4	0.7	1.0	1.4
Aboriginals Benefit Trust Account	\$m	27.3	33.5	33.5	33.5	33.5
	%		22.7	-	-	-
Australian Institute of Aboriginal & Torres Strait Islander Studies	\$m	5.6	5.7	5.8	5.8	5.9
	%		1.8	1.8	-	1.7
National Native Title Tribunal	\$m	16.1	23.8	21.9	22.3	22.5
	%		47.8	-8.0	1.8	0.9
Other	\$m	4.9	4.6	17.6	13.2	7.3
	%		-6.1	na	-25.0	-44.7
TOTAL	\$m	974.2	1061.0	1113.9	1138.4	1161.6
	%		8.9	5.0	2.2	2.0

This subfunction mainly covers programmes funded through a number of indigenous agencies, the largest of which is the Aboriginal and Torres Strait Islander Commission (ATSIC). Many of the programmes are intended to supplement, support or accelerate the delivery of services where prime responsibility rests with other Commonwealth agencies and/or State, Territory and local governments.

For other significant outlays on Aboriginal programmes (see 4. *Education*, 5. *Health*, 7. *Housing and Community Amenities* and 13B. *Labour and Employment Affairs*).

Aboriginal and Torres Strait Islander Commission

ATSIC and Torres Strait Regional Authority (TSRA) each receive a significant part of their funding through a largely discretionary global allocation which the Government has guaranteed until 2000-01. The Government has required that ATSIC maintain average allocations for housing and infrastructure at a level at least equivalent in real terms to its 1995-96 allocation (\$210 million). Additional funding is provided outside the global allocation for the Community Development Employment Projects (CDEP) Scheme and Native Title Claims Assistance.

ATSIC's Economic Programme aims to increase the economic empowerment and relative economic status of Aboriginal and Torres Strait Islander peoples by providing opportunities for employment, acquisition of productive assets, income generation and the development of commercial skills.

The major sub-programme is CDEP. Under CDEP, members of indigenous communities agree to forgo their entitlement to unemployment benefits in return for the opportunity to engage in paid employment in community managed projects. The projects are funded for the equivalent of the benefits forgone, plus loadings for oncosts and support, including capital needs.

ATSIC's Social and Cultural Programme aims to enable Aboriginal and Torres Strait Islander peoples to lead independent and healthy lives with full recognition of their cultural heritage and rights to land. The programme incorporates policies and programmes in the areas of community housing and infrastructure, housing loans, legal

services, cultural development and the administration of native title, land rights and heritage protection legislation. (For other Aboriginal housing assistance see 7. *Housing and Community Amenities*.)

The **Torres Strait Regional Authority** delivers programmes in the Torres Strait region which, prior to 1994-95, were delivered by ATSIC. As with ATSIC, the major activities are community housing and infrastructure projects and CDEPs.

The **Land Fund and the Indigenous Land Corporation** were established to provide a secure and ongoing source of funds to the Indigenous Land Corporation for the purpose of assisting indigenous people to acquire land and to manage and maintain it in a sustainable way in order to provide economic, social and cultural benefits for future generations. Allocations to the Land Fund are to be maintained in real terms until 2003-04, by which time the fund should be self-sustaining. The Fund is a trust fund, administered by ATSIC, within the Commonwealth Public Account and moneys must be invested in accordance with s62B of the *Audit Act 1901*.

Aboriginal Hostels Limited (AHL) aims to assist Aboriginal and Torres Strait Islander people to satisfy their health, employment, training, education and aged care needs by providing a low-cost, temporary accommodation service through a network of hostels. These hostels may be either owned and operated directly by AHL or funded through grants to other organisations.

The **Aboriginals Benefit Trust Account (ABTA)** is established under the *Aboriginal Land Rights (NT) Act 1976* to receive the equivalent of royalty moneys received from mining operations on Aboriginal land in the Northern Territory. Payments are made from the fund for the benefit of Aboriginal people directly affected by mining operations, for other Aboriginal groups in the Northern Territory and to cover the administrative costs of Northern Territory land councils.

The **Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)** is funded to undertake and promote Aboriginal and Torres Strait Islander studies, to conduct and assist relevant research and the publication of results, to maintain a cultural resource collection and to encourage community understanding of Aboriginal and Torres Strait Islander societies.

The **National Native Title Tribunal (NNTT)** is established under the *Native Title Act 1993* to receive, register, accept and notify native title claims, identify parties whose interests may be affected and to mediate between the parties in relation to claims, compensation issues and negotiations over proposed future acts.

Other includes outlays for activities of the Aboriginal Reconciliation Unit within the Department of Prime Minister and Cabinet, and financial assistance to the States, pursuant to the *Native Title Act 1993*, for 'past act' compensation and the administration of State native title regimes.

6.8 GENERAL ADMINISTRATION

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Social Security Portfolio	\$m	1470.9	1589.9	1383.2	1270.8	1263.9
	%		8.1	-13.0	-8.1	-0.5
Department of Veterans' Affairs	\$m	194.7	184.5	175.1	169.2	169.1
	%		-5.2	-5.1	-3.4	-0.1
Department of Health and Family Services	\$m	101.9	144.8	139.2	133.5	136.0
	%		42.1	-3.9	-4.1	1.9
TOTAL	\$m	1767.6	1919.2	1697.6	1573.5	1569.0
	%		8.6	-11.5	-7.3	-0.3

Social Security Portfolio

The great bulk of outlays associated with the Social Security portfolio are for the new Commonwealth Services Delivery Agency (CSDA) which will begin operating from 1 July 1997. The CSDA will become the delivery agency for:

- income support payments currently administered by the Department of Social Security;
- the registration, assessment and referral functions carried out by the Commonwealth Employment Service;
- student assistance payments administered by the Department of Employment, Education, Training and Youth Affairs; and
- Childcare Assistance and the Childcare Cash Rebate administered by the Department of Health and Family Services, the Department of Social Security and the Health Insurance Commission.

The CSDA will simplify service delivery arrangements by providing a one-stop-shop for many Commonwealth services. Unemployed customers, in particular, will benefit from having a single point of access to income support, self-help job search facilities and referral to employment placement services.

Department of Veterans' Affairs

General Administration costs for the Department of Veterans' Affairs (DVA) peaked in 1996-97, mainly reflecting the cumulative impact of DVA's assumption of greater administrative responsibility for a wider range of benefits to the veteran community. It is expected that, as the Department's client base declines and ongoing efficiencies begin to take effect, these costs will fall.

Department of Health and Family Services

This item comprises a proportion of the operating costs of the Department of Health and Family Services (HFS). HFS operating costs include funds for the purchase of services from the Commonwealth Services Delivery Agency, for the delivery of Childcare Assistance and the Childcare Cash Rebate. The balance of the operating costs of HFS is classified under 5. *Health*.

6.9 RECOVERIES AND REPAYMENTS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Recoveries and Repayments	\$m	-62.1	-78.5	-89.3	-89.3	-89.3
	%		26.4	13.8	-	-
TOTAL	\$m	-62.1	-78.5	-89.3	-89.3	-89.3
	%		26.4	13.8	-	-

This item includes payments under the Social Security Agreement between Australia and New Zealand and Miscellaneous Receipts.

7. HOUSING AND COMMUNITY AMENITIES

NATURE OF OUTLAYS

The Housing and Community Amenities function covers outlays, under Housing, to improve the access to appropriate housing for those whose needs are inadequately met through the private rental market or who have difficulty achieving home ownership.

Housing assistance is provided through the Commonwealth-State Housing Agreement (CSHA). This, in conjunction with contributions from the States, assists in funding the expansion and maintenance of the public rental housing stock by State governments.

Eligible former and serving members of the Defence Force who enlisted prior to May 1985 are provided with home purchase assistance in the form of a home loan interest subsidy.

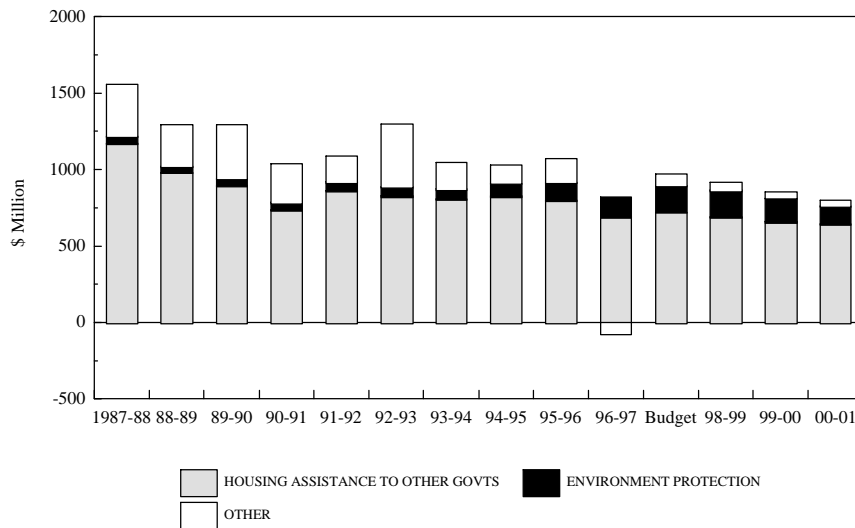
Excluded from this function is housing assistance for income support recipients who rent privately which is paid through Rent Assistance and transitional support which is provided to those who are homeless as a result of crisis (see 6. *Social Security and Welfare*).

Community Amenities includes outlays on general promotion and assistance for urban and regional planning and development and on promotion of national environmental objectives.

Additional funding for the conservation, sustainable use and repair of Australia's natural environment will be provided through the Natural Heritage Trust. Funding for this purpose is also provided through 8.4 *National Estate and Parks* and 10.7 *Natural Resources Development and Management*.

This function includes outlays of the Social Security, Environment, Sport and Territories, Transport and Regional Development, Veterans' Affairs, Industry, Science and Tourism, and Treasury portfolios.

Chart 1. Overview of Commonwealth Outlays on Housing and Community Amenities (1989-90 prices)



TRENDS IN HOUSING AND COMMUNITY AMENITIES OUTLAYS

There has been a real decrease in outlays on Housing and Community Amenities over the last decade, mainly reflecting:

- lower real outlays under the CSHA, especially in 1996-97, when some States chose to reduce their funding for public housing as part of their State Fiscal Contributions;
- changes in the level of assistance for home ownership (provided through the First Home Owners Scheme and included in Other & Administration), with outlays peaking in the mid-1980s and phasing out by 1995-96; and
- increasing outlays for environmental protection.

Outlays were high in 1992-93 due to funding for a short-term programme to improve the social and economic infrastructure of local government areas with above-average unemployment.

Outlays on environmental protection will increase as a result of new programmes to be introduced under the Natural Heritage Trust.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
7.1	Housing Assistance to Other Governments	\$m 804.1	850.4	836.1	821.7	818.1
	%		5.8	-1.7	-1.7	-0.4
7.2	Defence Service Homes	\$m 31.2	24.9	25.1	24.5	24.6
	%		-20.2	0.8	-2.4	0.4
7.3	Urban and Regional Development	\$m -19.4	35.1	5.2	-1.9	-4.7
	%		na	-85.2	-136.5	147.4
7.4	Environment Protection	\$m 145.3	205.8	210.7	187.5	154.9
	%		41.6	2.4	-11.0	-17.4
7.5	Other Housing and Community Amenities	\$m -115.1	21.8	28.3	26.4	20.4
	%		-118.9	29.8	-6.7	-22.7
7.6	General Administration	\$m 17.2	9.3	5.4	4.3	4.3
	%		-45.9	-41.9	-20.4	-
	TOTAL	\$m 863.3	1147.3	1111.0	1062.5	1017.5
	%		32.9	-3.2	-4.4	-4.2

7.1 HOUSING ASSISTANCE TO OTHER GOVERNMENTS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
	Nominated Loan Funds - Repayment of Principal	\$m -20.9	-21.8	-22.7	-23.6	-24.5
	%		4.3	4.1	4.0	3.8
	CSHA Loans - Repayment of Principal	\$m -68.2	-70.9	-73.6	-76.3	-79.0
	%		4.0	3.8	3.7	3.5
	CSHA Grants to States	\$m 885.5	935.4	924.7	914.0	914.0
	%		5.6	-1.1	-1.2	-
	Social Housing Subsidy Programme	\$m 2.1	2.1	2.1	2.1	2.1
	%		-	-	-	-
	Other Grants for Housing	\$m 5.5	5.5	5.5	5.5	5.5
	%		-	-	-	-
	TOTAL	\$m 804.1	850.4	836.1	821.7	818.1
	%		5.8	-1.7	-1.7	-0.4

Nominated Loan Funds and CSHA Loans - 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. Interest is payable at a concessional rate of 4.5 per cent a year (for further details, see Interest Revenue in *Statement 5*).

Commonwealth-State Housing Agreement Grants to States

Grants under the Commonwealth-State Housing Agreement (CSHA) cover the acquisition, maintenance and upgrade of public housing, rental subsidies for low income tenants in public housing, support for home ownership assistance, and repayments of principal and interest on Commonwealth loans for public housing purposes as well as specific programmes, such as the Aboriginal Rental Housing Programme and the Crisis Accommodation Programme (the latter is excluded from the above table and is reported under *6.6 Other Welfare Programmes*). The Agreement also provides for Commonwealth grants to be supplemented by State contributions.

An interim CSHA runs from 1 July 1996 to the end of the 1998-99 financial year, with the States and Territories being offered Commonwealth funding for the entire period, on the basis of a commitment to continue negotiating on reforms. Funding for years beyond 1998-99 will be negotiated in terms of a new agreement which is expected to reflect the likely direction of longer term reforms.

Major improvements in accountability and efficiency are being implemented in the interim agreement, through an increased focus on consumer outcomes and improved performance measurement and reporting.

7.2 DEFENCE SERVICE HOMES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Home Acquisition Assistance	\$m	35.3	26.9	26.0	25.4	25.5
	%		-23.8	-3.3	-2.3	0.4
Defence Service Homes Insurance	\$m	-4.1	-2.0	-0.8	-0.8	-0.8
	%		-51.2	-60.0	-	-
TOTAL	\$m	31.2	24.9	25.1	24.5	24.6
	%		-20.2	0.8	-2.4	0.4

The Defence Service Homes scheme (DSH) 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 *2. Defence*.

Home Acquisition Assistance

Since 1988-89, the mortgage portfolio and the authority to make new loans under the scheme has been owned by the Westpac Banking Corporation. Under the programme, Westpac receives a subsidy to bridge the difference between the concessional interest rate paid by DSH borrowers and an agreed benchmark mortgage rate based on the standard bank interest rate for new owner-occupied housing.

7.3 URBAN AND REGIONAL DEVELOPMENT

In 1996-97 the Commonwealth terminated regional development programmes to eliminate duplication of State and local government activities in this area. Residual administrative costs and other payments made under the programmes, including repayments of loans from State and local governments and receipts from the Albury-Wodonga Development Corporation, are also included in this item.

7.4 ENVIRONMENT PROTECTION

The Commonwealth has a number of programmes, primarily administered by the Department of the Environment, Sport and Territories, for protection of the environment, including specific measures to monitor and control the impact of pollution. Financial assistance is provided to various international and national bodies concerned with environmental and conservation issues.

Additional funding for the conservation, sustainable use and repair of Australia's natural environment will be provided through the Natural Heritage Trust. Additional funding for this purpose is also provided through *8.4 National Estate and Parks* and *10.7 Natural Resources Development and Management*.

7.5 OTHER HOUSING AND COMMUNITY AMENITIES

The main items in this subfunction are the Housing Loans Insurance Corporation and the Christmas Island Rebuilding Programme.

The Housing Loans Insurance Corporation is currently being restructured, and a new Commonwealth company, Housing Loans Insurance Corporation Limited, will commence operations in late 1996-97. The Christmas Island Rebuilding Programme was implemented in 1992-93 to improve the standard of public housing and to upgrade the Island's infrastructure to the level of comparable communities in the rest of Australia.

7.6 GENERAL ADMINISTRATION

Outlays provide for the administration costs for this function across portfolios, mainly Environment, Sports and Territories, and Industry, Science and Tourism.

8. RECREATION AND CULTURE

NATURE OF OUTLAYS

Funding for broadcasting represents the majority of recreation and culture outlays (see Chart 1).

Other activities in this function involving outlays include:

- managing Australia's cultural heritage through national collection institutions;
- direct financial assistance for the arts and other cultural activities including the film and television industries;
- assistance to sport and recreation activities;
- the operations of statutory authorities to manage and protect, amongst other places, the world heritage areas of Uluru-Kata Tjuta and Kakadu National Parks and the Great Barrier Reef; and
- joint management and funding arrangements for other world heritage areas in Tasmania and Queensland.

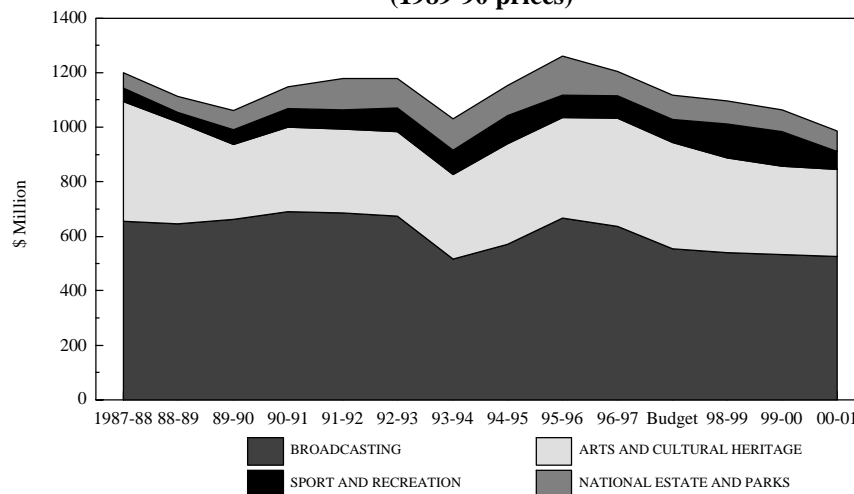
This function includes outlays for major parts of the following portfolios:

- Communications and the Arts; and
- Environment, Sport and Territories,

in addition to minor components of several other portfolios.

Outlays for this function mainly arise from direct outlays by Commonwealth agencies. Other avenues of support include grants programmes, payments to the States (shown in *Budget Paper No. 3*) and taxation expenditures such as concessions on investments in new films under Division 10BA of the *Income Tax Assessment Act 1936*.

Chart 1. Overview of Commonwealth Outlays on Recreation and Culture (1989-90 prices)



TRENDS IN RECREATION AND CULTURE OUTLAYS

Over the period since 1987-88, trends in outlays have been primarily influenced by:

- a peak in Arts and Cultural Heritage outlays in 1987-88, due to increased outlays on Arts and Heritage for the Bicentennial;
- higher outlays since 1990-91 on the National Estate and Parks; and
- the effect of one-off receipts in 1993-94 from the sale of satellite subscription television licences (\$199 million), and receipts in 1994-95 from the sale of the Multipoint Distribution Service Licences (\$100 million), which were partially offset by expenditure relating to the *Creative Nation* policy statement.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
8.1	Broadcasting	\$m 735.9	653.6	652.4	661.4	669.3
	%		-11.2	-0.2	1.4	1.2
8.2	Arts and Cultural Heritage	\$m 459.6	462.2	422.4	402.4	405.7
	%		0.6	-8.6	-4.7	0.8
8.3	Sport and Recreation	\$m 96.1	98.1	151.1	155.0	83.2
	%		2.1	54.0	2.6	-46.3
8.4	National Estate and Parks	\$m 102.5	104.7	101.7	101.8	96.4
	%		2.1	-2.9	0.1	-5.3
	TOTAL	\$m 1394.0	1318.6	1327.6	1320.7	1254.6
	%		-5.4	0.7	-0.5	-5.0

8.1 BROADCASTING

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
	Australian Broadcasting Corporation	\$m 531.2	468.5	471.7	477.7	487.8
	%		-11.8	0.7	1.3	2.1
	Special Broadcasting Service	\$m 88.1	83.0	79.2	79.9	81.0
	%		-5.8	-4.6	0.9	1.4
	National Transmitting Facilities	\$m 97.7	83.2	83.6	87.3	83.9
	%		-14.8	0.5	4.4	-3.9
	Planning and Regulation	\$m 19.0	18.8	18.0	16.6	16.5
	%		-1.1	-4.3	-7.8	-0.6
	Sale of Broadcasting Rights	\$m -0.1	-	-	-	-
	%		-100.0	na	na	na
	TOTAL	\$m 735.9	653.6	652.4	661.4	669.3
	%		-11.2	-0.2	1.4	1.2

The majority of outlays on broadcasting are to fund the operating and capital needs of the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS) and national transmitting facilities.

Australian Broadcasting Corporation

The ABC's activities include domestic radio services, a national television network, and overseas broadcasting services. ABC Orchestras are to be transferred to an ABC subsidiary, Symphony Australia Holdings Pty Ltd, and their funding is now reflected

under the Arts and Heritage classification. This also reduces the ABC's funding from 1997-98 by the amount being transferred to Symphony Australia (see *Budget Paper No. 2* for more details).

Special Broadcasting Service

The SBS operates a multilingual radio network and a multicultural television service.

National Transmitting Facilities

The National Transmission Agency operates and maintains the transmitting facilities used for the delivery of ABC and SBS radio and television services and some regional commercial services.

Planning and Regulation

The Australian Broadcasting Authority issues radio and television broadcast licences, and formulates and monitors broadcast standards.

8.2 ARTS AND CULTURAL HERITAGE

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
National Collections	\$m	108.0	116.5	107.3	103.5	104.2
	%		7.9	-7.9	-3.5	0.7
Assistance to the Film, TV and Multimedia Industries	\$m	97.8	84.2	70.2	63.8	64.0
	%		-13.9	-16.6	-9.1	0.3
Arts and Heritage	\$m	158.9	164.5	154.3	144.1	145.6
	%		3.5	-6.2	-6.6	1.0
Administration	\$m	94.8	97.0	90.7	91.1	91.8
	%		2.3	-6.5	0.4	0.8
TOTAL	\$m	459.6	462.2	422.4	402.4	405.7
	%		0.6	-8.6	-4.7	0.8

National Collections

Outlays include funding for the operating and capital costs of collecting institutions such as the National Library of Australia, the National Gallery of Australia, the Australian National Maritime Museum and the Australian War Memorial.

Assistance to the Film, Television and Multimedia Industries

Financial assistance is provided through the Australian Film Finance Corporation Limited, the Australian Film Commission and Film Australia Pty Limited.

Arts and Heritage

Outlays are dominated by funding to the Australia Council and to Symphony Australia Holdings Pty Ltd. Other outlays include funding for the Australian National Opera, Orchestras and the Office of Australian War Graves.

Administration

These outlays fund administrative support for recreation and cultural activities, mainly through the Departments of Communications and the Arts, and Environment, Sport and Territories.

8.3 SPORT AND RECREATION

The Commonwealth provides financial assistance to encourage community interest and participation in sport and recreational activities and to facilitate preparation for the Olympic Games by Australian athletes. The Australian Sports Commission, which incorporates the Australian Institute of Sport, promotes and facilitates the pursuit of excellence in sport, sports development and participation. Outlays increase substantially from 1998-99 due to assistance to be paid to the Sydney Organising Committee for the Olympic Games (refer to *Budget Paper No. 2* for more detail).

8.4 NATIONAL ESTATE AND PARKS

The Commonwealth is involved in the identification and protection of Australia's natural environment through arrangements such as the Register of the National Estate, management of national parks and world heritage listings. The Commonwealth discharges many of its management responsibilities through various statutory authorities and arrangements with the States.

Additional funding for the conservation, sustainable use and repair of Australia's natural environment will be provided through the Natural Heritage Trust which also relates to *7.4 Environment Protection* and *10.7 Natural Resources Development and Management*.

9. FUEL AND ENERGY

NATURE OF OUTLAYS

Fuel and Energy covers outlays on coal, petroleum, gas, nuclear affairs, electricity and other energy including alternative fuels. It includes price control, research and measures designed to reduce consumption or increase production and support in the form of advances, grants or subsidies. It excludes outlays on the transportation of petroleum and gas which are classified to 12. *Transport and Communication* and the disposal of radioactive waste which is classified to 7. *Housing and Community Amenities*.

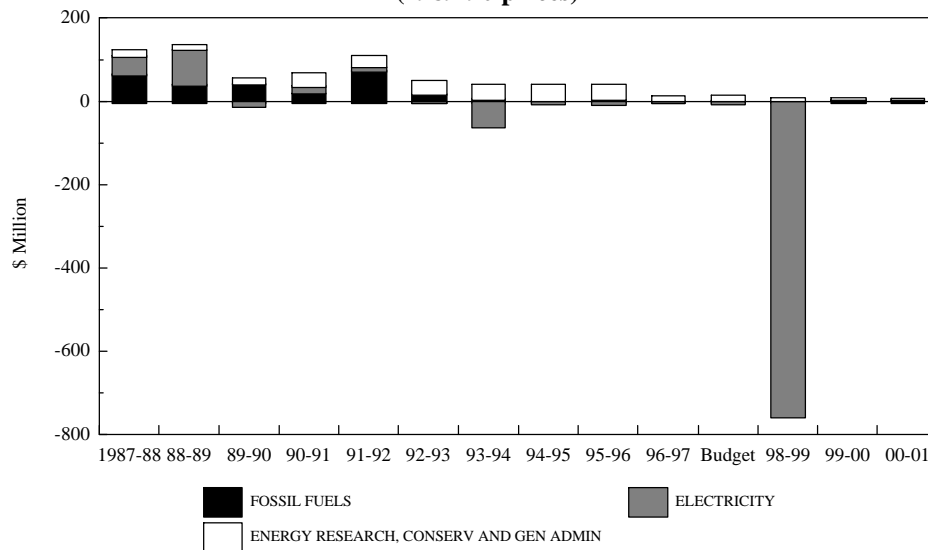
Commonwealth outlays in respect of this function include: payments to support micro-economic reform of electricity power supply; payments to State government departments for administration of petroleum production within the Commonwealth's jurisdiction; funding for Commonwealth outcomes in relation to promoting energy efficiencies for the benefit of industry and the community generally, and for the alternative energy industry specifically (i.e. renewable energy and energy conservation).

Not included under this function are the fuel and energy purchases of government departments and agencies used for operational purposes.

This function includes outlays of the following portfolios:

- Primary Industries and Energy; and
- Environment, Sport and Territories.

Chart 1. Overview of Commonwealth Outlays on Fuel and Energy (1989-90 prices)



TRENDS IN FUEL AND ENERGY OUTLAYS

Fuel and energy outlays have declined significantly since the late 1980s (Chart 1) primarily through reduced Commonwealth involvement in the coal industry and sale of the Gladstone Power Station to Queensland in 1993-94 (leading to a negative outlay in that year).

The negative outlays in 1998-99 reflect the refinancing and repayment of debt to the Commonwealth following the expected corporatisation of the Snowy Mountains Hydro-electric Authority (SMHEA).

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
9.1 Fossil Fuels	\$m	3.5	3.5	3.5	3.5	3.5
	%		-	-	-	-
9.2 Electricity	\$m	-2.4	-4.4	-913.8	2.2	2.3
	%		83.3	na	-100.2	4.5
9.3 Energy Research, Conservation and General Administration	\$m	11.9	13.5	7.3	5.4	2.7
	%		13.4	-45.9	-26.0	-50.0
TOTAL	\$m	13.1	12.6	-902.9	11.2	8.5
	%		-3.8	na	-101.2	-24.1

9.1 FOSSIL FUELS

Outlays provide reimbursement to State government departments for administration of petroleum exploration and production leases within Commonwealth jurisdiction.

9.2 ELECTRICITY

Outlays include provision in 1998-99 for the refinancing and repayment by the corporatised Snowy Mountains Scheme of Commonwealth debt assumed by the company at corporatisation expected early in 1998. The debt will correspond to the market value of existing SMHEA borrowings (advances and inscribed stock). New South Wales (NSW) and Victoria will have a majority shareholding consistent with existing entitlements to electricity generated by the Scheme. Detailed corporatisation arrangements are being developed in accordance with principles agreed by the Commonwealth, NSW and Victoria.

The 1997-98 outlays include scheduled repayments of Commonwealth debt by SMHEA and payments to the administration of Christmas and Cocos Islands to cover the shortfall in the costs of electricity supply.

9.3 ENERGY RESEARCH, CONSERVATION AND GENERAL ADMINISTRATION

Outlays for this classification are expected to fall over the forward years primarily for two reasons. The major factor is the winding up of the Energy Research and Development Corporation. An additional reason is the savings achieved through the rationalisation of the National Energy Efficiency Programme, which funds a programme of cooperative arrangements to facilitate improved energy end use efficiency.

The running costs of the Department of Primary Industries and Energy to support fuel and energy responsibilities comprise the remainder of outlays.

10. AGRICULTURE, FORESTRY AND FISHING

NATURE OF OUTLAYS

The Agriculture, Forestry and Fishing function covers outlays on: land management; water resources; rural adjustment designed to improve farm productivity, profitability and sustainability; quarantine services; diesel fuel rebates for primary producers; contributions to research and promotion, price support arrangements and subsidies (including where the cost of services provided by departments and agencies is borne by Government in whole or in part); efforts to conserve, extend or rationalise exploitation of forest resources; forest pest and disease control activities; forest firefighting and fire prevention services; freshwater, ocean and coastal fishing and fish farming; and research into fish management and related problems of the fish industry. Outlays on sport fishing are classified to 8. *Recreation and Culture*.

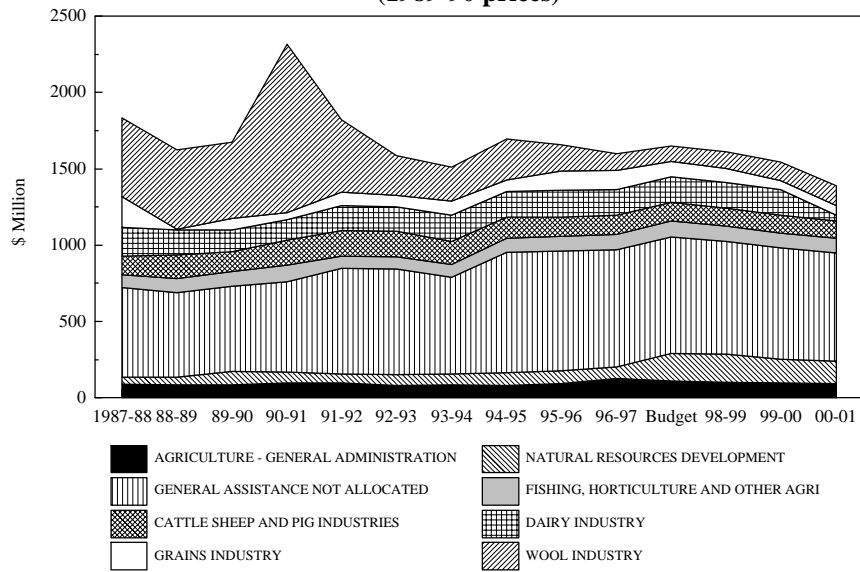
A large proportion of outlays in this function correspond to various levies and charges collected by Government on behalf of industry. These industry contributions are classified as revenue, i.e. not offsets within outlays (see Other Taxes, Fees and Fines in *Statement 5*).

Outlays in other functions also assist agricultural industries, e.g. outlays on transport infrastructure and services, and by agencies such as the Commonwealth Scientific and Industrial Research Organisation. In addition, taxation legislation provides concessional treatment of research and development costs, and for the averaging of income from primary production.

This function includes outlays of the following portfolios:

- Administrative Services;
- Environment, Sport and Territories;
- Veterans' Affairs;
- Industry, Science and Tourism;
- Primary Industries and Energy;
- Prime Minister and Cabinet; and
- Treasury.

Chart 1. Overview of Commonwealth Outlays on Agriculture, Forestry and Fishing (1989-90 prices)



TRENDS IN AGRICULTURE, FORESTRY AND FISHING OUTLAYS

As shown in Chart 1, the major impact on function outlays over the period between 1987-88 and 1997-98 was the 1990-91 peak in wool outlays associated with the management of the wool stockpile and associated debt. The increase for Natural Resources Development and Management from 1997-98 will result from the commencement of the Natural Heritage Trust.

The increase in real terms in 1994-95 principally reflects additional outlays to the rural sector on exceptional circumstances drought assistance. Outlays are expected to decrease from 1997-98 as the need for drought relief decreases and in 2000-01 as assistance to the dairy industry through the Domestic Market Support Scheme is terminated.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Specific Industries						
10.1	Wool	\$m 123.1	121.5	132.9	149.3	169.1
		%	-1.3	9.4	12.3	13.3
10.2	Grains	\$m 149.8	119.8	115.5	76.3	74.7
		%	-20.0	-3.6	-33.9	-2.1
10.3	Dairy	\$m 193.9	196.1	200.4	202.8	47.7
		%	1.1	2.2	1.2	-76.5
10.4	Cattle, Sheep and Pig	\$m 142.8	142.6	143.2	147.0	147.4
		%	-0.1	0.4	2.7	0.3
10.5	Fishing, Horticulture and Other	\$m 115.9	126.4	122.6	123.8	121.5
	Agriculture	%	9.1	-3.0	1.0	-1.9
	Sub-total	\$m 725.5	706.4	714.6	699.2	560.4
		%	-2.6	1.2	-2.2	-19.9
10.6	General Assistance not Allocated	\$m 891.9	898.9	893.6	900.6	899.7
	to Specific Industries	%	0.8	-0.6	0.8	-0.1
10.7	Natural Resources Development	\$m 89.3	215.9	219.7	195.6	186.9
	and Management	%	141.8	1.8	-11.0	-4.4
10.8	General Administration	\$m 143.5	127.9	125.1	120.9	120.4
		%	-10.9	-2.2	-3.4	-0.4
	TOTAL	\$m 1850.2	1949.1	1953.1	1916.4	1767.4
		%	5.3	0.2	-1.9	-7.8

10.1 WOOL INDUSTRY

Outlays consist of payments to Wool International to manage the stockpile and repay the wool industry's debt, and to the Australian Wool Research and Promotion Organisation for industry promotion and management of wool research and development. These payments are funded by the wool tax. The Government also provides a matching contribution for research and development up to 0.5 per cent of the Gross Value of Production.

10.2 GRAINS INDUSTRY

Outlays predominantly relate to wheat. The wheat levy funds the trading and value adding activities of the Australian Wheat Board, with the Government providing a matching contribution for research and development of up to 0.5 per cent of the Gross Value of Production. Outlays are expected to decrease in 1999-2000 as the levy contribution for the Wheat Industry Council will cease on 30 June 1999, in line with a restructuring of the wheat industry.

10.3 DAIRY INDUSTRY

Outlays consist of contributions to the dairy industry for promotion, administration, market support, and research and development. Payments to the Australian Dairy Corporation and the Australian Dairy Research and Development Corporation are funded primarily through dairy levies, with the Government providing a matching contribution for research and development of up to 0.5 per cent of the Gross Value of Production. Outlays are expected to decrease in 2000-01 as assistance through the Domestic Market Support Scheme is terminated.

10.4 CATTLE, SHEEP AND PIG INDUSTRIES

Outlays are contributions to the meat industry for promotion, research and development and control of cattle diseases. Payments to the Australian Meat and Livestock Corporation and the Australian Pork Corporation for promotion, administrative and operational expenses are funded primarily through industry levies, with the Government providing a matching contribution for research and development of up to 0.5 per cent of the Gross Value of Production.

10.5 FISHING, HORTICULTURE AND OTHER AGRICULTURE

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Fishing Industry	\$m	36.4	37.4	39.8	41.1	37.7
	%		2.7	6.4	3.3	-8.3
Horticulture and Other Agricultural Industries	\$m	79.5	88.9	82.9	82.7	83.8
	%		11.8	-6.7	-0.2	1.3
TOTAL	\$m	115.9	126.4	122.6	123.8	121.5
	%		9.1	-3.0	1.0	-1.9

Fishing Industry

Outlays include funding for fisheries management by the Australian Fisheries Management Authority (AFMA) and for fisheries research. AFMA recovers costs attributable to the industry while the Budget funds community service obligations. The drop in outlays in 2000-01 reflects the expected final payment of a loan to the Northern Prawn Voluntary Adjustment Scheme.

Horticulture and Other Agricultural Industries

Industry levies fully pay for the activities of the Australian Wine and Brandy Corporation. The Australian Horticultural Corporation is funded through industry levies and Government matching grants. The rise in outlays in 1997-98 reflects the restoration of funding to ongoing levels following one-off reductions in 1996-97 associated with surplus cash balances.

10.6 GENERAL ASSISTANCE NOT ALLOCATED TO SPECIFIC INDUSTRIES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Rural Adjustment	\$m	67.6	36.3	16.1	8.8	-1.3
	%		-46.3	-55.6	-45.3	-114.8
Integrated Rural Policy	\$m	-	44.8	46.4	52.5	55.5
	%		na	3.6	13.1	5.7
Quarantine and Inspection Services	\$m	180.3	167.5	165.3	149.9	132.6
	%		-7.1	-1.3	-9.3	-11.5
Diesel Fuel Rebate Scheme	\$m	611.6	624.4	645.8	668.5	692.1
	%		2.1	3.4	3.5	3.5
Other	\$m	32.4	25.9	20.0	20.8	20.8
	%		-20.1	-22.8	4.0	-
TOTAL	\$m	891.9	898.9	893.6	900.6	899.7
	%		0.8	-0.6	0.8	-0.1

Rural Adjustment

The Rural Adjustment Scheme provides assistance, through interest subsidies and grants for training and consultancy services, to farmers who are commercially viable in the long term. The reduction in outlays from 1997-98 reflects a winding up of the Scheme, which is to be replaced by the Integrated Rural Policy Package (see below). Further major outlays for drought assistance appear under *6.6 Other Welfare Programmes*. Other minor drought related outlays measures are shown under *4.4 Student Assistance*, *8.4 National Estates and Parks*, and *10.7 Natural Resources Development and Management*.

Integrated Rural Policy Package

This classification includes funding for the Integrated Rural Policy Package, to be announced later in the year. The Package aims to promote a self-reliant, productive rural sector supported by targeted Government measures which focus on building the skills and capacity of rural industries and communities to manage effectively in an uncertain environment. Savings which become available as a result of winding up the Rural Adjustment Scheme will be used to fund the Package.

Australian Quarantine and Inspection Service

The Australian Quarantine and Inspection Service (AQIS) conducts inspection services for the export and import of animals, animal products, plants and plant products, and the quarantine surveillance of arriving vessels, persons and goods. The decrease in outlays from 1997-98 reflects the implementation of company quality assurance-based export meat inspection, whereby the inspection function will be performed by company employees under the scrutiny of a Government veterinary officer, rather than by AQIS. This decrease is offset, somewhat, through the provision of funding for the implementation of recommendations of the report, *Australian Quarantine - A shared responsibility* (Nairn) and the report of the National Task Force on Imported Fish and Fish Products.

Diesel Fuel Rebate Scheme - Primary Production

The Diesel Fuel Rebate Scheme provides for a rebate of excise or customs duty on diesel fuel used for eligible primary production activities. Legislation to revamp the operation of the Scheme was introduced in Parliament in December 1996. The legislation will address overclaiming of the rebate and containment of growth in outlays associated with decisions by the Administrative Appeals Tribunal and the Federal Court to widen eligibility under the Scheme.

Other Programmes

This classification includes outlays for a range of programmes to address issues in the rural sector, including the Rural Communities Access Programme (RCAP), as well as programmes addressing animal diseases and chemical usage. The fall in outlays in 1997-98 principally reflects a reduction in funding to RCAP. The recent review of RCAP and options for service delivery in rural areas will be taken up in the development of the Integrated Rural Policy Package (see above).

10.7 NATURAL RESOURCES DEVELOPMENT AND MANAGEMENT

This classification covers water, land and forest management programmes primarily within the Department of Primary Industries and Energy, and includes the

Government's contribution towards the Murray-Darling Basin Initiative. Land and water programmes are now integrated within the National Landcare Programme under the *Natural Resource Management (Financial Assistance) Act 1992*.

The significant rise in outlays from 1997-98 reflects additional funding for the conservation, sustainable use and repair of Australia's natural environment to be provided through the Natural Heritage Trust (see also *7.4 Environment Protection* and *8.4 National Estate and Parks*).

10.8 GENERAL ADMINISTRATION

This classification comprises running costs for the Department of Primary Industries and Energy.

11. MINING AND MINERAL RESOURCES, OTHER THAN FUELS; MANUFACTURING; AND CONSTRUCTION

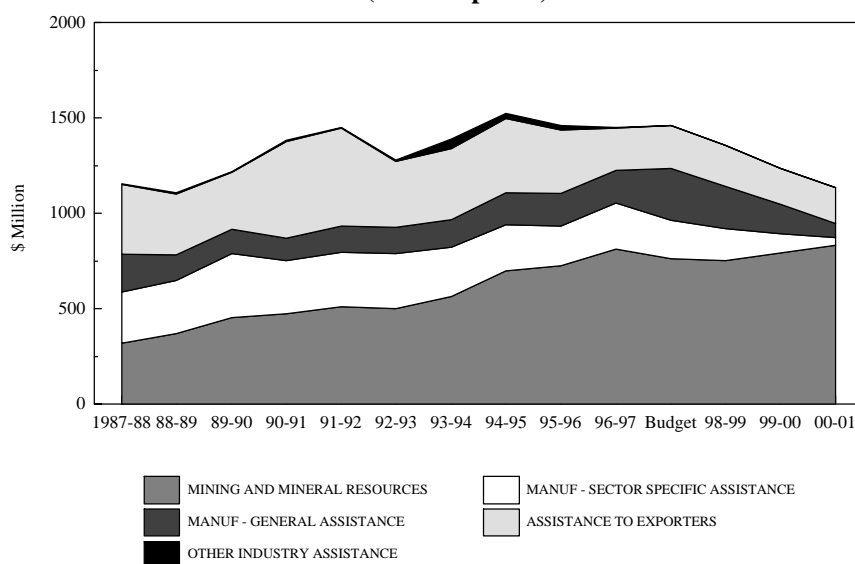
NATURE OF OUTLAYS

Outlays under this function provide assistance to the mining, manufacturing and export sectors, and are designed to improve the efficiency and competitiveness of Australian industries. Assistance is provided in the form of grants, subsidies, rebates, bounties, direct project involvement, and the provision of some services either free of charge or at charges less than the costs involved. All activities relating to mineral fuels, and manufacturing relating to the production of fuel and energy, are classified to 9. *Fuel and Energy*.

This function includes outlays of the following portfolios:

- Foreign Affairs and Trade;
- Industry, Science and Tourism; and
- Primary Industries and Energy.

Chart 1. Overview of Commonwealth Outlays on Mining and Mineral Resources, Other Than Fuels; Manufacturing; and Construction (1989-90 prices)



TRENDS IN MINING AND MINERAL RESOURCES, OTHER THAN FUELS; MANUFACTURING; AND CONSTRUCTION OUTLAYS

Between 1987-88 and 1994-95 outlays increased over the period as a whole. The major factor contributing to this growth was payments to mining operators under the Diesel Fuel Rebate Scheme (DFRS) as a result of growth in the mining sector and widening

coverage of the Scheme, reflecting Administrative Appeals Tribunal and Federal Court rulings.

During this period there were two declines in outlays (1987-88 to 1988-89 and 1991-92 to 1992-93). These were almost entirely due to reductions in assistance to exporters, as revisions to the eligibility criteria for the Export Market Development Grants Scheme (EMDGS) narrowed the coverage of the Scheme.

Between 1994-95 and 1997-98 outlays decreased in most years. This decline is projected to continue throughout the forward estimate period. Major factors contributing to the decline include:

- a move in government policy away from sector specific assistance through the termination of production bounties under the manufacturing subfunction;
- the expiry of some AusIndustry programmes established in 1994-95, under the general assistance classification; and
- the capping of the EMDGS and abolition of several programmes under the assistance to exporters subfunction.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
11.1 Mining and Mineral Resources	\$m	941.3	900.4	912.5	983.0	1059.3
	%		-4.3	1.3	7.7	7.8
11.2 Manufacturing	\$m	476.9	560.9	470.5	316.4	145.6
	%		17.6	-16.1	-32.8	-54.0
11.3 Assistance to Exporters	\$m	258.3	263.7	258.6	232.1	237.7
	%		2.1	-1.9	-10.2	2.4
11.4 Other Industry Assistance	\$m	4.4	1.7	-	-	-
	%		-61.4	-100.0	na	na
TOTAL	\$m	1680.9	1726.7	1641.6	1531.5	1442.6
	%		2.7	-4.9	-6.7	-5.8

11.1 MINING AND MINERAL RESOURCES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Mining-International Involvement	\$m	0.3	0.3	0.2	0.2	0.2
	%		-	-33.3	-	-
Diesel Fuel Rebate Scheme	\$m	823.4	812.9	870.3	940.3	1015.8
	%		-1.3	7.1	8.0	8.0
Other Mining and Mineral Resources	\$m	117.6	87.2	42.0	42.4	43.3
	%		-25.9	-51.8	1.0	2.1
TOTAL	\$m	941.3	900.4	912.5	983.0	1059.3
	%		-4.3	1.3	7.7	7.8

Diesel Fuel Rebate Scheme

Funding under this Scheme provides for a rebate of excise or customs duty on diesel fuel for eligible mining activities. Legislation to revamp the operation of the Scheme was introduced in Parliament in December 1996. The legislation will reduce overclaiming of the rebate, restrict eligibility, and contain growth in outlays associated

with decisions by the Administrative Appeals Tribunal and the Federal Court to widen eligibility under the Scheme.

Other Mining and Mineral Resources

Outlays under this classification mainly comprise the operating costs of the Australian Geological Survey Organisation. Construction of the new building will be completed in 1997-98, which causes outlays to fall significantly in the forward years.

11.2 MANUFACTURING

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Sector Specific Assistance						
Textiles, Clothing and Footwear	\$m	35.9	20.4	18.3	5.9	-
	%		-43.2	-10.3	-67.8	-100.0
Shipbuilding (Bounty)	\$m	18.2	19.1	22.4	1.0	-
	%		4.9	17.3	-95.5	-100.0
Printing (Bounty)	\$m	14.1	3.6	-	-	-
	%		-74.5	-100.0	na	na
Information Technology	\$m	57.8	20.9	1.1	-	-
	%		-63.8	-94.7	-100.0	na
Automotive and Engineering	\$m	5.1	-	-	-	-
	%		-100.0	na	na	na
Pharmaceutical and Food	\$m	147.8	175.1	159.3	120.2	48.6
	%		18.5	-9.0	-24.5	-59.6
Sub-total	\$m	278.9	239.1	201.1	127.1	48.6
	%		-14.3	-15.9	-36.8	-61.8
General Assistance						
Industrial Research and Development	\$m	68.5	164.3	165.8	107.7	20.0
	%		139.9	0.9	-35.0	-81.4
Industry Services	\$m	0.1	-	-	-	-
	%		-100.0	na	na	na
Enterprise Development	\$m	30.9	42.6	13.4	4.4	3.3
	%		37.9	-68.5	-67.2	-25.0
Other Assistance to Manufacturing	\$m	98.6	114.9	90.2	77.2	73.6
	%		16.5	-21.5	-14.4	-4.7
Sub-total	\$m	198.0	321.8	269.4	189.3	96.9
	%		62.5	-16.3	-29.7	-48.8
TOTAL	\$m	476.9	560.9	470.5	316.4	145.6
	%		17.6	-16.1	-32.8	-54.0

Sector Specific Assistance

Textiles, Clothing and Footwear

Assistance to the Textile, Clothing and Footwear (TCF) industry is provided through the TCF Development 2000 package. Outlays also include specific assistance to Australian Leather Holdings Limited.

Shipbuilding, Printing and Information Technology

Assistance to the shipbuilding industry and printing industries has been provided through the payment of bounties. The application of the shipbuilding bounty has been extended to 30 June 1999, at an additional cost of up to \$30.3 million. The bounty will apply to commitments entered into by 31 December 1997. The proposed termination

date for the book printing bounty has been amended to 30 June 1997, which will result in bounty payments in 1997-98 on previous years' production.

Assistance to the information technology industry is provided largely through the computer bounty. The computer bounty will terminate with effect from 1 July 1997.

Pharmaceutical

Assistance to the pharmaceutical industry is provided through the Factor f Scheme. The purpose of the Scheme is to promote the development of the sector by partially compensating pharmaceutical companies for lost activity as a result of price setting arrangements under the Pharmaceutical Benefits Scheme. In return for assistance under the Factor f Scheme, eligible companies are required to meet specified targets on their research and development expenditure and value-added activities.

The current Factor f Scheme ends on 30 June 1999 with the final payments to be made in 1999-2000. A new scheme of assistance to the pharmaceutical industry commences at a reduced level from 1 July 1999.

General Assistance

General assistance is provided through AusIndustry, administered at the Commonwealth level by the Department of Industry, Science and Tourism. AusIndustry provides an entry point for small to medium enterprises accessing different assistance programmes offered by the Commonwealth, States and Territories. It provides assistance through the delivery of advice and referral services, and individual direct management. AusIndustry also provides direct assistance to encourage research and development through grants and commercialisation loans.

Other Assistance to Manufacturing

Outlays consist mainly of administrative costs associated with the Department of Industry, Science and Tourism.

11.3 ASSISTANCE TO EXPORTERS

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Export Development Scheme	\$m	175.2	188.3	143.0	121.2	126.1
	%		7.5	-24.1	-15.2	4.0
Export and Trade Promotion	\$m	72.2	106.1	107.2	104.9	103.0
	%		47.0	1.0	-2.1	-1.8
Export Finance Facility	\$m	-4.5	-46.9	-6.4	-6.1	-3.3
	%		na	-86.4	-4.7	-45.9
National Interest Export Business	\$m	15.4	16.2	14.8	12.2	12.0
	%		5.2	-8.6	-17.6	-1.6
TOTAL	\$m	258.3	263.7	258.6	232.1	237.7
	%		2.1	-1.9	-10.2	2.4

Commonwealth assistance to exporters includes direct financial assistance for the development of export markets, information and promotional assistance, finance and insurance services, and the development of trade policy.

Outlays on general assistance to exporters are shown under this subfunction. Export assistance to specific sectors is included under the sub functions which cover those sectors.

Export Development Schemes

The Export Market Development Grants Scheme (EMDGS) administered by the Australian Trade Commission (Austrade) provides financial assistance to Australian companies to secure increased international business and to seek out and develop overseas markets by encouraging increased export promotion. EMDGS outlays are capped. The International Trade Enhancement Scheme and the Innovative Agricultural Marketing Programme, involving loans to exporters, were abolished in the 1996-97 Budget, and loan funds associated with these programmes are returning to the public account.

Export and Trade Promotion

The Commonwealth's funding of Austrade is reflected under this subfunction. Outlays increase in 1997-98 as a result of a one-off reduction in cash balances in 1996-97.

Export Finance Facility

The Export Finance and Insurance Corporation (EFIC) provides loans, insurance and other financial services to support Australian produced exports and overseas investments. Negative outlays in the years shown represent payments to the Government of net interest profits and a capital repayment by EFIC.

National Interest Export Business

EFIC can refer applications for loans, guarantees and contracts of insurance to the Government for consideration on its National Interest Account. EFIC administers the National Interest Account on a fee-for-service basis and on the terms that any revenue is remitted to the Commonwealth and the Commonwealth is liable for the payment of insurance claims or losses incurred through defaults by borrowers.

11.4 OTHER INDUSTRY ASSISTANCE

Assistance under this subfunction provides funding for the provision of obligations under the former National Space Program along with funds for a nationally coordinated programme of building regulatory reform across the Commonwealth, States and Territories.

12. TRANSPORT AND COMMUNICATION

NATURE OF OUTLAYS

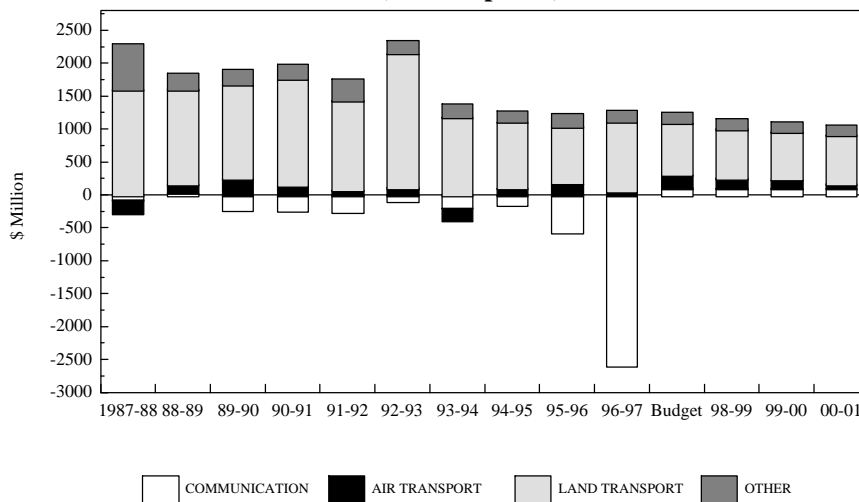
Transport and Communication outlays support the infrastructure and regulatory framework of Australia's transport and communications sectors. Outlays are provided in the form of grants, specific purpose payments, running costs, loans and advances and are offset by recoveries and repayments. The largest component of outlays relates to specific purpose payments to State governments for the construction and maintenance of the National Highway System and the construction of other roads of national importance.

Outlays relating to cultural activities and the administration of communications programmes of the Communications and the Arts portfolio are included in 8. *Recreation and Culture*. Outlays relating to the regional development activities of the Transport and Regional Development portfolio are included in 7. *Housing and Community Amenities*.

This function includes outlays of the following portfolios:

- Communications and the Arts; and
- Transport and Regional Development.

Chart 1. Overview of Commonwealth Outlays on Transport and Communication (1989-90 prices)



'Land Transport' includes outlays for Road and Rail Transport.

'Other' includes outlays for Sea Transport and Other Transport and Communications.

TRENDS IN TRANSPORT AND COMMUNICATION OUTLAYS

Apart from a significant increase in 1992-93, due primarily to *One Nation* initiatives (especially increases in road and rail funding), there has been a general downward trend in total outlays since 1987-88. The reconfiguration of equity injections to and repayment of advances by Telstra and capital repayments by Australia Post have generated significant offsets to outlays within this period. The decline in outlays since

1992-93 also arises from the completion of a number of major transport programmes and from the untying of \$350 million a year of specific purpose road grants from 1 January 1994 and the resulting transfer of funds to the function 14B. *General Purpose Inter-Government Transactions*. The large fall in outlays in 1996-97 reflects a payment from retained earnings by Telstra to the Commonwealth of \$3 billion by 30 June 1997. The payment will ensure that Telstra's capital structure is comparable with that of other international telecommunications companies. The payment to the Commonwealth will not initially impact on the underlying budget deficit but will lead to savings in public debt interest.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
12.1	Communication	\$m -3013.5	120.9	119.4	119.9	120.7
	%		-104.0	-1.2	0.4	0.7
12.2	Air Transport	\$m 51.1	238.3	180.5	166.2	88.9
	%		na	-24.3	-7.9	-46.5
12.3	Road Transport	\$m 867.4	867.2	855.4	812.5	831.7
	%		-	-1.4	-5.0	2.4
12.4	Rail Transport	\$m 364.3	61.8	52.3	84.1	108.4
	%		-83.0	-15.4	60.8	28.9
12.5	Sea Transport	\$m 126.4	120.9	119.2	121.0	119.8
	%		-4.4	-1.4	1.5	-1.0
12.6	Other Transport and Communication	\$m 81.0	75.7	76.2	75.5	76.4
	%		-6.5	0.7	-0.9	1.2
	TOTAL	\$m -1523.3	1484.8	1403.0	1379.2	1346.0
	%		-197.5	-5.5	-1.7	-2.4

12.1 COMMUNICATION

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
	Planning and Regulation	\$m 74.2	121.9	120.4	120.9	121.7
	%		64.3	-1.2	0.4	0.7
	Sale of Communication Rights	\$m -37.7	-1.0	-1.0	-1.0	-1.0
	%		-97.3	-	-	-
	Repayment of Advances	\$m -3050.0	-	-	-	-
	%		-100.0	na	na	na
	TOTAL	\$m -3013.5	120.9	119.4	119.9	120.7
	%		-104.0	-1.2	0.4	0.7

The Communication subfunction includes the operations of the Australian Telecommunications Authority (AUSTEL) and the Spectrum Management Agency (SMA). Government business enterprises within this subfunction are Australia Post and Telstra.

The above estimates do not include outlays for broadcasting activities, other than for radiocommunications. Broadcasting activities are covered in 8. *Recreation and Culture*.

Planning and Regulation

Planning and regulation of the communications industry is currently undertaken by the Department of Communications and the Arts, AUSTEL and the SMA. AUSTEL is responsible for regulation of the telecommunications industry, in particular, the

development of commercially sustainable competition. The SMA's key functions are spectrum planning and administration.

As part of the reforms to telecommunications regulation and administration to be implemented from 1 July 1997, AUSTEL and SMA will be amalgamated into an Australian Communications Authority, apart from the competition regulation function of AUSTEL which will be transferred to the Australian Competition and Consumer Commission.

12.2 AIR TRANSPORT

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Airport Administration and Aviation	\$m	61.9	158.0	100.0	79.9	1.8
Policy	%		155.3	-36.7	-20.1	-97.7
Air Safety, Search and Rescue	\$m	34.7	30.9	31.3	31.5	31.7
	%		-11.0	1.3	0.6	0.6
Avgas and Avtur Duty Paid	\$m	60.0	54.4	54.1	54.8	55.4
	%		-9.3	-0.6	1.3	1.1
Recoveries and Repayments	\$m	-105.5	-5.0	-5.0	-	-
	%		-95.3	-	-100.0	na
TOTAL	\$m	51.1	238.3	180.5	166.2	88.9
	%		na	-24.3	-7.9	-46.5

This subfunction includes the operations of the Civil Aviation Safety Authority (CASA). Government business enterprises within this subfunction include the Federal Airports Corporation and Airservices Australia (Airservices).

Airport Administration and Aviation Policy

This item includes the provision of aviation infrastructure, and the regulation and implementation of aviation environmental and security standards and airport building and planning standards. The major outlay within this item relates to the Sydney Airport Noise Amelioration Programme.

Air Safety, Search and Rescue

The development, implementation and enforcement of aviation safety standards is undertaken by CASA. Aviation search and rescue services previously provided by Airservices will be transferred to the Australian Maritime Safety Authority in 1997-98.

Avgas and Avtur Duty Paid

Industry's contribution to aviation safety regulation is made through fees and charges, and customs duty and excise on aviation turbine fuel and aviation gasoline. Airservices receives a component of aviation gasoline duty as a contribution to the recovery of the costs of enroute and terminal navigation services from the general aviation sector. (See also Excise Duty in *Statement 5*.)

Recoveries and Repayments

Loan and capital repayments by air transport government business enterprises are included in this item.

12.3 ROAD TRANSPORT

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Road Grants	\$m	803.5	808.7	806.6	773.2	791.6
	%		0.6	-0.3	-4.1	2.4
Interstate Road Transport Charge	\$m	20.3	15.3	10.3	-	-
	%		-24.6	-32.7	-100.0	na
Road Safety and Land Transport Research	\$m	42.1	40.4	37.4	38.1	38.9
	%		-4.0	-7.4	1.9	2.1
Other	\$m	1.6	2.9	1.2	1.2	1.2
	%		81.3	-58.6	-	-
TOTAL	\$m	867.4	867.2	855.4	812.5	831.7
	%		-	-1.4	-5.0	2.4

Road Grants

The Commonwealth funds the National Highway System and contributes to the capital cost of some other roads of national importance. For roads more generally, the Commonwealth provides general revenue assistance to the States and to local government (see 14B. *General Purpose Inter-Government Transactions*).

Road Safety and Land Transport Research

The major component of this item is a contribution for the remediation of road safety black spots through assistance to State and local governments.

12.4 RAIL TRANSPORT

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
National Rail Corporation	\$m	6.1	-	-	-	-
	%		-100.0	na	na	na
Australian National Railways Commission	\$m	372.6	66.8	20.4	21.6	22.8
	%		-82.1	-69.5	5.9	5.6
National Rail Infrastructure Authority	\$m	-	-	35.9	63.1	86.2
	%		na	na	75.8	36.6
Other Rail Development	\$m	-14.5	-5.1	-4.0	-0.6	-0.6
	%		-64.8	-21.6	-85.0	-
TOTAL	\$m	364.3	61.8	52.3	84.1	108.4
	%		-83.0	-15.4	60.8	28.9

National Rail Corporation

The Government has decided, in principle, to sell its shareholding in the National Rail Corporation.

Australian National Railways Commission

The Government has decided to sell the Australian National Railways Commission with the exception of the interstate track.

National Rail Infrastructure Authority

To ensure open access to the interstate rail network for current and potential operators, the Government is negotiating with the States and others over access arrangements, including the possible establishment of a National Rail Infrastructure Authority

(NRIA). A Commonwealth contribution to capital expenditure on the mainline track is proposed as part of the establishment of a NRIA.

12.5 SEA TRANSPORT

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Tasmanian Equalisation Schemes	\$m	48.7	46.1	46.5	46.9	47.3
	%		-5.3	0.9	0.9	0.9
Maritime Services	\$m	50.0	70.8	72.7	74.1	72.5
	%		41.6	2.7	1.9	-2.2
Shipping Industry Reform	\$m	27.7	4.0	-	-	-
	%		-85.6	-100.0	na	na
TOTAL	\$m	126.4	120.9	119.2	121.0	119.8
	%		-4.4	-1.4	1.5	-1.0

This subfunction includes the operations of the Australian Maritime Safety Authority (AMSA). The government business enterprise within this subfunction is ANL Limited.

On 30 November 1995, the then Government announced that ANL Limited would be restructured prior to its sale. ANL Limited has subsequently withdrawn from a number of loss-making businesses including the Europe and trans-Tasman trades. While ANL Limited has improved its operating performance over recent years, it has recorded significant cashflow deficits which have been funded, in part, through asset sales. The Commonwealth has guaranteed ANL Limited's debts and lease liabilities.

Tasmanian Equalisation Schemes

This heading includes both the Tasmanian Freight Equalisation Scheme and the Bass Strait Passenger Vehicle Equalisation Scheme. The Tasmanian Freight Equalisation Scheme assists in alleviating the comparative interstate freight cost disadvantage incurred by shippers of eligible non-bulk goods in transporting such goods to and from Tasmania by sea. The Bass Strait Passenger Vehicle Equalisation Scheme addresses the transport cost disadvantage when travelling with a passenger vehicle across Bass Strait by sea.

Maritime Services

Maritime Services includes funding for AMSA's search and rescue and related activities. Its marine navigation and ship safety activities and capital needs are funded from industry levies. During 1997-98, aviation search and rescue which was previously undertaken by Airservices will be transferred to AMSA.

Shipping Industry Reform

This item includes expenditure under the previous Government's shipping industry reforms. Spending under the *International Shipping (Australian Resident Seafarers) Act 1995* expires in 1996-97 following repeal of that Act by the *Shipping Grants Legislation Act 1996*. Expenditure under the *Ships (Capital Grants) Act 1987* will terminate in 1997-98.

12.6 OTHER TRANSPORT AND COMMUNICATION

Included in this item are the costs of administering relevant programmes in the Transport and Regional Development portfolio.

13. OTHER ECONOMIC AFFAIRS

This category covers regulation of and assistance to the private sector, direct government participation in economic activity and the provision of economic infrastructure. Other Economic Affairs is an aggregate of Tourism and Area Promotion, Labour and Employment Affairs, and other Economic Affairs not elsewhere classified.

13A. TOURISM AND AREA PROMOTION

NATURE OF OUTLAYS

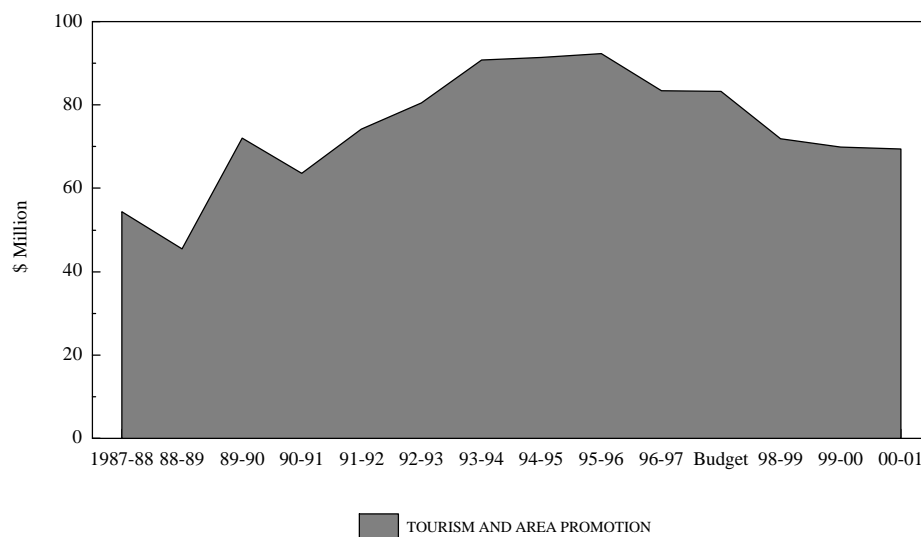
Commonwealth outlays contribute to tourism research and analysis, policy development, international tourism marketing and funding for specific tourism programmes and projects.

This function includes outlays of the following portfolios:

- Industry, Science and Tourism; and
- Transport and Regional Development.

Outlays on National Parks and Wildlife Services are classified to 8. *Recreation and Culture*.

Chart 1. Overview of Commonwealth Outlays on Tourism and Area Promotion (1989-90 prices)



TRENDS IN TOURISM AND AREA PROMOTION

Commonwealth assistance for tourism rose significantly between 1987-88 and 1995-96. The main factors explaining this are significant increases in funding over the period for the Australian Tourist Commission's (ATC) international marketing activities, the establishment of a separate Department of Tourism in 1991 and the introduction of sectoral based tourism programmes in 1993-94.

Outlays fell in 1988-89 and 1990-91 following the expiry of the Tourism Overseas Promotion Scheme and the Tourism Recovery Package.

The overall decline in outlays from 1995-96 will continue into the forward estimates period. Major factors contributing to this decline are the merger of the Department of Tourism with the former Department of Industry, Science and Technology, the end of a number of specialist sectoral based tourism programmes in 1997-98 and a reduction in marketing funds for the ATC.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
13A Tourism	\$m	96.7	98.4	87.0	86.7	88.3
	%		1.8	-11.6	-0.3	1.8
TOTAL	\$m	96.7	98.4	87.0	86.7	88.3
	%		1.8	-11.6	-0.4	1.8

13B. LABOUR AND EMPLOYMENT AFFAIRS

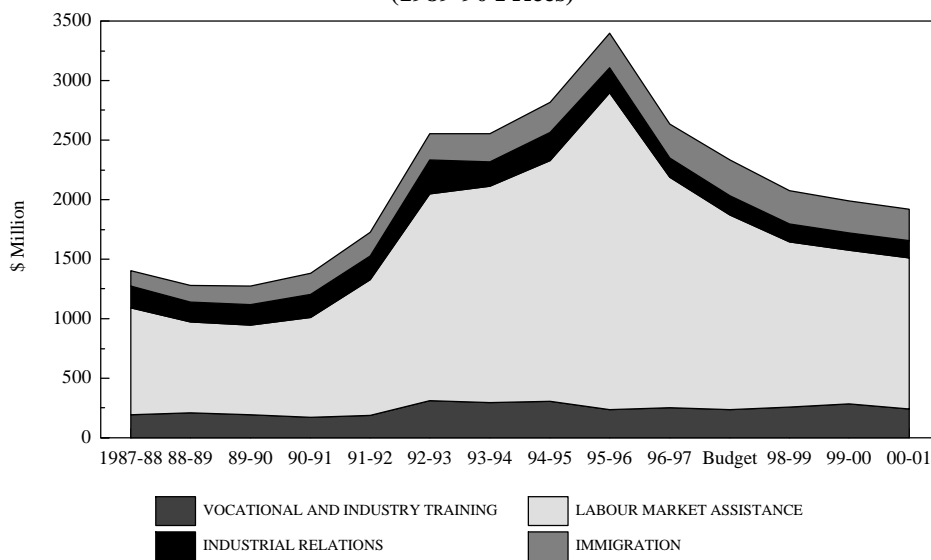
NATURE OF OUTLAYS

Outlays on Labour and Employment are mainly for training and employment assistance, facilitation of migration and temporary entry into Australia, industrial relations and the operation of associated Commonwealth agencies. Labour and Employment affairs of a particular industry are generally classified to the function which the industry serves.

This function includes outlays of the following portfolios:

- Employment, Education, Training and Youth Affairs;
- Industrial Relations; and
- Immigration and Multicultural Affairs.

Chart 1. Overview of Commonwealth Outlays on Labour and Employment Affairs (1989-90 Prices)



TRENDS IN LABOUR AND EMPLOYMENT OUTLAYS

Chart 1 shows that outlays on Labour and Employment rose between 1989-90 and 1995-96. The increase in expenditure reflects a number of policy initiatives implemented in response to the increase in unemployment at the beginning of the 1990s.

The decline in outlay trends from 1996-97 and over the budget and forward years reflects a reduction and tighter targeting of outlays on labour market assistance to the unemployed, in the light of evaluation evidence that a large proportion of expenditures were not very effective in reducing unemployment. The tighter targeting is being combined with greater emphasis on other strategies for reducing unemployment,

including improved economic management, economic settings which encourage small business, structural reform and changed industrial relations arrangements.

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
13B.1 Vocational and Industry Training	\$m	290.6	276.3	311.3	351.3	306.8
	%		-4.9	12.7	12.8	-12.7
13B.2 Labour Market Assistance to Jobseekers and Industry	\$m	2240.2	1936.3	1681.9	1601.9	1612.9
	%		-13.6	-13.1	-4.8	0.7
13B.3 Industrial Relations	\$m	189.5	186.5	183.8	184.7	185.5
	%		-1.6	-1.4	0.5	0.4
13B.4 Immigration	\$m	331.4	356.2	334.7	329.4	339.9
	%		7.5	-6.0	-1.6	3.2
TOTAL	\$m	3051.7	2755.2	2511.8	2467.3	2445.0
	%		-9.7	-8.8	-1.8	-0.9

13B.1 VOCATIONAL AND INDUSTRY TRAINING

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Entry Level Training	\$m	240.1	223.3	266.3	307.1	264.5
	%		-7.0	19.3	15.3	-13.9
Skills Training	\$m	50.5	53.0	45.0	44.2	42.3
	%		5.0	-15.1	-1.8	-4.3
TOTAL	\$m	290.6	276.3	311.3	351.3	306.8
	%		-4.9	12.7	12.8	-12.7

Outlays cover support for training in skills aimed at improving the productivity and competitiveness of Australian industry. They relate to the Department of Employment, Education, Training and Youth Affairs (DEETYA). Outlays on vocational education and training (mainly relating to the national Technical and Further Education (TAFE) system) are recorded under *4. Education*.

Entry Level Training

These programmes aim to develop vocational skills and improve access to training by providing wage subsidies and incentive payments to employers and allowances to individuals. They also provide funding for pre-apprenticeship/traineeship training, group training arrangements, and activities to increase links between schools, TAFE and employers.

Skills Training

Outlays under these programmes are directed at furthering the professional development of teachers and trainers in the vocational education sector, increasing the level and quality of skills training undertaken by industry and promoting training reform. They also provide funding for language and literacy training in the workplace, the national network of tripartite Industry Training Advisory Bodies and training reform projects.

13B.2 LABOUR MARKET ASSISTANCE TO JOB SEEKERS AND INDUSTRY

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Assistance to Job seekers and Industry	\$m	2181.6	1886.7	1636.1	1568.8	1586.6
	%		-13.5	-13.3	-4.1	1.1
Aboriginal Employment Assistance	\$m	58.6	49.6	45.8	33.1	26.3
	%		-15.4	-7.7	-27.7	-20.5
TOTAL	\$m	2240.2	1936.3	1681.9	1601.9	1612.9
	%		-13.6	-13.1	-4.8	0.7

Outlays cover a range of activities to improve the employment prospects of unemployed people, including running costs for the Commonwealth Employment Service (CES) and its case management arm, Employment Assistance Australia (EAA), and the fees provided to Contracted Case Managers which are paid through the Employment Services Regulatory Authority (ESRA).

Assistance to Job seekers and Industry

As announced in the 1996-97 Budget, new arrangements for delivering labour market assistance to job seekers will be introduced during 1997-98. These will incorporate a new Commonwealth Services Delivery Agency (CSDA) to be established on 1 July 1997 within the Social Security portfolio, and a competitive employment services market in which providers will be paid to place job seeker clients in jobs.

The CSDA will deliver income support payments, childcare assistance, student assistance and the registration, assessment and referral services currently provided by the Commonwealth Employment Service (see 6.8 *General Administration*). The Department of Employment, Education, Training and Youth Affairs will purchase services on behalf of job seekers from the market and the CSDA.

In the competitive employment services market, the Public Employment Placement Enterprise Limited (a wholly owned Commonwealth company) will compete alongside private and community sector providers to place clients in jobs. Providers will be able to tailor assistance to suit the employment needs of particular clients and their payment will be heavily dependent on placing clients in real jobs. The changes in outlays reflect the new arrangements to apply during 1997-98 when the CES, EAA and ESRA will cease operations and their functions will be largely undertaken by providers in the competitive employment services market, and the CSDA.

Certain labour market programmes such as the New Enterprise Incentives Scheme (NEIS) will continue to be provided to eligible clients and regional assistance programmes will be retained (in addition to assistance provided through the competitive employment services market).

Aboriginal Employment Assistance

The Training for Aboriginals and Torres Strait Islanders programme provides subsidies for work experience and on-the-job training in the public and private sectors and formal training through vocationally oriented courses, with the aim of increasing the level of permanent employment for Aboriginals and Torres Strait Islanders.

The apparent decline in funding over the forward years is due to a portion of Aboriginal Employment Assistance funding being redirected into the employment services market, which will also provide assistance to indigenous Australians.

13B.3 INDUSTRIAL RELATIONS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Industrial Relations Development and Advice	\$m	62.0	66.3	64.0	64.3	64.7
	%		6.9	-3.5	0.5	0.6
Industrial Relations Conciliation and Arbitration	\$m	40.9	40.6	41.0	41.4	41.7
	%		-0.7	1.0	1.0	0.7
Special Industry Services	\$m	72.1	67.0	65.0	65.0	65.0
	%		-7.1	-3.0	-	-
Trade Union Training	\$m	0.2	-3.1	-	-	-
	%		na	-100.0	na	na
Occupational Health and Safety	\$m	14.3	15.6	13.9	13.9	14.1
	%		9.1	-10.9	-	1.4
TOTAL	\$m	189.5	186.5	183.8	184.7	185.5
	%		-1.6	-1.4	0.5	0.4

Industrial Relations Development and Advice

Most of the outlays of this subfunction are costs incurred by the Department of Industrial Relations in providing policy advice and assistance on industrial relations matters to departments and agencies and in advising the Government on and promoting and implementing its industrial relations policies.

Industrial Relations Conciliation and Arbitration

This subfunction covers the operation of the Australian Industrial Relations Commission which provides the institutional framework, machinery and resources for the prevention and settlement of industrial disputes and facilitates the making of agreements at the workplace or enterprise level.

Special Industry Services

This subfunction covers special funding and levy arrangements for employee entitlements in the stevedoring and coal mining industries. The reduction in funding under this subfunction from 1996-97 is due to the cessation of Stevedoring Industry levy collections following the discharge of loan obligations. The winding up of the Stevedoring Industry Finance Committee is expected to be completed in 1997-98.

Trade Union Training

This subfunction covers the operation of the Australian Trade Union Training Authority (ATUTA). ATUTA was formally abolished on 5 December 1996 when Schedule 18 of the *Workplace Relations and Other Legislation Amendment Act 1996* was proclaimed. The 1997-98 Budget figure represents receipts from the sale of ATUTA assets expected to be realised in 1997-98.

Occupational Health and Safety

This subfunction covers the operation of the National Occupational Health and Safety Commission which provides a national forum for consultation between employers, unions and State and Commonwealth Governments on occupational health and safety and develops related policies, strategies and standards.

13B.4 IMMIGRATION

Outlays on this subfunction cover those activities of the Department of Immigration and Multicultural Affairs (DIMA) concerned with management of the Migration and Humanitarian Programmes, temporary entry, entry facilitation, compliance activity and citizenship. Other DIMA outlays associated with migrant settlement are covered under *4.4 Student Assistance* and *6.6 Other Welfare Programmes*.

The Migration Programme covers settler arrivals entering Australia on the basis of family reunion or contribution to the economic development of Australia. Temporary residence 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. Other entry of people for short periods is for purposes such as tourism, business and family visits.

Australia also considers applications for refugee status from people in other countries (the Humanitarian Programme) and from people already in Australia. Australia also responds to humanitarian concerns about, and the special needs of, people suffering discrimination or displacement.

People entering Australia whether temporarily or permanently are expected to comply with Australian migration laws. To encourage compliance a range of actions are taken to encourage voluntary compliance, investigate malpractice and, where necessary, to remove unlawful non-citizens who have no claim to remain in Australia.

13C. OTHER ECONOMIC AFFAIRS, NEC

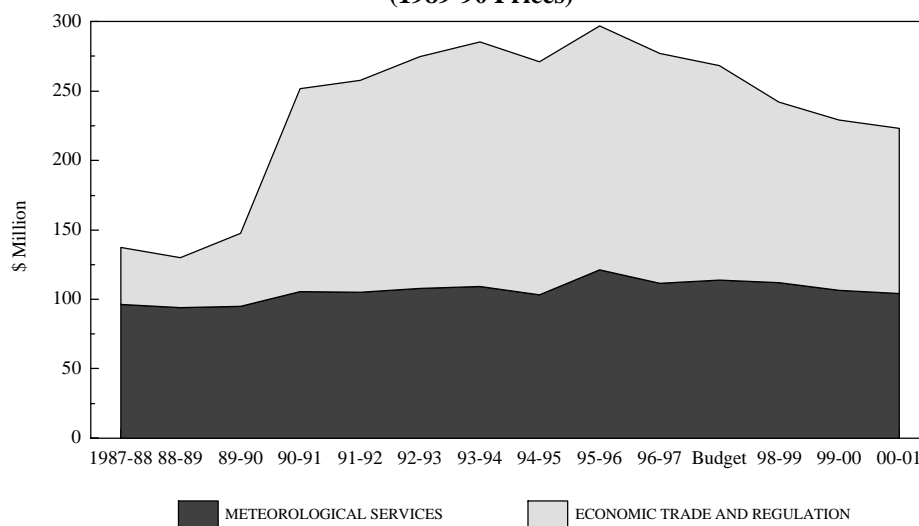
NATURE OF OUTLAYS

This function covers economic services provided by the Commonwealth which are not included in other function classifications. Outlays mainly comprise the operational costs of a number of advisory or regulatory agencies and various other agencies including the Bureau of Meteorology (BOM).

This function includes outlays of the following portfolios:

- Treasury;
- Administrative Services;
- Industry, Science and Tourism;
- Environment, Sport and Territories; and
- Transport and Regional Development.

Chart 1. Overview of Commonwealth Outlays on Other Economic Affairs, nec (1989-90 Prices)



TRENDS IN OUTLAYS ON OTHER ECONOMIC AFFAIRS, NEC

The increase in outlays in 1990-91 reflects the establishment of a national scheme for the regulation of companies, and the securities and futures markets which are administered by the Australian Securities Commission (ASC). The fall in outlays, after 1994-95, is mainly due to reduced plant and equipment spending by the ASC and increased cost recovery of ASC services. Outlays decline from 1996-97 as a result of administrative savings in the ASC and the Industry Commission, and restructuring of the Australian Government Analytical Laboratories.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
13C.1 Economic and Trade Regulation	\$m	191.8	182.5	157.4	152.4	151.4
	%		-4.8	-13.8	-3.2	-0.7
13C.2 Meteorological Services	\$m	129.0	134.6	135.5	132.1	132.4
	%		4.3	0.7	-2.5	0.2
TOTAL	\$m	320.8	317.1	293.0	284.5	283.9
	%		-1.1	-7.6	-2.9	-0.2

13C.1 ECONOMIC AND TRADE REGULATION

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Industry Commission	\$m	26.3	24.8	19.9	20.1	21.4
	%		-5.7	-19.8	1.0	6.5
Trade Practices and Consumer Affairs	\$m	36.3	39.5	39.2	39.2	39.4
	%		8.8	-0.8	-	0.5
Regulation of Companies & Securities	\$m	101.4	95.1	80.8	76.8	75.9
	%		-6.2	-15.0	-5.0	-1.2
Other	\$m	27.9	23.0	17.6	16.4	14.7
	%		-17.6	-23.5	-6.8	-10.4
TOTAL	\$m	191.8	182.5	157.4	152.4	151.4
	%		-4.8	-13.8	-3.2	-0.7

Industry Commission

Pending the passage of legislation to establish the Productivity Commission (PC), the Government has merged the Industry Commission (IC), the Economic Planning Advisory Commission (EPAC) and the Bureau of Industry Economics (BIE) on an administrative basis. Appropriations to the IC and EPAC will be reallocated to the PC upon its commencement. The PC's role is to promote public understanding of productivity issues and its main functions encompass public inquiries commissioned by the Government, research projects, performance monitoring, benchmarking and business regulation review.

Trade Practices and Consumer Affairs

This item provides for the running costs of the Australian Competition and Consumer Commission (ACCC). The ACCC is the major enforcement and consumer protection body responsible for the enforcement of the *Trade Practices Act 1974* and the *Prices Surveillance Act 1983*. Outlays also include the running costs of the Bureau of Consumer Affairs.

Regulation of Companies and Securities

Outlays are dominated by the operating costs of the ASC, which cover the enforcement of national corporate regulation as well as information and registry services. Also included is a grant to the Australian Accounting Research Foundation, and the operating costs of the Australian Accounting Standards Board and the Companies and Securities Advisory Committee.

Other

This item covers the operations of several Commonwealth organisations. It includes the Commonwealth's contribution to the following standards organisations: the National Association of Testing Authorities, Standards Australia and the National Standards Commission. It also includes Commonwealth funding of the Australian Government Analytical Laboratories, the Australian Industrial Property Organisation, Petroleum Products Freight Subsidy Scheme and the National Competition Council.

13C.2 METEOROLOGICAL SERVICES

This subfunction covers the running costs of the Bureau of Meteorology (BOM) and the Ionospheric Prediction Service (IPS), net of recoveries for services. BOM provides a range of weather and climate data, monitoring, forecasting, and warning information as well as 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 for the defence force and telecommunications organisations.

14. OTHER PURPOSES

This category covers outlays on Public Debt Interest (PDI) and outlays to the six States, the NT, the ACT and local government. It also includes items classified to Natural Disaster Relief, the Contingency Reserve, and the Asset Sales functions.

14A. PUBLIC DEBT INTEREST

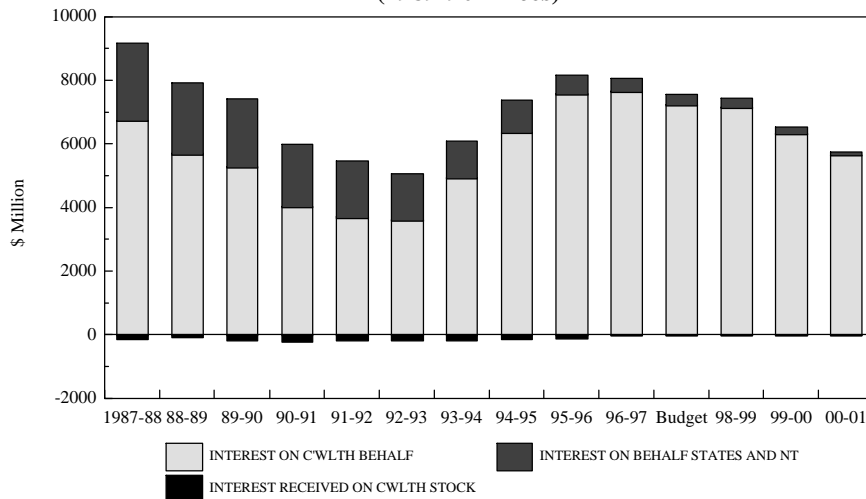
NATURE OF OUTLAYS

PDI outlays reflect the cost of servicing the stock of Commonwealth debt incurred to meet budget financing and other borrowing requirements. It does not include interest on instalment purchase of buildings, overpayment of tax and other interest not associated with borrowings.

The Commonwealth uses a range of debt instruments to meet this funding task. The main instrument is Treasury Fixed Coupon Bonds. Interest is also incurred in relation to Treasury Indexed Bonds, and floating interest rate instruments in the form of short term securities (5, 13 and 26 week Treasury Notes) and longer term Treasury Adjustable Rate Bonds.

The bulk of outlays for this function relate to the Treasury portfolio, with a very small component coming from the Finance portfolio.

Chart 1. Overview of Commonwealth Outlays on Public Debt Interest (1989-90 Prices)



TRENDS IN PUBLIC DEBT INTEREST OUTLAYS

Trends in PDI outlays are governed by the volume of outstanding Commonwealth debt, the average cost of debt service (the net effect of interest and exchange rate movements), the mix of debt instruments and the term structure of the debt. The balance of influence of these factors on the growth of total PDI outlays in real terms will vary over time.

During the early 1990s, the falling average cost of debt service (due to falling interest rates) outweighed the rise in the volume of debt, resulting in a fall in PDI outlays.

Volume and cost effects subsequently led to increases in PDI outlays until 1996-97, when lower interest rates dampened the growth in PDI outlays associated with the increased debt volume. PDI outlays are projected to fall in 1997-98 and over the forward estimates period in line with projected reductions in the volume of debt on issue.

Details on the volume of Commonwealth debt on issue in recent years, and as projected over the forward estimates period, are provided in *Statement 6*.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
14A.1 Gross Interest Payments -						
For the Commonwealth	\$m	8874.0	8536.9	8674.2	7845.0	7190.6
	%		-3.8	1.6	-9.6	-8.3
For the States	\$m	470.2	391.2	319.8	259.0	117.4
	%		-16.8	-18.3	-19.0	-54.7
Sub-total	\$m	9344.2	8928.1	8994.0	8104.0	7308.0
	%		-4.5	0.7	-9.9	-9.8
14A.2 Interest Received	\$m	-23.0	-8.0	-7.0	-7.0	-2.0
	%		-65.2	-12.5	-	-71.4
TOTAL	\$m	9321.2	8920.1	8987.0	8097.0	7306.0
	%		-4.3	0.7	-9.9	-9.8

14A.1 GROSS INTEREST PAYMENTS

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
For the Commonwealth -						
Domestic & Overseas Borrowings (a)	\$m	9151.8	8711.8	8857.9	8037.5	7383.1
	%		-4.8	1.7	-9.3	-8.1
Other (b)	\$m	-277.8	-174.9	-183.7	-192.5	-192.5
	%		-37.0	5.0	4.8	-
Sub-total	\$m	8874.0	8536.9	8674.2	7845.0	7190.6
	%		-3.8	1.6	-9.6	-8.3
For the States -						
Borrowings for six States & NT (a)	\$m	439.9	362.9	294.5	238.5	101.6
	%		-17.5	-18.8	-19.0	-57.4
Savings Bank Agreements (c)	\$m	27.0	25.0	22.0	18.0	15.0
	%		-7.4	-12.0	-18.2	-16.7
Interest on Behalf of the ACT	\$m	3.3	3.3	3.3	2.5	0.8
	%		-	-	-24.2	-68.0
Sub-total	\$m	470.2	391.2	319.8	259.0	117.4
	%		-16.8	-18.3	-19.0	-54.7
TOTAL	\$m	9344.2	8928.1	8994.0	8104.0	7308.0
	%		-4.5	0.7	-9.9	-9.8

(a) Paid under the *Commonwealth Inscribed Stock Act 1911* and the *Loans Securities Act 1919*.

(b) Largely net interest receipts on the Commonwealth's swaps portfolio.

(c) Issued in the past by Queensland to the Commonwealth Savings Bank. Administered as Commonwealth Government security debt under the *Financial Agreement Act 1994*.

The decrease in PDI from 1996-97 to 1997-98 largely reflects the impact of the reduction in debt associated with the projected headline budget surplus in 1997-98.

The State and NT component of PDI is falling progressively as Commonwealth Government securities debt previously raised by the Commonwealth on their behalf are refinanced by the States and the NT on maturity.

14A.2 INTEREST RECEIVED

The main source of interest received is that paid to the Loan Consolidation and Investment Reserve (LCIR), a Commonwealth trust account which receives interest on its investments in Commonwealth securities. Interest paid by the Commonwealth to itself is offset against payments to provide meaningful outlay figures. The decrease in interest receipts from 1996-97 reflects reduced holdings of Commonwealth securities by the LCIR following maturities and the sale of stock from its portfolio.

14B. GENERAL PURPOSE INTER-GOVERNMENT TRANSACTIONS

NATURE OF OUTLAYS

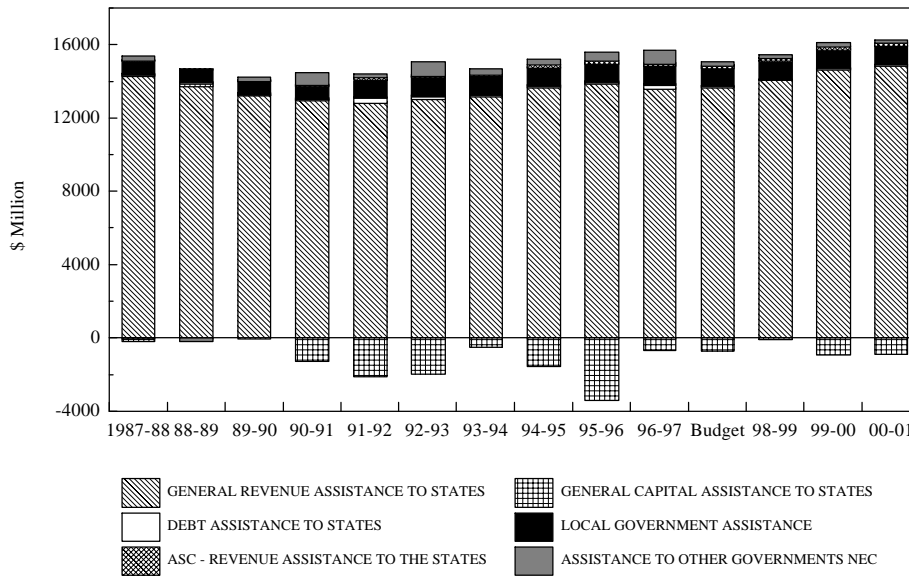
This function covers grants and advances to States and local government authorities which are not classifiable to other functions. General purpose assistance to the States comprises untied assistance that State governments can spend according to their own budgetary priorities. This assistance is predominantly determined at the annual Premiers' Conference.

As local government is a constitutional responsibility of State governments, general purpose assistance for local government is classified by the Commonwealth as a specific purpose payment through State governments. Most specific purpose assistance to the States is classified elsewhere in *Statement 4* under the relevant function. Detailed information is provided in *Budget Paper No. 3*.

This function includes outlays of the following portfolios:

- Treasury;
- Environment, Sport and Territories;
- Primary Industries and Energy;
- Transport and Regional Development; and
- Finance.

**Chart 1. Overview of Commonwealth Outlays on
General Purpose Inter-Government Transactions
(1989-90 Prices)**



TRENDS IN GENERAL PURPOSE INTER-GOVERNMENT TRANSACTIONS OUTLAYS

At the March 1994 Premiers' Conference, it was agreed that Financial Assistance Grants (FAGs) to the States would be maintained in real per capita terms over the next three years. At the 1995 Council of Australian Governments (COAG) meeting, the Commonwealth agreed, as part of the Agreement to Implement the National Competition Policy (NCP) and Related Reforms, to maintain the real per capita guarantee of the FAGs pool on a rolling three year basis, and to provide three tranches of general purpose payments in the form of a series of Competition Payments commencing in 1997-98. The Commonwealth has subsequently extended the real per capita indexation arrangements for FAGs until the end of 1999-2000, conditional upon the States meeting their obligations under the Agreement to Implement the NCP and Related Reforms.

The 1996 Premiers' Conference decided that the States would make State Fiscal Contribution payments to the Commonwealth in the three years to 1998-99 to assist the Commonwealth's deficit reduction programme. The 1997 Premiers' Conference agreed on payments of \$627 million in 1997-98 and \$313 million in 1998-99. These payments reflect the decision to partially defer scheduled payments from the Australian Capital Territory (ACT) and Tasmania from 1997-98 to 1998-99. The methods of payment include nominated reductions in specific purpose payments, direct payments, or reductions in FAGs.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
14B.1 General Revenue Assistance to the States	\$m	15822.3	16203.4	17066.7	18237.7	18897.5
	%		2.4	5.3	6.9	3.6
14B.2 General Purpose Capital Assistance to the States	\$m	-747.8	-768.0	-80.0	-1135.9	-993.5
	%		2.7	-89.6	na	-12.5
14B.3 Debt Assistance to the States	\$m	233.0	72.7	36.4	91.0	84.3
	%		-68.8	-49.9	150.0	-7.4
14B.4 General Purpose Assistance for Local Government through the States	\$m	1216.4	1205.2	1257.9	1304.2	1351.8
	%		-0.9	4.4	3.7	3.6
14B.5 Australian Securities Commission - Revenue Assistance to the States	\$m	130.3	134.4	138.5	142.8	147.3
	%		3.1	3.1	3.1	3.2
14B.6 Assistance to Other Governments, nec	\$m	785.6	205.1	199.4	207.7	216.1
	%		-73.9	-2.8	4.2	4.0
TOTAL	\$m	17439.8	17052.7	18618.9	18847.5	19703.5
	%		-2.2	9.2	1.2	4.5

14B.1 GENERAL REVENUE ASSISTANCE TO THE STATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Financial Assistance Grants (a)	\$m	14959.0	15517.5	16817.5	17761.3	18409.3
	%		3.7	8.4	5.6	3.6
Identified Road Grants to the States (b)	\$m	383.4	-	-	-	-
	%		-100.0	na	na	na
Special Revenue Assistance	\$m	479.9	470.8	28.8	24.4	25.0
	%		-1.9	-93.9	-15.3	2.5
Competition Payments	\$m	-	215.1	220.5	452.0	463.3
	%		na	2.5	105.0	2.5
TOTAL	\$m	15822.3	16203.4	17066.7	18237.7	18897.5
	%		2.4	5.3	6.9	3.6

(a) In the absence of State Fiscal Contributions, Financial Assistance Grants would be \$15,435.6m in 1996-97, \$16,144.0m in 1997-98 and \$17,131.0m in 1998-99.

(b) The notional amounts of road grants that are incorporated in the forward estimates of FAGs and distributed among the States on the same basis as FAGs are \$391.0m in 1997-98, \$405.5m in 1998-99, \$420.5m in 1999-00 and \$435.8m in 2000-01.

This subfunction covers general revenue assistance which is not required to be spent by the States in a specific area. It comprises Financial Assistance Grants (FAGs), Identified Road Grants (IRGs), Special Revenue Assistance (SRA) and Competition Payments.

Financial Assistance Grants

The 1997-98 Budget and the forward estimates reflect the decisions of the 1997 Premiers' Conference and previous conferences to maintain the level of FAGs in real per capita terms on a three year rolling basis.

The States have agreed to make State Fiscal Contributions to the Commonwealth's deficit reduction programme in 1997-98. The need for the contribution of \$313 million in 1998-99 will be reviewed at the 1998 Premiers' Conference in light of developments in the Commonwealth's fiscal position.

Identified Road Grants to the States

From 1997-98, all Identified Road Grants will be included in the FAGs pool and distributed on the same basis as FAGs, as agreed at the 1996 Premiers' Conference (see footnote (b) to Table 14B.1).

Special Revenue Assistance

The majority of Special Revenue Assistance (SRA) in 1997-98 consists of Medicare guarantee payments to New South Wales and Victoria. In line with the agreed arrangements, the Commonwealth funds part of these payments directly, with the remainder being funded from the FAGs pool. These payments extend until the end of 1997-98, when the five year Medicare Agreements with the States expire.

In 1997-98, the ACT will continue to receive SRA in the form of a transitional allowance and an allowance for special fiscal needs. The 1997 Premiers' Conference agreed to additional SRA to the ACT of \$10 million in 1997-98 and \$5 million in 1998-99, in the form of transitional allowances for education and health. The payments to the ACT are provided directly from the Commonwealth and not funded from the FAGs pool.

Competition Payments

Under the 1995 Agreement to Implement the NCP and Related Reforms, the Commonwealth agreed to provide three tranches of general purpose Competition Payments to the States from 1997-98, conditional upon them meeting their obligations under the Agreement. Actual payments in 1997-98 will be determined after the National Competition Council reports in June 1997. The increase from 1999-2000 reflects the second tranche of an additional \$200 million in 1994-95 prices. Payments are indexed to the Consumer Price Index (CPI) and distributed to the States on a per capita basis.

14B.2 GENERAL PURPOSE CAPITAL ASSISTANCE TO THE STATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Capital Grants	\$m	52.6	-	-	-	-
	%		-100.0	na	na	na
Sinking Fund Receipts	\$m	-57.4	-49.1	-38.0	-37.2	-24.3
	%		-14.5	-22.6	-2.1	-34.7
Accelerated Sinking Fund Receipts	\$m	-743.0	-719.0	-42.0	-1098.7	-969.2
	%		-3.2	-94.2	na	-11.8
TOTAL	\$m	-747.8	-768.0	-80.0	-1135.9	-993.5
	%		2.7	-89.6	na	-12.5

Capital Grants

The Commonwealth has terminated regional development programmes to eliminate duplication with State and local governments in this area. In 1996-97, remaining general purpose capital grants consisted solely of outlays for contractual commitments existing at that time under the Better Cities Programmes. Residual administrative costs and other payments made under the programmes are included in 7. *Housing and Community Amenities*.

Sinking Fund Receipts

The *Financial Agreement Act 1994* requires each of the States and the Northern Territory (NT) to pay minimum contributions each year into a sinking fund, administered on their behalf by the Commonwealth. These contributions are based on their outstanding levels of Commonwealth Government Securities (CGS) at 30 June of the previous year. In addition, the States and NT are required to make accelerated sinking fund contributions each year, as necessary, to supplement their fund balances to enable the redemption of their maturing CGS in that year.

14B.3 DEBT ASSISTANCE TO THE STATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Commonwealth Sinking Fund	\$m	12.6	10.4	8.3	8.1	4.9
	%		-17.5	-20.2	-2.4	-39.5
Assistance for Debt Redemption	\$m	220.4	62.3	28.1	82.9	79.4
	%		-71.7	-54.9	195.0	-4.2
TOTAL	\$m	233.0	72.7	36.4	91.0	84.3
	%		-68.8	-49.9	150.0	-7.4

The *Financial Agreement Act 1994* requires the Commonwealth to pay contributions into the State and NT accounts of the sinking fund, administered by the Commonwealth on their behalf. These contributions are based on their outstanding levels of CGS at 30 June of the previous year.

The *Financial Agreement Act 1994* also provides for the Commonwealth to compensate the States and NT for the additional interest costs of replacing maturing CGS with borrowings in their own names, or through their Authorities, rather than by new CGS (which ceased to be issued on their behalf in 1989-90). In addition, assistance for debt redemption compensates the States for the lower Commonwealth sinking fund contributions which have resulted from the post-1989-90 arrangements. Similar assistance is provided in respect of CGS nominally allocated to the ACT. The variability in the estimates reflects the debt maturity profiles over the forward years.

14B.4 GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT THROUGH THE STATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
Financial Assistance Grants	\$m	842.6	834.8	871.3	903.3	936.3
	%		-0.9	4.4	3.7	3.7
Identified Local Road Grants	\$m	373.9	370.4	386.6	400.8	415.5
	%		-0.9	4.4	3.7	3.7
TOTAL	\$m	1216.4	1205.2	1257.9	1304.2	1351.8
	%		-0.9	4.4	3.7	3.6

General purpose assistance is provided to local government authorities under the *Local Government (Financial Assistance) Act 1995*. The Act provides for local government financial assistance grants (FAGs) and local government road funds to be increased each year by an escalation factor which is determined by the Treasurer in light of the underlying movement in general purpose payments to the States. This assistance is paid to the States as a specific purpose payment on the condition that the funds are passed on to local government. The decline in outlays in the Budget year results from a Budget measure which is described in Part I of *Budget Paper No. 2*.

Local government FAGs are distributed on an equal per capita basis, whereas untied local government road funding is distributed between the States on the basis of criteria established under the *Australian Land Transport Development Act 1988*. In both cases, the intrastate distribution of these payments to local governments is determined by the State Grants Commissions on the basis of fiscal equalisation.

14B.5 AUSTRALIAN SECURITIES COMMISSION - REVENUE ASSISTANCE TO THE STATES

Following the establishment, on 1 January 1991, of a national scheme of companies, securities and futures regulation administered by the Australian Securities Commission, the Commonwealth compensates the six States and NT through a specific purpose payment for the loss of a State revenue base.

14B.6 ASSISTANCE TO OTHER GOVERNMENTS, NEC

This subfunction consists of assistance to other levels of Government that is not elsewhere classified. This assistance includes:

- payment by the Commonwealth to Western Australia of a portion of Commonwealth royalties obtained from the North West Shelf project, under the provisions of the *Petroleum (Submerged Land) Act 1967*;
- a grant from the Commonwealth to the Northern Territory in lieu of royalties on uranium mining due to the Commonwealth's ownership of uranium in the Northern Territory. The grant is payable at the royalty rate of 1.25 per cent of net proceeds of sales; and
- compensation to the ACT for municipal expenditure and revenue disabilities (as identified by the Commonwealth Grants Commission) arising from Canberra's status as the National Capital.

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 of disaggregating net payments to the States into 'to' and 'through' payments. This approach distinguishes:

- net payments *to* State Governments which are payments made direct to those Governments and excluding those intended to be passed on to local governments, other bodies and individuals; and
- net payments *through* State Governments which are to be passed on to local governments, other bodies and individuals.

The table below provides an overview of total Commonwealth assistance 'to' and 'through' the States in 1996-97, 1997-98, and the forward years.

Further information on payments 'to' and 'through' the States can be found in *Budget Paper No. 3*.

Summary of Commonwealth Outlays to Other Governments

	1996-97 Revised \$m	1997-98 Budget \$m	1998-99 Estimate \$m	1999-00 Estimate \$m	2000-01 Estimate \$m
TO STATES					
General Revenue Grants (a)	15822.3	16203.4	17066.7	18237.7	18897.5
General Capital Grants	52.6	0.0	0.0	0.0	0.0
Total General Purpose Assistance	15874.9	16203.4	17066.7	18237.7	18897.5
Base Hospital Funding Grants	3945.1	4102.5	4246.5	4398.2	4560.7
Education	1478.0	1508.5	1506.1	1477.8	1510.5
Roads Programmes	823.5	823.7	821.6	773.2	791.6
Housing (a)	893.1	943.0	932.3	921.7	921.7
Accommodation Support Programme	169.8	167.8	166.8	167.1	169.7
Home and Community Care	451.2	476.3	504.8	536.1	579.1
Rural Adjustment	107.5	39.9	19.7	11.6	1.3
Debt Assistance	233.0	72.7	36.4	91.0	84.3
Compensation - Companies Regulation	130.3	134.4	138.5	142.8	147.3
Other	3393.5	2604.4	2409.7	2440.8	2518.5
Total Specific Purpose Payments	11,624.9	10,873.2	10,782.4	10,960.2	11,284.6
Total 'To' Payments	27,499.8	27,076.5	27,849.2	29,197.9	30,182.1
THROUGH STATES					
Higher Education	3,682.6	3,480.0	3,272.2	3,178.7	3,169.8
Non-Government Schools	1,985.3	2,112.0	2,251.0	2,391.5	2,487.7
Local Government Financial Assistance	842.6	834.8	871.3	903.3	936.3
Identified Road Grants	373.9	370.4	386.6	400.8	415.5
Other	375.9	405.1	420.3	387.6	359.4
Total 'Through' Payments	7,260.1	7,202.3	7,201.4	7,261.9	7,368.8
Payments Direct to Local Government	244.4	247.4	249.0	264.3	278.4
TOTAL PAYMENTS	35,004.3	34,526.3	35,299.5	36,724.1	37,829.3
Repayments					
Accelerated Sinking Fund Receipts	-743.0	-719.0	-42.0	-1,098.7	-969.2
Other	-296.7	-167.7	-155.5	-154.1	-144.6
Total Repayments	-1,039.6	-886.6	-197.4	-1,252.8	-1,113.8
TOTAL OUTLAYS TO/THROUGH OTHER GOVERNMENTS	33,964.6	33,639.6	35,102.1	35,471.3	36,715.5

(a) The amounts shown are net of State Fiscal Contributions.

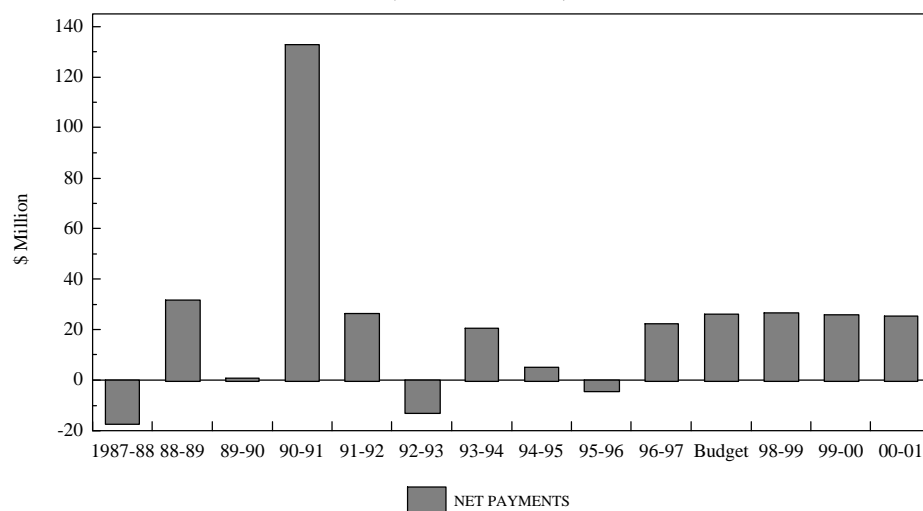
14C. NATURAL DISASTER RELIEF

NATURE OF OUTLAYS

The Commonwealth provides assistance for natural disaster relief.

This function relates to outlays of the Finance portfolio.

Chart 1. Overview of Commonwealth Outlays on Natural Disaster Relief (1989-90 Prices)



TRENDS IN NATURAL DISASTER RELIEF OUTLAYS

Commonwealth assistance towards natural disaster relief in the period reflects the unpredictability of these events in terms of incidence and severity. The 1987-88, 1992-93 and 1995-96 years show net repayments of past Commonwealth loans. Outlays for 1990-91 reflect the severity and extent of flooding in NSW and QLD, a high number of cyclones in QLD and payments associated with the Newcastle earthquake. The forward estimates are based on a broad average of annual net payments over recent years.

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
14C Natural Disaster Relief Assistance	\$m	25.8	30.8	32.2	32.2	32.2
	%		19.4	4.5	-	-
TOTAL	\$m	25.8	30.8	32.2	32.2	32.2
	%		19.5	4.5	-	-

Under the Natural Disaster Relief Arrangements (NDRA), the Commonwealth reimburses part of the States' outlays on Personal Hardship and Distress payments and

payments for other eligible disaster relief measures where the expenditure exceeds certain funding thresholds. A large part of NDRA payments is made as partial reimbursement for the relief of Personal Hardship and Distress and the repair and restoration of essential state and local government assets.

Some payments are made as concessional loans. The proportion is equivalent to the share of total State NDRA payments advanced as loans to individuals and organisations. NDRA payments are offset by repayments made by the States on past Commonwealth loans.

Since 1989-90 the effects of drought have not been eligible for relief. Drought assistance is included within *10.6 General Assistance Not Allocated to Specific Industries*.

14D. CONTINGENCY RESERVE

NATURE OF OUTLAYS

The Contingency Reserve is an allowance, included in aggregate outlays figuring, to reflect anticipated events which cannot be assigned to individual programmes 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. It is not a policy reserve.

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.

1997-98 AND FORWARD ESTIMATES

		1996-97	1997-98	1998-99	1999-00	2000-01
		Estimate	Budget	Estimate	Estimate	Estimate
14D Contingency Reserve	\$m	-155.3	-1247.2	1188.6	2071.1	3036.9
	%		na	na	74.2	46.6
TOTAL	\$m	-155.3	-1247.2	1188.6	2071.1	3036.9
	%		na	na	74.2	46.6

The Contingency Reserve makes allowance in the budget and forward estimates for anticipated events including the following:

- **An allowance in the forward years for changes to forecasts of wage cost parameters.**
- **The established tendency for budget estimates of spending on existing government policy in the forward years to be revised upward.**
 - Forward year estimates, particularly for demand driven appropriations, tend to be conservative and underestimate the growth in outlays. Experience suggests that revision of the forward estimates amounts to around 0.75 per cent outlays in the first year, increasing in each following year.
- **Expected running costs carryovers from 1997-98 into 1998-99.**
 - Departments and agencies have flexibility, under the running costs arrangements, to carry forward funds from the budget year to the following. The estimated running costs outcome for 1996-97 has been adjusted to take account of carryovers into 1997-98. A negative allowance of around 2 per cent of the aggregate running costs budget has been included in the Contingency Reserve in 1997-98 to represent the effect of the expected carryover on total outlays into 1998-99.
- **Commercial-in-confidence items which cannot be disclosed separately.**
- **The effect of economic parameter revisions for the budget and forward estimates received too late to be included in programme estimates.**

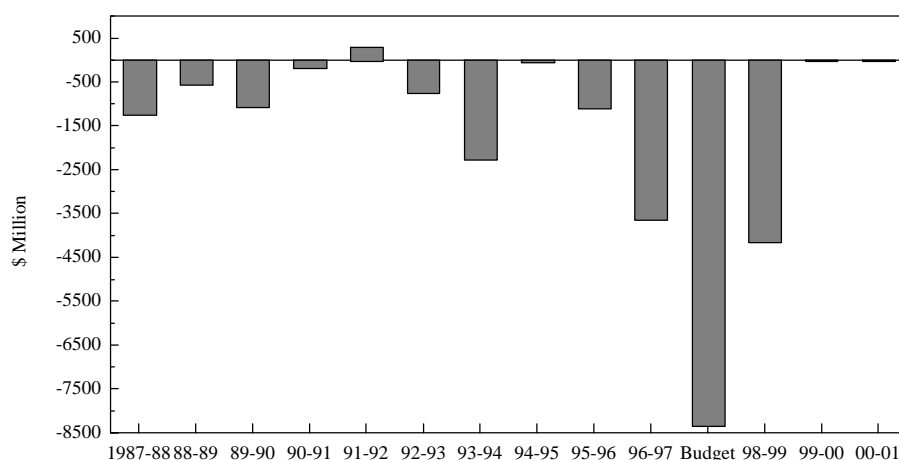
- **An allowance for any flow-on effect to unemployment and related payments resulting from the Government's commitment to maintain the single rate of pension at 25 per cent of Male Total Average Weekly Earnings.**
- **The established tendency for estimates of some programme expenditure to be overstated in the budget year.**
 - A small negative allowance has therefore been included.
- **The proposed forward year expenditure for new policy relating to the Federation Fund Trust Account.**
 - The expected expenditure from the trust account totals \$1 billion with \$600 million in outlays expected between 1998-99 and 2000-01 and the balance in the following two years. The Fund will be used to finance a number of major projects of national significance. Refer to *Budget Paper No. 2* for more details. The measure is shown against the Prime Minister and Cabinet portfolio, and is classified against the Contingency Reserve function until the actual type of expenditure is known.

14E. ASSET SALES

NATURE OF OUTLAYS

This classification records the net proceeds of the Government's programme of major asset sales (proceeds of sales offset by the costs of sale and the running costs of the Office of Asset Sales). Proceeds derived from the normal on-going Property Disposal Programmes of the Departments of Administrative Services and Defence are reported elsewhere (see *1. General Public Services* and *2. Defence*). Asset sales proceeds are recorded as offsets within outlays. Most proceeds of sale are net advances and are not included in underlying outlays.

Chart 1. Overview of Commonwealth Outlays on Asset Sales (1989-90 prices)



1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
14E	Asset Sales	\$m -4200.0	-9830.0	-5010.0	-10.0	-
		%	134.0	-49.0	-99.8	-100.0
	TOTAL	\$m -4200.0	-9830.0	-5010.0	-10.0	-
		%	134.0	-49.0	-99.8	-100.0

Major asset sales previously announced which are expected to be completed in 1996-97 or in the budget and forward years include:

- one-third of the Commonwealth's equity in Telstra;
- the lease of Melbourne, Brisbane and Perth Airports;
- Australian National and National Rail; and
- a number of the business units of the Department of Administrative Services.

NEW MAJOR ASSET SALES

Australian Multimedia Enterprises Limited

The Government has decided that the Commonwealth will divest Australian Multimedia Enterprises Limited by March 1998 with the means of sale to be settled as a part of the sale process.

Australian Defence Industries Limited

In 1997-98, the Government is expected to consider the optimal timing for offering Australian Defence Industries Limited for sale with the means of sale and other sale issues also to be considered.

Auscript

The Government has decided to divest Auscript as soon as possible by trade sale.

National Transmission Network

In light of the recent completion of a scoping study, the Government will shortly consider whether to offer the Network for sale with the means of sale and other sale issues also to be considered.

Phase 2 Airports

The sale of Melbourne, Brisbane and Perth Airports will be concluded in mid-1997, at which time Phase 1 Airport activities, including establishing an appropriate regulatory regime, will be completed. It is expected that the process for addressing the sale of Phase 2 airports will begin early in 1997-98.

Australian National Line Limited

The sale of Australian National Line Limited is a major asset sale previously announced. It is expected to be completed in the budget year or forward years.

SALES COMPLETED AFTER THE 1996-97 BUDGET WAS PRESENTED

Commonwealth Bank of Australia

The Government sold its remaining 50.4 per cent shareholding in the Commonwealth Bank of Australia (CBA) in July 1996, following a public share offer and a buyback of shares by CBA. The 399.1 million shares sold in the public share offer were purchased by investors under an instalment payment arrangement. Final instalments are due to be paid by November 1997.

Commonwealth Funds Management

Commonwealth Funds Management (CFM) was sold in two parts during December 1996. The CFM business was sold to the Commonwealth Bank for \$61.6 million. The subsidiary company, Total Risk Management (TRM), was sold to Tower, Perrin, Forster and Crosby Inc for \$0.9 million. Proceeds were received in 1996-97.

Avalon Airport Geelong (AAG)

In February 1997, the Government reached agreement with Foxerco Pty Ltd, a company jointly owned by Linfox and Serco, to grant it a long term lease of Avalon Airport (50 years with a 49 year option) and to sell the Commonwealth's shares in Avalon Airport Geelong (AAG). The Government will receive \$11 million in net present value terms (over 20 years) based on current revenue projections. Proceeds of \$1.5 million from the sale of the shares in AAG, together with initial lease payments, were received in 1996-97.

Newington Armament Depot

The Newington Armament Depot site was sold during 1996-97 to the New South Wales Government. Sale proceeds are expected in 1998-99 and 1999-2000.

CURRENT MAJOR ASSET SALES

Telstra

The *Telstra (Dilution of Public Ownership) Act 1996* was passed by the Parliament in December 1996 and proclaimed on 1 May 1997.

Planning for the partial sale of Telstra is now underway using private sector advisers including: joint global coordinators and joint lead managers; an independent business adviser (without a selling role); domestic and international legal counsel; and accounting advisers. Other roles in the selling syndicate will be filled later in 1997. It is expected that all Australian stockbroking firms will be asked to sell Telstra shares.

Federal Airports

The sale of the long-term leases over all Federal airports forms an important part of the Government's privatisation programme.

The Government intends to sell long-term leases over the airports in two stages. Expressions of interest for Melbourne, Brisbane and Perth Airports were sought from interested parties in September 1996. The sale process for these Phase 1 airports is now well advanced, with revised bids from a short-list of bidders being lodged in mid-April 1997, and sale completion expected by 1 July 1997. The next round of airport sales is expected to commence in mid-1997.

The leasing of Sydney and Sydney West is to be deferred pending resolution of noise issues at Sydney Airport and an environmental impact study being conducted for a second Sydney airport.

Australian Industry Development Corporation Limited

The Government announced in December 1996 that it would seek expressions of interest in the acquisition of Australian Industry Development Corporation Limited. Expressions of interest were received in January 1997 and it is expected that the sale will be finalised by 30 June 1997.

Australian National

The Government announced its \$2 billion rail reform package in November 1996. As a part of this package, the Commonwealth's interests in Australian National and National Rail will be offered for sale. Expressions of interest for Australian National, as a whole or in component parts, were sought in March 1997. Preliminary work is progressing in regard to National Rail.

Department of Administrative Services Businesses

The sale of a number of business units of the Department of Administrative Services (DAS) was announced in August 1996. These were: Asset Services; Works Australia; DAS Interiors; DAS Centre for Environmental Management; DAS Distribution; and DASFLEET (to be either sold or re-financed). The Government subsequently decided to sell Australian Operational Support Services and the commercial arm of the Australian Property Group. The scoping studies for all of the businesses have been completed and expressions of interest have been sought from the market. Sales are expected to be concluded by mid-1997.

OTHER SALE ACTIVITY

MacLeod Repatriation Hospital Site

The former MacLeod Repatriation Hospital is adjacent to the Bundoora-Mont Park psychiatric precinct in Melbourne. Discussions are being held with the Victorian Government regarding possible purchase of the site as part of the proposed redevelopment of this precinct.

Cockatoo Island

There was no progress on the sale during 1996-97 due to ongoing litigation between the Department of Defence and Cockatoo Island Dockyard Pty Ltd, the former manager of the Island. The future disposal of the Island is the portfolio responsibility of the Department of Defence.

SUMMARY OF OUTLAYS MEASURES

Summary of outlays measures in the 1996-97 Mid Year Economic and Fiscal Outlook

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
ADMINISTRATIVE SERVICES				
Funding for the Menzies Research Centre and the Evatt Foundation	0.2	0.2	0.2	0.2
Total	0.2	0.2	0.2	0.2
COMMUNICATIONS AND THE ARTS				
Regional Telecommunications Infrastructure Fund	50.0	50.0	50.0	50.0
Proceeds from sale of additional Spectrum	nfp	nfp	nfp	nfp
Funding for Radiofrequency Electromagnetic Energy Public Health Issues (a)	0.3	0.3	0.3	0.3
Total	nfp	nfp	nfp	nfp
EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS				
Higher Education Contribution Scheme repayment exemption for those in receipt of Medicare exemption or reduction because of low family income (b)	0.0	0.0	0.0	0.0
Change the age of Independence for AUSTUDY to 25 years	9.0	10.4	11.2	12.1
Drought - Extension of recovery period (a)	2.8	0.4	0.0	0.0
Total	11.8	10.8	11.2	12.1
ENVIRONMENT, SPORT AND TERRITORIES				
Great Barrier Reef Marine Park Authority - Reinstatement of savings related to the Environment Management Charge revenue increase	2.7	0.0	0.0	0.0
Additional funding for Natural Heritage Trust of Australia Reserve	25.0	25.0	25.0	25.0
Total	27.7	25.0	25.0	25.0
HEALTH AND FAMILY SERVICES				
Provision of safety net arrangements in connection with 1996-97 Budget measure limiting Medicare access to new doctors without post graduate qualifications	0.4	5.8	11.3	16.1
Adjust 1996-97 Budget measure reducing Medicare benefits for psychiatry consultations in excess of 50 per patient per year	0.4	0.4	0.4	0.4
Funding for Radiofrequency Electromagnetic Energy Public Health Issues (a)	0.7	0.7	0.7	0.7
Drought - Extension of recovery period (a)	0.4	0.0	0.0	0.0
Total	1.9	6.9	12.4	17.3
IMMIGRATION AND MULTICULTURAL AFFAIRS				
Regionally sponsored migration scheme	0.5	0.5	0.5	0.5
Total	0.5	0.5	0.5	0.5
INDUSTRY, SCIENCE AND TOURISM				
Nuclear Spent Fuel Rods - Repayment of borrowings	3.9	0.0	0.0	0.0
Extension of the operation of the Shipbuilding Bounty to 31 December 1997 (c)	10.0	0.0	0.0	0.0
Amendment of the proposed termination date of the book bounty to 30 June 1997	3.6	0.0	0.0	0.0
Total	17.5	0.0	0.0	0.0

Summary of outlays measures in the 1996-97 Mid Year Economic and Fiscal Outlook (continued)

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
PRIMARY INDUSTRIES AND ENERGY				
Drought - Extension of recovery period (a)	27.3	0.0	0.0	0.0
Total	27.3	0.0	0.0	0.0
SOCIAL SECURITY				
Correction of anomalies in the measure to reduce the maximum Rent Assistance payable to singles in shared accommodation	1.7	1.7	1.8	1.8
Exclude Disability Support Pensioners and Carer Pensioners from the application of sharers' rate from Rent Assistance (d)	5.4	7.0	7.5	13.2
Interim Computer Mainframe Leases (d)	7.4	4.8	0.0	0.0
Modify eligibility of, and payment conditions for, Partners' and Widows' Allowance Recipients and Widows' Pensions (d)	7.6	9.1	10.3	7.4
Application of time limits to the recovery of certain debts (d)	23.6	66.2	68.9	70.1
Tighten Newstart Allowance activity test - delay in implementation	0.8	0.0	0.0	0.0
Drought - extension of recovery period (a)	2.2	0.0	0.0	0.0
Total	48.6	88.8	88.4	92.5
TRANSPORT AND REGIONAL DEVELOPMENT				
Restructure of Australian National Railways Commission (ANRC)	nfp	nfp	nfp	nfp
Total	nfp	nfp	nfp	nfp

(a) Measure affects more than one portfolio.

(b) This measure reduces the headline balance by \$15.7 million in 1997-98, \$16.0 million in 1998-99, \$17.6 million in 1999-00 and \$17.6 million in 2000-01.

(c) See also the budget measure 'Extension of application of the Shipbuilding Bounty' under the Industry, Science and Tourism portfolio.

(d) Estimates have been revised since the Mid Year Economic and Fiscal Outlook.

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
ADMINISTRATIVE SERVICES				
Withdrawal from the direct provision of certain support services	1.5	-8.1	-11.8	-12.0
Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) (a) (c)	13.3	8.7	1.5	1.5
Revised funding arrangements for the repair, maintenance and refurbishment of properties remaining in Commonwealth ownership	-46.8	-52.2	-8.2	-29.7
Reduction in major capital works	-13.0	0.0	0.0	0.0
Remove preset payments to fire brigades for callouts on Commonwealth properties	-1.7	-14.9	-15.2	-15.5
Restriction to VIP transport (COMCAR) services to Members	9.4	4.1	4.1	4.1
Annual Grants in Aid to community organisations	0.1	0.1	0.1	0.1
Savings in running costs to fund annual Grants in Aid to community organisations	-0.1	-0.1	-0.1	-0.1
Provision of funding to the Australian Electoral Commission for the cost of the election of delegates to the Constitutional Convention	24.0	0.0	0.0	0.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-25.0	-1.8	-2.0
Organisation and conduct of the Constitutional Convention (a)	0.1	0.0	0.0	0.0
Total	-13.2	-87.4	-31.4	-53.6
ATTORNEY-GENERAL'S				
Savings in Attorney-General's portfolio running costs	-26.5	-26.9	-27.4	-27.9
Additional specific savings in Attorney-General's portfolio running costs	0.0	-7.1	-7.2	-7.4
Reform of the provision of legal services provided by the Legal Practice to enhance contestability and competitiveness	14.8	8.5	0.0	0.0
Introduction of full cost recovery for the Office of Film and Literature Classification	0.0	-1.2	-1.2	-1.2
Additional savings from the transfer of the industrial relations jurisdiction to the Federal Court	0.0	-0.4	-1.2	-1.4
Additional funding for the Federal Court and the National Native Title Tribunal for workload increases and amendments to the <i>Native Title Act 1993</i>	16.1	14.5	14.8	15.1
Divestment of Auscript (a)	4.2	-0.3	-0.2	0.0
Review of funding arrangements for the Australian Federal Police Adjustment Scheme	0.9	1.0	1.0	1.0
Additional funding to target serious and large scale fraud and related crime against the Commonwealth	6.9	6.7	6.8	0.0
Additional funding for the Protective Security Coordination Centre for diplomatic and consular protection	1.1	0.0	0.0	0.0
Rationalisation of the Australian Protective Service through greater contestability	11.3	1.2	-0.7	-1.7
Revised arrangements for personal security for Senators and Members (other than Ministers), former office holders, their staff, and their families	-1.6	-1.6	-1.6	-1.6
Replacement of security vehicles	0.1	0.1	0.1	0.1
Sydney 2000 Games - Olympics and Paralympics (a)	1.0	10.4	21.6	16.3
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.4	-3.1
Total	28.3	4.9	3.4	-11.8
COMMUNICATIONS AND THE ARTS				
Grants in support of Centenary of Federation community activities	6.0	0.0	0.0	0.0
Additional funding to the Visions of Australia programme to continue the provision for touring of cultural exhibitions	1.5	1.5	0.0	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
COMMUNICATIONS AND THE ARTS (continued)				
Savings from the Cultural Development Programme to absorb the costs of the Visions of Australia programme	-1.5	-1.5	0.0	0.0
Continuation of funding to the Australian Children's Television Foundation	0.8	0.8	0.8	0.8
Funding for development of the National Museum of Australia	7.0	0.0	0.0	0.0
New funding for the Australian Film Finance Corporation	0.0	48.0	48.0	48.0
Continued funding of Film Australia to maintain the National Interest Programme	0.0	6.6	0.0	0.0
Reduction in funding of the Australian Film Commission's Television Production Fund	-5.0	0.0	0.0	0.0
Funding provided to Symphony Australia Holdings Pty Ltd for orchestral services previously performed by the ABC	32.0	32.5	33.1	33.7
Transfer of base funding from the ABC to establish Symphony Australia Holdings Pty Ltd	-32.0	-32.5	-33.1	-33.7
Deferral of ABC debt repayments	4.8	-4.8	0.0	0.0
Additional funding to the Australian Broadcasting Corporation (ABC) for the broadcast of English and Tok Pisin language radio services by Radio Australia	4.7	4.8	4.9	5.0
Savings from broadcasting and television capital works to offset additional funding provided to the Australian Broadcasting Corporation (ABC) for Radio Australia services	-3.2	-3.3	-3.4	-3.4
Savings in transmission costs arising from the reduced broadcasting of shortwave radio services by Radio Australia	-1.6	-2.0	-3.1	-4.2
Reduction in Government subsidy as a result of the sale or wind-up of Australia Television	-3.5	-3.5	0.0	0.0
Application of the efficiency dividend to the Special Broadcasting Service	-0.9	-1.6	-2.5	-3.4
Funding for setup costs and new functions of the Australian Communications Authority	3.6	0.9	0.6	0.6
Funding for costs incurred by AUSTEL in 1996-97 to implement telecommunications reform initiatives	0.6	0.0	0.0	0.0
Funding for the Australian Communications Authority to enhance administration of cabler licensing	0.2	0.2	0.2	0.2
Increased efficiency dividend on Communications and the Arts portfolio running costs	-3.1	-3.1	-3.1	-3.2
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.0	-2.2
Total	10.4	43.0	41.4	38.2
EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS				
Phase out specific funding for Language Australia	-0.5	-1.0	-1.5	-1.5
Improvement and streamlining of Higher Education Contribution Scheme arrangements (d)	1.0	1.6	1.9	2.1
Higher education restructuring and rationalisation package	10.2	7.3	4.3	4.4
Phased abolition of the Higher Education Commonwealth Industry Places Scheme	-5.2	-16.5	-22.7	-23.0
Reduction of National Board of Employment Education and Training administrative budget and removal of Australian Language and Literacy Council funds	-2.9	-2.7	-2.8	-2.8
Increased AUSTUDY for families with two or more tertiary students living away from home	1.6	1.5	1.6	1.6
Improved targeting of ABSTUDY	-5.0	-10.9	-11.2	-11.6
Benchmarking efficiencies in Vocational Education and Training Grants to the States	-10.0	-20.3	-20.7	-21.0
Changes to entry level training employer incentives	-0.9	6.4	16.2	29.5
Work for the Dole Initiative (a)	11.0	3.8	0.0	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS (continued)				
Subsume National Skills Shortages Programme into the regional assistance element of Enterprise and Adjustment Programme	-2.1	-2.8	-2.9	-3.0
Savings in Employment, Education, Training and Youth Affairs portfolio running costs	0.0	-15.2	-15.5	-15.8
Labour Market Programme funding adjustment	-30.2	0.0	0.0	0.0
Rental assistance to people living in public housing - Remove double subsidy (a)	-0.1	-0.2	-0.2	-0.2
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.7	-11.6	-11.4
Total	-33.1	-49.7	-65.1	-52.7
ENVIRONMENT SPORT AND TERRITORIES				
Environment, Sport and Territories portfolio savings initiatives	-5.0	-5.7	-4.5	-5.2
Natural Heritage Trust of Australia Reserve (a)	161.9	265.4	272.7	254.9
Willandra Lakes Structural Adjustment Package	2.0	0.0	0.0	0.0
Payment to QLD - Sugar Coast Environment Rescue Package	1.0	2.0	0.0	0.0
Funding for capital works at Orielton Lagoon in Tasmania	0.7	0.0	0.0	0.0
Sydney 2000 Games - Olympics and Paralympics (a)	0.0	50.0	50.0	50.0
Discontinuation of the Save the Bush Programme	-1.5	-1.5	0.0	0.0
Grant to AAP Mawson's Huts Foundation for the restoration effort on Mawson's Huts (c)	0.3	0.0	0.0	0.0
Maintain Local Government General Purpose Assistance Grants in real terms - Determination of 1997-98 payments	-14.7	-15.2	-15.8	-16.4
Restoration and management of National Assets Programme in the ACT	5.0	5.1	5.2	5.3
Indian Ocean Territories - Recurrent funding adjustment	3.0	0.0	0.0	0.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.2	-1.9
Total	152.7	300.0	307.4	286.7
FINANCE				
Efficiencies in Whole of Government Information Technology Infrastructure - Additional funding for Office of Government Information Technology	0.0	8.6	4.7	0.0
Divestment of Auscript - Office of Asset Sales - Cost of sale (a)	0.4	0.0	0.0	0.0
Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) - Office of Asset Sales - Cost of sale (a)	0.5	0.0	0.0	0.0
Sale of the commercial arm of the Domestic Property Group (formerly known as the Australian Property Group) - Office of Asset Sales - Proceeds of sale (a)	nfp	nfp	nfp	nfp
Office of Asset Sales - Additional running costs in relation to sales/reviews in the 1997-98 Budget	0.3	0.0	0.0	0.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-2.0	-2.3	-2.5
Total	nfp	nfp	nfp	nfp
FOREIGN AFFAIRS AND TRADE				
Closure of Australian diplomatic missions in Copenhagen and Nauru	-1.5	-1.9	-2.0	-2.0
Reduction in Grants and Contributions Programme	-0.9	-1.0	-1.0	-1.0
Reduction in overseas aid	-7.5	-7.7	-7.9	-8.1
Transfer from the overseas aid programme to fund part of the cost of maintaining Radio Australia services	-4.0	-4.1	-4.2	-4.3
Increased cost recovery by Austrade	-2.0	-3.0	-4.1	-5.3

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
FOREIGN AFFAIRS AND TRADE (continued)				
Accelerated recovery of International Trade Enhancement Scheme loan funds	-5.0	-3.0	-1.0	0.0
Sydney 2000 Games - Olympics and Paralympics (a)	0.4	2.6	3.7	2.1
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.1	-1.4	-2.1
Total	-20.5	-18.2	-17.9	-20.7
HEALTH AND FAMILY SERVICES				
National Public Health - Continuation of Public Health Programmes	11.5	22.3	0.0	0.0
Restructure arrangements for funding services related to the provision of methadone	0.0	-1.9	-7.8	-9.6
Development of a National Food Hygiene Standard	0.9	1.7	1.2	0.0
Supplementation of the Australia New Zealand Food Authority funding base	0.7	1.8	1.6	1.3
Comprehensive National Immunisation Strategy (a)(c)	3.3	3.3	3.3	3.4
Funding mechanism for the purchase of essential vaccines including Hepatitis B vaccine	2.6	3.9	3.9	4.0
Hepatitis B Pre-Adolescent Immunisation Delivery Programme	0.2	0.4	0.5	0.5
Strengthening Australia's health and medical research workforce	0.8	1.4	2.3	2.6
Revised process for Medicare Benefits Schedule listing and review	1.5	0.5	-0.5	-3.1
Adjust Medicare benefits when more than one person is treated during a home visit	-2.0	-3.5	-3.7	-3.8
Adjust Medicare benefits for some optometrical consultations (a)	-7.8	-13.9	-14.8	-15.5
National Rural and Remote Health Support Programme	2.0	3.6	5.5	6.3
Pilot study of alternative funding arrangements for rural obstetric services	0.0	0.0	0.0	0.0
Refocusing the General Practice Strategy on outcomes	-34.4	-28.0	-37.9	-39.9
Combine General Practice Evaluation Programmes and adjust to reflect current spending levels	-2.0	-2.0	-2.1	-2.1
Introduction of electronic commerce for Medicare claiming	-0.1	0.1	11.7	16.4
Therapeutic group premiums (a)	-41.4	-157.5	-173.8	-188.7
National Prescriber Service	0.4	-8.1	-8.0	-7.9
Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule (a)	-10.9	-29.7	-33.4	-37.6
Public education campaign for private health insurance and Health Insurance Commission restructuring	3.5	0.5	0.3	0.0
Initiatives to stimulate microeconomic reform in management of acute health care and information technology and performance measurement	6.1	11.7	12.7	9.8
Renewal of the National Mental Health Strategy	0.2	7.5	11.8	9.0
Extension of funding for palliative care	14.7	0.0	0.0	0.0
A Planning System to influence the location and supply of new child care places with annual limit of 7,000 new private places for 1998 and 1999 only	-9.7	-41.8	-72.3	-83.1
Improve targeting of Children's Services Programme to work related care (a)	-4.4	-16.0	-25.4	-34.9
Increase supply of Family Day Care places	0.7	1.7	3.3	5.1
Reform of school age care (a)	5.0	5.1	2.5	-1.3
Broadbanding other family and children's services	-3.0	-6.4	-6.6	-6.8
Pay Childcare Assistance fortnightly in arrears	0.0	-32.5	-3.1	-3.2
Revised arrangements for emergency relief funding	0.7	1.9	3.0	9.5
Targeted support for people with dementia and their carers	2.5	2.5	2.6	2.6
Best practice grants for dementia specific facilities	0.6	0.0	0.0	0.0
Residential aged care structural reform - Additional funding for systems development	4.4	0.9	0.2	0.2

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
HEALTH AND FAMILY SERVICES (continued)				
Carers' support and information	1.2	2.3	2.3	2.4
Additional accommodation support places for people with disabilities and their families	5.9	11.8	18.0	18.3
Replacement of speech processors for children with cochlear implants	0.6	0.4	0.4	0.5
Funding for National Telephone Typewriter Relay Service	0.0	-7.9	-7.9	-8.0
Support for social and economic micro-simulation modelling	0.1	0.3	0.3	0.3
<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	0.3	0.0	0.0	0.0
Revised arrangements for carers of adults and children with disabilities (a)	-0.3	20.4	22.8	25.7
Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks (a)	0.0	-1.7	-1.8	-1.8
Amendments to migrant two-year waiting period for social security payments (a)(b)(c)	8.1	0.9	2.8	2.8
Introduce a Bonus Plan for persons deferring retirement (a)	0.0	-0.6	-1.7	-2.5
Link treatment benefit eligibility to pension rate (a)	0.0	-0.1	-0.1	-0.1
Work for the Dole Initiative (a)	0.5	0.1	0.0	0.0
Addressing anomalies in entitlements for veterans deployed overseas (a)	-0.1	-0.2	-0.3	-0.4
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-1.9	-11.0	-10.5
Total	-37.1	-246.7	-299.2	-340.1
IMMIGRATION AND MULTICULTURAL AFFAIRS				
Health assessments, health undertakings and medical reviews	2.3	1.5	1.6	1.6
Enhanced services for business entrants	0.8	0.8	0.9	1.0
Merging of the Migration Internal Review Office and the Immigration Review Tribunal (c)	1.3	0.7	-0.5	-1.3
Extension of the Migration Agents Registration Scheme (c)	0.6	0.0	0.0	0.0
Increased efficiency dividend on Immigration and Multicultural Affairs portfolio running costs	-3.4	-3.5	-3.6	-3.6
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-0.3	-3.6	-3.6
Total	1.6	-0.8	-5.2	-5.9
INDUSTRIAL RELATIONS				
Referral to the Commonwealth of the Victorian industrial relations system	2.2	2.3	2.3	2.4
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.4	-0.8
Total	2.2	2.3	1.9	1.6
INDUSTRY, SCIENCE AND TOURISM				
Enhanced assistance to the pharmaceutical industry (c)	0.1	0.2	22.7	49.0
Extension of application of the Shipbuilding Bounty	8.0	21.3	1.0	0.0
Monitoring telecommunications industry development	0.6	0.7	0.8	0.9
Facilitation of small and medium sized enterprises - Supplier access to major projects	0.8	0.6	0.4	0.4
Savings in the Department of Industry, Science and Tourism running costs to fund the 'Facilitation of small and medium sized enterprises - Supplier access to major projects'	-0.8	-0.6	-0.4	-0.4
<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	4.7	8.2	5.1	4.5
Australian Leather Holdings Ltd Package (c)	12.5	12.5	0.0	0.0
Funding for Gene Technology Regulation	1.3	1.1	0.0	0.0
Sydney 2000 Games - Olympics and Paralympics (a)	3.0	0.0	0.0	0.0
Replacement and upgrade of Customs Marine Fleet	5.2	5.0	7.0	8.7
Increased running costs associated with measures to reduce fuel substitution	1.4	1.5	1.6	1.6

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
INDUSTRY, SCIENCE AND TOURISM (continued)				
Savings in Office of National Tourism running costs	-0.7	-0.3	-0.1	0.0
Savings from Cooperative Research Centres Programme	-1.0	-9.2	0.0	0.0
Increased efficiency dividend on Industry, Science and Tourism portfolio running costs	-2.8	-2.9	-2.9	-2.9
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-4.7	-11.0
Total	32.3	38.1	30.5	50.8
PARLIAMENT				
Organisation and conduct of the Constitutional Convention (a)	0.0	0.0	0.0	0.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.6	-1.4
Total	0.0	0.0	-0.6	-1.4
PRIMARY INDUSTRIES AND ENERGY				
NSW Sugar Export Industry - Infrastructure support (c)	1.0	0.0	0.0	0.0
Reallocation of funds from natural resource management programmes	-5.0	-5.1	-5.2	-5.3
Quality Food Australia (c)	0.2	0.0	0.0	0.0
Supermarket to Asia - The Delicatessen	1.0	0.0	0.0	0.0
Integrated Rural Policy Package	44.7	46.3	52.4	55.4
Rural Adjustment Scheme	-46.3	-43.7	-50.3	-55.3
Reallocation of funds from the Rural Communities Access Programme	-2.4	0.0	0.0	0.0
Australian Quarantine and Inspection Service - Implementation of reports into quarantine and imported fish and fish products	15.0	20.2	20.3	20.5
Australian Quarantine and Inspection Service - Implementation of the Review of Export Meat Inspection (redundancies)	13.1	11.1	12.9	7.2
South East Fisheries Adjustment Package	1.5	0.0	0.0	0.0
Fisheries Research and Development Corporation	-3.6	0.0	0.0	0.0
Fisheries Resources Research Fund	-0.2	-0.2	-0.2	-0.2
National Electricity Market reform and corporatisation of the Snowy Mountains Hydro-electric Authority	2.5	0.5	0.0	0.0
Rationalisation of the National Energy Efficiency Programme	-2.8	-2.8	-2.7	-2.7
The Energy Research and Development Corporation	-2.6	-9.0	-11.3	-13.8
Savings in Primary Industries and Energy portfolio running costs	-1.0	0.0	0.0	0.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.9	-1.2
Natural Heritage Trust of Australia Reserve (a)	na	na	na	na
Total	15.1	17.3	15.0	4.6
PRIME MINISTER AND CABINET				
Establishment of the Federation Fund	0.0	100.0	200.0	300.0
Improved integration of young offenders into mainstream community and economic life - Pilot projects	1.0	0.0	0.0	0.0
Operational funding for national women's non-government organisations	0.5	0.5	0.5	0.5
Organisation and conduct of the Constitutional Convention (a)	3.8	0.0	0.0	0.0
Aboriginal and Torres Strait Islander Affairs Agencies funding arrangements - Guaranteed funding with an increased base	15.0	15.2	15.5	15.8
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-1.3	-1.7
Total	20.3	115.7	214.7	314.6

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
SOCIAL SECURITY				
Maintain the single rate of pension at 25 per cent of male total average weekly earnings (a)(c)	57.3	409.2	639.6	942.3
Pay all Department of Social Security payments fortnightly in arrears	0.2	19.7	-100.8	-18.9
Introduce a Bonus Plan for persons deferring retirement (a)	2.4	-16.9	-36.8	-36.0
Simplify and amend date of effect rules for income support payments (a)	0.2	5.5	-23.9	-26.8
Revised arrangements for Financial Information Service and Migrant Liaison Officers	-4.2	-4.3	-4.3	-4.4
Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs (a)	6.7	-0.9	-6.4	-9.9
Revised arrangements for carers of adults and children with disabilities (a)	-2.8	-23.2	-28.5	-33.5
Amendments to migrant two-year waiting period for social security payments (a)(b)(c)	106.0	59.5	40.3	40.0
Amendments to activity test penalty periods for Newstart Allowance (b)(c)	31.9	30.3	31.8	29.0
Apply consistent hardship rules to waiting periods for Newstart Allowance and related payments	0.5	0.1	9.9	9.6
Work for the Dole Initiative (a)	5.3	0.9	0.0	0.0
Consistently treat lump sums for Social Security recipients as either income over 12 months or as a deemed asset	1.5	-3.7	-6.2	-6.3
Expansion of temporary activity test exemptions in special circumstances	-0.9	-1.3	-1.4	-1.4
Increase Australian Taxation Office Employment Declaration Form matching with Department of Social Security data	-27.9	-27.4	-28.2	-28.9
Apply preclusion periods to high income seasonal or intermittent workers	0.8	-5.0	-5.7	-6.0
Comprehensive National Immunisation Strategy (a)(c)	-11.8	-26.6	9.2	4.6
Continue funding for the Family Service Centre and Retirement Service Centre pilots	1.9	0.0	0.0	0.0
Pay Family Payment above the minimum rate when a child and/or parent/s go overseas for up to eight weeks	4.2	6.8	7.0	7.1
Improvements to the Data-matching Programme and increased review activity	-16.1	-31.6	-39.4	-40.4
Parenting Payment simplification and rationalisation package	4.0	-1.0	-1.8	-2.1
Tightening of the hardship provisions for minimum Family Payment and Maternity Allowance	0.1	-3.5	-3.6	-3.7
Rental assistance to people living in public housing - Remove double subsidy (a)	-21.1	-58.0	-59.7	-61.2
Funding arrangements under the Commonwealth State Housing Agreement	-50.0	-50.0	-50.0	-50.0
Addressing anomalies in entitlements for veterans deployed overseas (a)	-0.3	-0.7	-1.1	-1.6
Reform of school age care (a)	1.1	0.6	0.4	0.4
Improve targeting of Children's Services Programme to work related care (a)	1.5	0.9	0.5	0.6
Extend the period of the income test for the 'low income' Health Care Card from four to eight weeks (a)	0.2	0.1	0.0	0.0
Increased efficiency dividend on Department of Social Security running costs	-0.8	-0.8	-0.9	-0.9
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-5.9	-25.4	-24.8
Total	89.9	272.8	314.6	676.8
TRANSPORT AND REGIONAL DEVELOPMENT				
Funding of Airport Environment Officers and Airport Building Controllers at federal airports subject to sale	1.4	1.4	1.4	1.4
Federal Airports Corporation - Conversion of grant to equity injection for the extension of the runway at Adelaide Airport	-25.0	-3.0	0.0	0.0

**Summary of outlays measures introduced in the Budget and since the 1996-97
Mid Year Economic and Fiscal Outlook (continued)**

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
TRANSPORT AND REGIONAL DEVELOPMENT (continued)				
Funds for Roads of National Importance in WA	10.0	10.0	10.0	10.0
Rephasing of funding for the National Rail Infrastructure Authority	-15.3	-27.0	-19.0	-18.2
Continuation of funding for the National Road Transport Commission	0.6	1.2	1.2	1.2
Realignment of Tasmanian Freight Equalisation Scheme assistance rates	-3.0	-3.0	-3.0	-3.0
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.4	-1.0
Total	-31.3	-20.4	-9.8	-9.6
TREASURY				
<i>More Time for Business</i> - Government's Small Business Statement (a)(c)	1.8	0.6	0.3	0.3
Savings in Treasury portfolio running costs	-2.7	-2.7	-2.7	-2.8
Additional special revenue assistance to the ACT in the form of transitional allowances for education and health (c)	10.0	5.0	0.0	0.0
Partial deferral of State fiscal contributions from the ACT and Tasmania (c)	13.5	-13.5	0.0	0.0
Extension of real per capita guarantee on Financial Assistance Grants to the States and Territories (c)	0.0	0.0	202.1	207.2
Australian Bureau of Statistics - Savings in statistical collections	-5.1	-5.2	-5.3	-5.4
Australian Bureau of Statistics - Increased cost recovery on the sale of products and services	-2.0	-2.0	-2.1	-2.1
Tax Law Improvement Project - Extension of administrative funding	1.1	1.9	0.0	0.0
Australian Taxation Office - Savings through efficiencies in corporate support	-10.0	-10.2	-10.3	-10.5
Australian Taxation Office - Savings through rationalisation of income tax withholding arrangements	0.0	-9.1	-11.4	-11.6
Australian Taxation Office - Savings through phasing out the Superannuation Holding Accounts Reserve	-10.0	-4.1	-5.2	-5.3
Australian Taxation Office - Savings through phasing out the community education campaign on superannuation	-3.4	0.0	0.0	0.0
Australian Taxation Office - Savings through alternative methods of data capture and other processing efficiencies	-5.0	-5.1	-5.2	-5.3
Australian Taxation Office - Savings through administrative efficiencies and further rationalisation of activities	0.0	0.0	-9.3	-9.5
Australian Taxation Office - Opting out of the Superannuation Guarantee system	2.4	2.1	1.3	1.3
Australian Taxation Office - Choice of Superannuation Fund	2.0	4.4	3.5	2.4
Taxation rebate for savings	1.0	-1079.0	-2414.0	-3980.0
Australian Competition and Consumer Commission - New regulatory arrangements for telecommunications	3.4	2.1	1.9	1.9
Australian Competition and Consumer Commission - Gas regulation role	1.8	1.5	1.5	1.5
Enhancement of National Competition Council responsibilities	0.8	0.8	0.8	0.8
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-2.2	-21.5	-22.2
Total	-0.4	-1114.7	-2275.6	-3839.3
VETERANS' AFFAIRS				
Maintain the single rate of pension at 25 per cent of male total average weekly earnings (a)(c)	6.5	41.0	59.9	87.3
Allow maximum lump sum advances to all Department of Veterans' Affairs pensioners	0.2	0.0	0.0	0.0
Introduce a Bonus Plan for persons deferring retirement (a)	1.4	-3.9	-3.9	-3.5

Summary of outlays measures introduced in the Budget and since the 1996-97 Mid Year Economic and Fiscal Outlook (continued)

	1997-98	1998-99	1999-00	2000-01
	\$m	\$m	\$m	\$m
VETERANS' AFFAIRS				
Reform of the income and assets test treatment of income streams by the Department of Social Security and the Department of Veterans' Affairs (a)	0.9	0.2	0.1	0.1
Rental assistance to people living in public housing - Remove double subsidy (a)	-0.0	-0.1	-0.1	-0.1
Simplify and amend date of effect rules for income support payments (a)	3.2	5.7	-1.3	-1.6
Indexation of the lump sum equivalent for the Disability Pension	-0.1	-0.3	-0.4	-0.6
Addressing anomalies in entitlements for veterans deployed overseas (a)	2.5	5.2	7.4	8.9
Extend the five year Refurbishment Programme for the Australian War Graves	0.4	0.5	0.2	0.0
Security and structural works and management at Papua New Guinea War Cemeteries	0.4	0.7	0.6	0.2
Link treatment benefit eligibility to pension rate (a)	0.0	0.2	0.2	0.2
Medication management and treatment awareness	-0.8	-6.5	-6.5	-6.5
Improvement in services in rural and remote areas	0.1	-0.0	-0.1	-0.1
Adjust Medicare benefits for some optometrical consultations (a)	-0.2	-0.3	-0.3	-0.3
Delisting medicine items for less serious medical conditions from the Pharmaceutical Benefits Schedule (a)	-0.6	-1.7	-1.8	-2.0
Therapeutic group premiums (a)	-2.8	-9.4	-10.0	-10.7
Introduce panel diagnosis for certain conditions	-0.5	-2.9	-5.0	-7.1
Supplementation in lieu of an entrance fee for the Australian War Memorial	0.7	0.7	0.7	0.7
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	0.0	-0.0	-0.0
Total	11.3	29.1	39.7	64.9
CROSS PORTFOLIO				
Efficiencies in Whole of Government Information Technology Infrastructure (a)	0.0	-38.1	-89.5	-103.5
Total	0.0	-38.1	-89.5	-103.5

(a) Measure affects more than one portfolio.

(b) Decision arising out of Senate action.

(c) Measures announced between Mid Year Economic and Fiscal Outlook and the Budget.

(d) This measure reduces the headline balance by \$1.6 million in 1997-98, \$4.5 million in 1998-99, \$5.6 million in 1999-2000 and \$6.2 million in 2000-01.

STATISTICAL APPENDIX

INTRODUCTION

Twelve tables are presented in this appendix covering outlays transactions of the Commonwealth budget sector.

Statement 7 provides a definition of the Commonwealth budget sector and defines terminology employed to describe transactions in these tables, in particular, definitions of the terms outlays and revenue and explanation of the function 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 (1989-90 prices)
Table IV	Commonwealth Budget Outlays by Function as a Proportion of Total Budget Outlays (per cent)
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 Outlays (per cent)
Table VIII	Commonwealth Budget Sector Outlays by Economic Type - Annual Percentage Change (1989-90 prices)
Table IX	Commonwealth Budget Portfolio Outlays by Major Function, 1997-98 (\$m)
Table X	Commonwealth Budget Portfolio Outlays by Major Economic Type, 1997-98 (\$m)
Table XI	Outlays on Approved Capital Works of Commonwealth Departments and Agencies (\$m)
Table XIIa	Commonwealth Budget Running Costs (\$m) and Portfolio Estimates of Average Staffing Levels (ASL) of Agencies Operating on the Commonwealth Public Account
Table XIIb	Commonwealth Budget Running Costs (\$m)

Table I - Commonwealth Budget Outlays by Function (\$m)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
1. Total General Public Services	5180	5486	5398	6202	6698	6403	6798	6794	6792	7089	7030	6874	7117	7136
A. Legislative and Executive Affairs	629	470	451	426	459	514	471	487	594	492	549	577	504	494
B. Financial and Fiscal Affairs	1102	1166	1313	1550	1737	1557	1688	1503	1696	1829	1779	1656	1624	1608
C. Foreign Economic Aid	1389	1555	1590	1711	1861	1963	2026	2153	2268	1982	1935	2044	2068	2101
D. General Research	544	554	634	738	855	963	1010	1037	1070	1149	1227	1246	1210	1162
E. General Services	412	518	126	299	222	181	184	178	221	95	-150	-92	139	213
F. Government Superannuation Benefits	1103	1222	1284	1478	1564	1225	1418	1437	944	1541	1689	1444	1572	1558
2. Defence	6967	7295	7913	8480	8731	9703	9746	9731	10011	10003	10405	10637	10849	11022
3. Public Order and Safety	645	693	803	768	945	914	829	868	924	1277	1139	881	881	897
4. Education	5683	6021	6576	7475	8373	9147	9769	10152	10662	11067	10980	11047	11140	11205
5. Health	10050	10762	11901	12935	13830	14811	16092	17126	18616	19294	20700	21422	22449	23617
6. Social Security and Welfare	22751	23997	26395	30656	35504	38627	42026	43606	46754	49953	50938	51496	53019	54206
7. Housing and Community Amenities	1352	1214	1293	1083	1154	1394	1135	1135	1216	863	1147	1111	1063	1018
8. Recreation and Culture	1041	1046	1062	1197	1253	1267	1122	1270	1428	1394	1319	1328	1321	1255
9. Fuel and Energy	108	128	46	72	117	53	-22	42	37	13	13	-903	11	8
10. Agriculture, Forestry and Fishing	1590	1525	1673	2413	1934	1704	1642	1864	1876	1850	1949	1953	1916	1767
11. Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	1001	1040	1218	1442	1540	1376	1510	1676	1651	1681	1727	1642	1532	1443
12. Transport and Communication	1722	1719	1663	1785	1512	2404	1068	1232	743	-1523	1485	1403	1379	1346
13. Total Other Economic Affairs	1382	1369	1495	1768	2187	3129	3188	3503	4291	3469	3171	2892	2839	2817
A. Tourism and Area Promotion	47	43	72	66	79	87	99	101	104	97	98	87	87	88
B. Labour and Employment Affairs	1216	1205	1276	1439	1834	2747	2780	3104	3850	3052	2755	2512	2467	2445
C. Other Economic Affairs, nec	119	122	147	262	274	295	310	298	336	321	317	293	284	284
14. Total Other Purposes	19997	20568	20466	19868	19045	18658	19468	23015	21689	22431	14926	23817	29038	30079
A. Public Debt Interest	7857	7397	7276	6063	5626	5288	6465	7994	9126	9321	8920	8987	8097	7306
B. General Purpose Inter- Government Transactions	13211	13670	14254	13828	13088	14174	15427	15068	13798	17440	17053	18619	18848	19703
C. Natural Disaster Relief	-15	30	1	139	28	-14	22	6	-4	26	31	32	32	32
D. Contingency Reserve	-	-	-	-	-	-	-	-	-	-155	-1247	1189	2071	3037
E. Asset Sales	-1056	-528	-1065	-161	302	-790	-2446	-52	-1230	-4200	-9830	-5010	-10	-
TOTAL OUTLAYS	79467	82860	87903	96143	102822	109590	114372	122012	126689	128861	126928	135599	144553	147815

Table II - Commonwealth Budget Outlays by Function - Annual Percentage Change

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
1. Total General Public Services	6.4	5.9	-1.6	14.9	8.0	-4.4	6.2	-0.1	-0.0	4.4	-0.8	-2.2	3.5	0.3
A. Legislative and Executive Affairs	16.4	-25.4	-4.1	-5.4	7.8	11.9	-8.4	3.3	22.1	-17.1	11.4	5.1	-12.5	-2.0
B. Financial and Fiscal Affairs	-5.3	5.9	12.6	18.0	12.1	-10.4	8.4	-10.9	12.8	7.9	-2.7	-6.9	-1.9	-1.0
C. Foreign Economic Aid	4.5	12.0	2.3	7.6	8.8	5.5	3.2	6.2	5.4	-12.6	-2.3	5.6	1.2	1.6
D. General Research	0.7	1.9	14.4	16.4	15.8	12.6	5.0	2.7	3.2	7.4	6.8	1.5	-2.9	-4.0
E. General Services	1.6	25.6	-75.6	136.4	-25.8	-18.2	1.6	-3.3	24.0	-56.8	na	-38.4	na	53.7
F. Government Superannuation Benefits	24.3	10.8	5.0	15.1	5.8	-21.7	15.8	1.3	-34.3	63.3	9.6	-14.5	8.9	-0.9
2. Defence	2.1	4.7	8.5	7.2	3.0	11.1	0.4	-0.2	2.9	-0.1	4.0	2.2	2.0	1.6
3. Public Order and Safety	8.5	7.4	16.0	-4.4	23.1	-3.2	-9.3	4.7	6.5	38.1	-10.8	-22.7	0.0	1.8
4. Education	9.3	6.0	9.2	13.7	12.0	9.2	6.8	3.9	5.0	3.8	-0.8	0.6	0.8	0.6
5. Health	10.1	7.1	10.6	8.7	6.9	7.1	8.7	6.4	8.7	3.6	7.3	3.5	4.8	5.2
6. Social Security and Welfare	9.6	5.5	10.0	16.1	15.8	8.8	8.8	3.8	7.2	6.8	2.0	1.1	3.0	2.2
7. Housing and Community Amenities	-17.4	-10.2	6.5	-16.2	6.6	20.8	-18.6	-0.0	7.2	-29.0	32.9	-3.2	-4.4	-4.2
8. Recreation and Culture	9.0	0.5	1.6	12.6	4.7	1.2	-11.5	13.2	12.4	-2.4	-5.4	0.7	-0.5	-5.0
9. Fuel and Energy	-20.0	18.6	-64.2	57.2	62.0	-54.7	-141.4	na	-11.5	-64.9	-3.2	na	-101.2	-23.8
10. Agriculture, Forestry and Fishing	15.1	-4.1	9.7	44.2	-19.8	-11.9	-3.7	13.6	0.6	-1.4	5.3	0.2	-1.9	-7.8
11. Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	24.7	3.8	17.2	18.4	6.8	-10.6	9.7	11.0	-1.5	1.8	2.7	-4.9	-6.7	-5.8
12. Transport and Communication	-0.3	-0.2	-3.2	7.3	-15.3	59.0	-55.6	15.3	-39.7	na	-197.5	-5.5	-1.7	-2.4
13. Total Other Economic Affairs	2.6	-0.9	9.2	18.2	23.7	43.1	1.9	9.9	22.5	-19.1	-8.6	-8.8	-1.8	-0.8
A. Tourism and Area Promotion	22.9	-9.2	68.6	-8.0	18.8	9.9	14.2	1.8	3.7	-7.4	1.8	-11.6	-0.4	1.8
B. Labour and Employment Affairs	2.5	-0.9	5.9	12.8	27.5	49.8	1.2	11.7	24.0	-20.7	-9.7	-8.8	-1.8	-0.9
C. Other Economic Affairs, nec	-2.4	2.1	21.0	78.0	4.3	7.7	5.1	-3.8	12.7	-4.5	-1.1	-7.6	-2.9	-0.2
14. Total Other Purposes	-3.9	2.9	-0.5	-2.9	-4.1	-2.0	4.3	18.2	-5.8	3.4	-33.5	59.6	21.9	3.6
A. Public Debt Interest	-0.1	-5.9	-1.6	-16.7	-7.2	-6.0	22.3	23.6	14.2	2.1	-4.3	0.7	-9.9	-9.8
B. General Purpose Inter- Government Transactions	2.1	3.5	4.3	-3.0	-5.3	8.3	8.8	-2.3	-8.4	26.4	-2.2	9.2	1.2	4.5
C. Natural Disaster Relief	na	na	-97.8	na	-79.8	-148.6	na	-74.9	-177.6	na	19.5	4.6	0.0	0.0
D. Contingency Reserve	na	na	na	na	na	na	na	na	na	na	na	-195.3	74.2	46.6
E. Asset Sales	na	-50.0	101.6	-84.8	na	na	209.6	-97.9	na	241.3	134.0	-49.0	-99.8	-100.0
TOTAL OUTLAYS	4.4	4.3	6.1	9.4	6.9	6.6	4.4	6.7	3.8	1.7	-1.5	6.8	6.6	2.3

Table III - Commonwealth Budget Outlays by Function - Annual Percentage Change (1989-90 Prices) (a)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
OUTLAYS														
1. Total General Public Services	-0.5	-2.2	-7.6	10.1	6.1	-5.6	5.0	-1.3	-2.8	2.0	-2.8	-4.6	1.0	-2.2
A. Legislative and Executive Affairs	8.8	-31.1	-9.9	-9.3	5.8	10.6	-9.5	2.0	18.7	-18.9	9.2	2.5	-14.6	-4.4
B. Financial and Fiscal Affairs	-11.4	-2.3	5.7	13.2	10.1	-11.5	7.2	-12.1	9.7	5.4	-4.7	-9.2	-4.3	-3.4
C. Foreign Economic Aid	-2.3	3.4	-4.0	3.1	6.8	4.2	2.1	4.9	2.5	-14.6	-4.3	3.1	-1.3	-0.9
D. General Research	-5.8	-5.9	7.4	11.6	13.8	11.3	3.8	1.4	0.3	5.0	4.6	-0.9	-5.2	-6.3
E. General Services	-5.0	15.9	-77.1	126.6	-27.2	-19.2	0.4	-4.6	20.6	-57.8	na	-39.9	-247.0	50.0
F. Government Superannuation Benefits	16.3	2.3	-1.4	10.4	3.9	-22.6	14.5	-0.0	-36.1	59.6	7.4	-16.6	6.3	-3.3
2. Defence	-4.5	-3.3	1.9	2.7	1.1	9.8	-0.7	-1.4	0.1	-2.3	1.9	-0.2	-0.5	-0.9
3. Public Order and Safety	1.5	-0.8	8.9	-8.4	20.9	-4.4	-10.3	3.3	3.6	35.0	-12.6	-24.5	-2.4	-0.7
4. Education	2.2	-2.2	2.6	9.0	10.0	7.9	5.6	2.6	2.2	1.5	-2.8	-1.8	-1.6	-1.9
5. Health	3.0	-1.1	3.8	4.2	5.0	5.8	7.5	5.1	5.7	1.3	5.1	1.0	2.3	2.6
6. Social Security and Welfare	2.6	-2.6	3.3	11.4	13.7	7.5	7.6	2.4	4.3	4.4	-0.1	-1.3	0.5	-0.3
7. Housing and Community Amenities	-22.7	-17.1	-0.0	-19.7	4.7	19.3	-19.5	-1.3	4.2	-30.6	30.2	-5.5	-6.7	-6.6
8. Recreation and Culture	2.0	-7.2	-4.6	8.0	2.8	-0.0	-12.4	11.8	9.3	-4.5	-7.3	-1.7	-2.9	-7.3
9. Fuel and Energy	-25.2	9.5	-66.4	50.7	59.1	-55.2	-140.9	na	-13.9	-65.7	-5.2	na	-101.2	-25.7
10. Agriculture, Forestry and Fishing	7.7	-11.4	3.0	38.3	-21.3	-13.0	-4.7	12.1	-2.1	-3.6	3.2	-2.2	-4.3	-10.0
11. Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	16.6	-4.2	10.0	13.5	4.9	-11.7	8.5	9.6	-4.2	-0.5	0.6	-7.2	-9.0	-8.1
12. Transport and Communication	-6.7	-7.9	-9.1	2.9	-16.8	57.1	-56.1	13.9	-41.3	na	-195.5	-7.8	-4.1	-4.8
13. Total Other Economic Affairs	-4.0	-8.5	2.5	13.4	21.5	41.3	0.8	8.5	19.1	-21.0	-10.5	-11.0	-4.2	-3.2
A. Tourism and Area Promotion	14.9	-16.1	58.3	-11.8	16.6	8.6	12.9	0.5	0.9	-9.4	-0.3	-13.7	-2.8	-0.7
B. Labour and Employment Affairs	-4.2	-8.5	-0.6	8.2	25.2	48.0	0.1	10.2	20.7	-22.5	-11.5	-11.0	-4.1	-3.3
C. Other Economic Affairs, nec	-8.7	-5.7	13.6	70.6	2.5	6.4	3.9	-5.0	9.6	-6.7	-3.2	-9.8	-5.2	-2.6
14. Total Other Purposes	-10.1	-5.0	-6.6	-6.9	-5.9	-3.2	3.2	16.7	-8.3	1.1	-34.8	55.6	19.1	1.1
A. Public Debt Interest	-6.6	-13.1	-7.6	-20.1	-8.9	-7.2	20.9	22.1	11.0	-0.2	-6.2	-1.7	-12.1	-12.0
B. General Purpose Inter- Government Transactions	-4.5	-4.5	-2.1	-7.0	-7.0	7.0	7.6	-3.6	-10.9	23.6	-4.2	6.6	-1.2	2.0
C. Natural Disaster Relief	na	na	-97.9	na	-80.1	-148.1	na	-75.3	-175.5	na	17.1	2.1	-2.4	-2.4
D. Contingency Reserve	na	na	na	na	na	na	na	na	na	na	na	-192.9	70.2	43.1
E. Asset Sales	na	-53.8	89.3	-85.5	na	na	206.2	-97.9	na	233.7	129.3	-50.3	-99.8	-100.0
TOTAL OUTLAYS	-2.4	-3.7	-0.4	4.9	5.0	5.3	3.2	5.3	1.0	-0.6	-3.4	4.2	4.1	-0.2

(a) The Non-farm GDP (NFGDP) deflator is used as a general measure of price change.

Table V - Commonwealth Budget Outlays by Function and Subfunction (\$m)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Total General Public Services	5180	5486	5398	6202	6698	6403	6798	6794	6792	7089	7030	6874	7117	7136
Legislative and Executive Affairs														
Parliamentary Outlays	476	309	266	259	285	292	307	313	345	328	341	338	341	344
Other Legislative Services	93	98	112	76	78	126	71	83	160	82	122	163	88	74
Executive Affairs	61	63	72	91	97	96	93	90	89	83	87	76	76	76
Total Legislative and Executive Affairs	629	470	451	426	459	514	471	487	594	492	549	577	504	494
Financial and Fiscal Affairs														
Financial and Statistical Services	1130	1251	1436	1679	1847	1694	1783	1793	1983	2111	2081	1940	1930	1974
Taxes Paid by Budget Agencies	-28	-84	-123	-129	-109	-137	-95	-290	-287	-282	-302	-284	-305	-366
Total Financial and Fiscal Affairs	1102	1166	1313	1550	1737	1557	1688	1503	1696	1829	1779	1656	1624	1608
Foreign Economic Aid														
Bilateral Aid	743	809	902	865	921	976	1022	1070	1192	995	873	958	1000	1025
Multilateral Aid	212	317	202	339	340	339	300	322	337	348	379	396	392	392
Aid Administration	31	35	41	41	43	47	51	54	69	64	67	65	65	66
Foreign Affairs-Non Aid	403	394	445	465	558	601	652	706	670	575	616	626	610	619
Total Foreign Economic Aid	1389	1555	1590	1711	1861	1963	2026	2153	2268	1982	1935	2044	2068	2101
General Research														
CSIRO	348	348	376	416	448	458	462	461	417	433	467	481	484	465
Australian Nuclear Science and Technology Organisation	51	54	58	63	64	68	64	66	66	64	70	75	68	68
Australian Research Council	73	86	126	173	231	267	300	312	351	401	429	445	411	381
Other General Research, nec	72	66	75	87	111	169	183	198	237	251	261	245	247	247
Total General Research	544	554	634	738	855	963	1010	1037	1070	1149	1227	1246	1210	1162
General Services														
Commonwealth Employees' Compensation	-	102	-24	24	62	74	85	63	33	65	77	83	85	89
Estate Management	-32	16	5	143	-24	-109	-68	-101	-100	-213	-559	-344	-94	-26
Common Service Businesses	18	-76	10	19	55	86	17	55	78	22	43	29	37	38
Other General Services	426	475	136	114	128	130	150	161	209	222	289	140	111	112
Total General Services	412	518	126	299	222	181	184	178	221	95	-150	-92	139	213
Government Superannuation Benefits														
Net Superannuation Payments	1103	1222	1284	1478	1564	1225	1418	1437	944	1541	1689	1444	1572	1558

Table V - Commonwealth Budget Outlays by Function and Subfunction (\$m) (continued)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Defence														
Personnel Costs	2649	2806	2900	3038	3191	3849	3768	3681	3863	4020	4114	4086	4004	4045
Defence Equipment and Stores	2614	2708	2957	3354	3499	3755	3730	3806	3866	3945	4133	4402	4571	4597
Defence Facilities	295	295	357	324	286	352	492	542	528	485	489	520	529	544
Defence Housing	156	139	192	182	198	233	193	129	106	17	105	150	154	159
Defence Industry	296	336	258	177	150	92	82	62	23	54	23	19	18	18
Defence Science	187	210	225	227	232	231	239	229	248	245	215	211	223	227
Defence Other	770	801	1024	1177	1175	1190	1242	1281	1377	1237	1325	1249	1350	1432
Total Defence	6967	7295	7913	8480	8731	9703	9746	9731	10011	10003	10405	10637	10849	11022
Public Order and Safety														
Courts and Legal Services	286	310	344	369	508	481	390	379	421	473	483	435	425	447
Security and Intelligence Services	74	76	102	99	100	106	104	117	116	119	131	118	120	119
Criminal Investigations	185	202	241	186	218	227	228	242	268	242	234	233	241	237
Other Public Order and Safety	100	104	116	113	119	100	108	129	119	443	291	95	94	94
Total Public Order and Safety	645	693	803	768	945	914	829	868	924	1277	1139	881	881	897
Education														
Higher Education	2452	2551	2934	3327	3580	3851	4160	4238	4481	4580	4186	3988	3890	3747
Vocational and Other Education	361	330	340	376	421	563	638	748	810	900	920	925	944	967
Schools	1959	2142	2184	2418	2689	2884	3067	3246	3344	3533	3691	3831	3941	4065
Student Assistance	820	913	1018	1237	1555	1683	1720	1741	1902	1865	1985	2086	2155	2216
General Administration	90	85	100	117	128	166	184	180	124	187	198	216	209	210
Total Education	5683	6021	6576	7475	8373	9147	9769	10152	10662	11067	10980	11047	11140	11205
Health														
Medical Services and Benefits	3470	3742	4285	4761	5128	5604	6109	6640	7107	7301	7584	7905	8351	8768
Hospital Services	3634	3862	4071	4399	4570	4795	5177	5323	5492	5613	6207	6402	6612	6839
Pharmaceutical Services and Benefits	1059	1134	1298	1297	1414	1623	1920	2133	2564	2678	3013	3176	3556	3986
Nursing Home Subsidies and Domicile Care	1464	1609	1796	1932	2025	2068	2028	2119	2324	2484	2636	2757	2828	2905
Aboriginal and Torres Strait Islander Health	-	-	-	-	-	-	-	-	115	112	127	131	132	126
Other Health Services	239	260	318	409	508	543	667	727	796	899	904	843	796	813
General Administration	184	156	133	137	185	177	193	184	218	207	228	209	174	179
Total Health	10050	10762	11901	12935	13830	14811	16092	17126	18616	19294	20700	21422	22449	23617

Table V - Commonwealth Budget Outlays by Function and Subfunction (\$m) (continued)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Social Security and Welfare														
Assistance to the Aged	7233	7854	8621	9722	10575	11306	12488	12711	13333	14455	14792	15588	16416	17115
Assistance to Veterans and Dependants	3118	3182	3396	3677	3785	3848	3906	4019	4357	4469	4372	4350	4338	4293
Assistance to People with Disabilities	2478	2736	3021	3509	3967	4361	4905	5140	5584	5895	5798	5757	6032	6150
Assistance to Families with Children	3853	4138	5004	5605	6853	8020	9149	10203	12519	14006	14708	15077	15823	16323
Assistance to the Unemployed and Sick	3886	3689	3679	5212	7181	7862	8102	7831	7016	7327	7515	7224	7015	6914
Other Welfare Programmes	903	979	1063	1136	1190	1103	1229	1257	1328	1122	852	778	772	770
Aboriginal Advancement Programmes nec	386	464	529	603	673	840	916	1042	1051	974	1061	1114	1138	1162
General Administration	899	966	1087	1200	1300	1319	1403	1456	1616	1768	1919	1698	1573	1569
Recoveries and Repayments	-5	-11	-6	-8	-20	-31	-73	-53	-50	-62	-78	-89	-89	-89
Total Social Security and Welfare	22751	23997	26395	30656	35504	38627	42026	43606	46754	49953	50938	51496	53019	54206
Housing and Community Amenities														
Housing Assistance to Other Governments	1016	920	895	767	914	890	876	912	905	804	850	836	822	818
Defence Service Homes	11	52	179	150	92	53	41	43	52	31	25	25	25	25
Urban and Regional Development	43	5	28	10	16	331	97	39	72	-19	35	5	-2	-5
Environment Protection	39	38	49	56	66	65	75	87	133	145	206	211	188	155
Other Housing and Community Amenities	235	193	120	72	33	22	22	16	20	-115	22	28	26	20
General Administration	7	6	21	29	33	33	25	37	35	17	9	5	4	4
Total Housing and Community Amenities	1352	1214	1293	1083	1154	1394	1135	1135	1216	863	1147	1111	1063	1018
Recreation and Culture														
Broadcasting	567	605	661	721	728	724	561	628	754	736	654	652	661	669
Arts and Cultural Heritage	381	351	275	322	327	332	338	406	418	460	462	422	402	406
Sport and Recreation	44	34	53	71	75	93	96	113	93	96	98	151	155	83
National Estate and Parks	49	55	73	83	123	118	127	123	163	102	105	102	102	96
Total Recreation and Culture	1041	1046	1062	1197	1253	1267	1122	1270	1428	1394	1319	1328	1321	1255
Fuel and Energy														
Fossil Fuels	58	38	43	20	80	19	7	3	4	3	4	4	4	4
Electricity	38	78	-11	18	8	-1	-67	-3	-8	-2	-4	-914	2	2
Energy Research, Conservation & Gen Admin	12	12	14	33	29	35	38	43	42	12	14	7	5	3
Total Fuel and Energy	108	128	46	72	117	53	-22	42	37	13	13	-903	11	8

Table V - Commonwealth Budget Outlays by Function and Subfunction (\$m) (continued)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Agriculture, Forestry and Fishing														
Wool	447	489	496	1148	504	277	242	293	197	123	122	133	149	169
Grains	173	3	76	48	93	83	97	83	142	150	120	116	76	75
Dairy	166	157	144	142	172	170	188	186	199	194	196	200	203	48
Cattle, Sheep and Pig	104	144	130	169	181	178	167	152	143	143	143	143	147	147
Fishing, Horticulture and Other Agriculture	76	87	99	115	85	87	91	102	107	116	126	123	124	121
Sub Total	965	879	944	1621	1036	795	785	816	787	725	706	715	699	560
General Assistance not Allocated to Specific Industries	506	517	556	615	733	743	684	870	885	892	899	894	901	900
Natural Resources Development & Management	44	50	88	74	60	76	80	88	98	89	216	220	196	187
General Administration	75	79	85	103	106	90	93	90	105	143	128	125	121	120
Total Agriculture, Forestry and Fishing	1590	1525	1673	2413	1934	1704	1642	1864	1876	1850	1949	1953	1916	1767
Mining and Mineral Resources, Other Than Fuels; Manufacturing; and Construction														
Mining and Mineral Resources	277	347	455	495	543	540	614	770	821	941	900	913	983	1059
Manufacturing	405	387	461	413	449	459	438	452	431	477	561	470	316	146
Assistance to Exporters	316	299	300	529	542	370	402	424	375	258	264	259	232	238
Other Industry Assistance	3	6	2	6	6	8	55	30	24	4	2	..	..	-
Total Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	1001	1040	1218	1442	1540	1376	1510	1676	1651	1681	1727	1642	1532	1443
Transport and Communication														
Communication	-66	19	-221	-263	-285	-100	-215	-178	-653	-3014	121	119	120	121
Air Transport	-182	130	242	148	74	116	-206	107	193	51	238	180	166	89
Road Transport	1330	1305	1359	1585	1359	1815	1045	851	874	867	867	855	813	832
Rail Transport	49	49	63	106	83	365	230	255	111	364	62	52	84	108
Sea Transport	41	38	64	104	258	143	139	111	127	126	121	119	121	120
Other Transport and Communication	551	178	156	105	23	65	74	85	91	81	76	76	76	76
Total Transport and Communication	1722	1719	1663	1785	1512	2404	1068	1232	743	-1523	1485	1403	1379	1346
Total Other Economic Affairs	1382	1369	1495	1768	2187	3129	3188	3503	4291	3469	3171	2892	2839	2817
Tourism and Area Promotion														
Tourism	47	43	72	66	79	87	99	101	104	97	98	87	87	88

Table V - Commonwealth Budget Outlays by Function and Subfunction (\$m) (continued)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
Labour and Employment Affairs														
Vocational and Industry Training	165	197	192	178	200	338	318	336	264	291	276	311	351	307
Labour Market Assist to Jobseekers and Industry	779	714	754	877	1208	1866	1978	2228	3013	2240	1936	1682	1602	1613
Industrial Relations	160	159	171	201	215	302	219	261	239	190	186	184	185	185
Immigration	112	134	159	183	211	242	265	280	334	331	356	335	329	340
Total Labour and Employment Affairs	1216	1205	1276	1439	1834	2747	2780	3104	3850	3052	2755	2512	2467	2445
Other Economic Affairs, nec														
Economic Regulation and Trade	36	34	53	152	162	179	191	185	199	192	183	157	152	151
Meteorological Services	84	88	95	110	112	116	119	114	137	129	135	136	132	132
Total Other Economic Affairs, nec	119	122	147	262	274	295	310	298	336	321	317	293	284	284
Total Other Purposes	19997	20568	20466	19868	19045	18658	19468	23015	21689	22431	14926	23817	29038	30079
Public Debt Interest														
Gross Interest on Behalf of the Commonwealth	5840	5360	5293	4221	3934	3881	5373	7002	8566	8874	8537	8674	7845	7191
Gross Interest on Behalf of the States	2108	2082	2124	2032	1861	1566	1242	1117	676	470	391	320	259	117
Interest Received on Commonwealth Stock	-90	-45	-141	-190	-168	-160	-150	-125	-116	-23	-8	-7	-7	-2
Total Public Debt Interest	7857	7397	7276	6063	5626	5288	6465	7994	9126	9321	8920	8987	8097	7306
General Purpose Inter-Government Transactions														
General Revenue Assistance to the States	12465	12973	13278	13601	13704	14087	14355	15066	15777	15822	16203	17067	18238	18898
General Purpose Capital Assistance to the States	-130	90	54	-1263	-2219	-2038	-521	-1660	-3852	-748	-768	-80	-1136	-994
Debt Assistance to the States	52	51	50	54	257	160	113	144	92	233	73	36	91	84
Local Government Assistance	642	664	689	711	1040	1080	1084	1095	1165	1216	1205	1258	1304	1352
ASC - Revenue Assistance to the States	-	-	-	68	116	118	124	122	126	130	134	139	143	147
Assistance to Other Governments, nec	182	-107	182	656	190	766	271	300	490	786	205	199	208	216
Total General Purpose Inter-Government Transactions	13211	13670	14254	13828	13088	14174	15427	15068	13798	17440	17053	18619	18848	19703
Natural Disaster Relief														
Natural Disaster Relief Assistance	-15	30	1	139	28	-14	22	6	-4	26	31	32	32	32
Contingency Reserve														
Contingency Reserve	-	-	-	-	-	-	-	-	-	-155	-1247	1189	2071	3037
Asset Sales														
Asset Sales	-1056	-528	-1065	-161	302	-790	-2446	-52	-1230	-4200	-9830	-5010	-10	-
TOTAL OUTLAYS	79467	82860	87903	96143	102822	109590	114372	122012	126689	128861	126928	135599	144553	147815

Table VI - Commonwealth Budget Sector Outlays by Economic Type (\$m)

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
CURRENT OUTLAYS														
Final Consumption Expenditure	14169	14891	15675	17177	18199	19244	20024	20428	21487	22226	23448	23108	23319	23522
Defence Salaries	3054	3139	3033	3177	3339	3455	3417	3269	3372	3502	3578	3563	3473	3504
Non-Salaries	3717	3958	4632	5113	5220	6039	6240	6359	6575	6483	6801	7001	7302	7441
Non-Defence Salaries	3815	3783	3806	4233	4524	4764	5058	4972	5006	4834	4726	4322	4249	4280
Non-Salaries	3583	4011	4204	4654	5116	4986	5309	5829	6534	7406	8343	8222	8295	8296
Total Current Transfer Payments	61605	63942	68746	74665	81229	86465	93343	99325	106577	110450	111688	113741	116765	118890
Interest	7904	7475	7352	6155	5706	5357	6576	8103	9219	9466	9051	9115	8226	7439
Subsidies (a)	1878	1712	1964	2651	2347	2359	2558	2585	2736	2975	2754	2669	2598	2365
Personal Benefit Payments	26815	25019	26374	30669	35276	38202	41120	42400	45541	48332	49030	49931	51502	52676
Grants to Non-Profit Institutions	960	1102	1162	1144	1519	1836	1938	2374	3005	2781	2652	2606	2721	2818
Grants to Non-Budget Sector (a)	2361	6175	7918	8781	9355	10395	11562	12790	13571	13614	14789	15176	15951	16707
Grants to State Governments	17032	17593	18626	19563	20552	21425	22088	22948	24098	24747	24868	25685	27100	28068
Grants Through State Governments	3720	3865	4178	4565	5179	5463	5999	6601	6857	7146	7123	7121	7165	7274
Grants Direct to Local Governments	88	79	95	95	155	190	185	198	211	224	231	236	253	269
Grants Overseas	843	916	1070	1036	1124	1195	1257	1296	1305	1152	1170	1181	1228	1254
Other Transfers	4	5	7	5	17	41	60	31	33	12	21	21	21	22
TOTAL CURRENT OUTLAYS	75773	78833	84421	91842	99429	105709	113367	119753	128064	132675	135137	136849	140084	142412
CAPITAL OUTLAYS														
Capital Outlays on Goods (b)	627	535	686	970	1089	778	634	536	662	159	167	298	556	744
Capital Outlays on Land	-378	-121	24	-65	10	-71	-197	-84	-37	25	-662	92	63	-9
Total Capital Transfer Payments	4110	3789	3979	4943	4445	5643	4005	3354	3273	3723	2781	2652	2604	2618
Grants to Non-Budget Sector (a)	647	304	93	97	170	126	216	424	304	655	336	296	306	312
Grants to State Governments	2781	2847	3353	4060	3390	4453	3243	2572	2618	2717	2156	2107	2065	2083
Grants Through State Governments	291	228	195	285	307	430	269	162	158	154	131	137	129	125
Grants Direct to Local Governments	16	35	13	13	22	320	63	7	29	16	11	7	4	2
Grants to Other Sectors	375	374	326	488	556	314	214	190	164	181	148	105	101	95
Total Net Advances	-665	-176	-1207	-1547	-2151	-2469	-3438	-1547	-5272	-7620	-10276	-5187	-394	-405
To Non-Budget Sector	-46	59	-136	-260	320	114	-425	-24	-667	-3267	18	-874	-26	-26
To Other Governments	-46	-124	-485	-1858	-2753	-2669	-1314	-2017	-4128	-1038	-885	-196	-1251	-1112
To Other Sectors	-573	-110	-585	571	282	86	-1699	494	-477	-3315	-9409	-4118	883	733
TOTAL CAPITAL OUTLAYS	3694	4028	3482	4301	3394	3881	1004	2259	-1375	-3714	-7990	-2145	2829	2948
Contingency Reserve (c)	-	-	-	-	-	-	-	-	-	-100	-219	895	1640	2455
TOTAL OUTLAYS	79467	82860	87903	96143	102822	109590	114372	122012	126689	128861	126928	135599	144553	147815

(a) Current grants to PTEs are classified as subsidies and are not included in Grants to the Non-budget sector.

(b) Capital Outlays on Goods covers the purchase of new fixed assets, purchases less sales of secondhand fixed assets and stocks.

(c) An allowance for parameter revisions which could not be included in detailed estimates.

**Table VIII-Commonwealth Budget Sector Outlays by Economic Type-Annual Percentage Change
(1989-90 Prices) (a)**

	1987-88	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
CURRENT OUTLAYS														
Final Consumption Expenditure	-3.1	-3.0	-1.2	5.1	4.1	4.5	2.9	0.7	2.3	1.1	3.4	-3.8	-1.5	-1.6
Defence Salaries	-3.0	-5.1	-9.3	0.4	3.2	2.2	-2.2	-5.6	0.3	1.5	0.1	-2.8	-4.9	-1.6
Non-Salaries	-9.1	-1.7	9.9	5.8	0.3	14.3	2.2	0.6	0.6	-3.6	2.8	0.5	1.8	-0.6
Non-Defence Salaries	-3.2	-8.4	-5.5	6.6	5.0	4.0	5.0	-3.0	-2.1	-5.6	-4.2	-10.7	-4.1	-1.7
Non-Salaries	4.0	3.3	-1.6	6.1	8.0	-3.7	5.3	8.4	9.0	10.8	10.4	-3.8	-1.6	-2.4
Total Current Transfer Payments	0.8	-4.2	1.0	4.1	6.8	5.2	6.8	5.1	4.4	1.3	-0.9	-0.6	0.2	-0.7
Interest	-6.7	-12.7	-7.7	-19.7	-9.0	-7.2	21.4	21.7	10.7	0.4	-6.3	-1.7	-11.9	-11.8
Subsidies	1.1	-15.8	7.7	29.4	-13.1	-0.7	7.2	-0.2	2.9	6.3	-9.3	-5.4	-5.0	-11.2
Personal Benefit Payments	4.2	-13.8	-1.0	11.5	13.0	7.0	6.4	1.8	4.5	3.7	-0.6	-0.6	0.7	-0.2
Grants to Non-Profit Institutions	-19.7	6.0	-1.0	-5.6	30.4	19.4	4.4	20.9	23.2	-9.6	-6.6	-4.1	1.9	1.1
Grants to Non-Budget Sector	6.5	141.5	20.4	6.3	4.6	9.8	10.0	9.2	3.2	-1.9	6.4	0.2	2.6	2.2
Grants to State Governments	0.1	-4.6	-0.6	0.7	3.2	3.0	2.0	2.6	2.1	0.4	-1.6	0.8	3.0	1.0
Grants Through State Governments	1.4	-4.1	1.5	4.8	11.4	4.2	8.6	8.6	1.0	1.9	-2.3	-2.4	-1.8	-1.0
Grants Direct to Local Governments	-4.3	-16.5	12.7	-4.2	60.0	21.4	-3.5	5.6	3.7	3.6	0.9	-0.2	4.8	3.5
Grants Overseas	-2.6	0.4	9.7	-7.1	6.5	5.1	4.0	1.8	-2.0	-13.7	-0.5	-1.5	1.4	-0.4
Other Transfers	27.0	14.9	30.3	-25.4	219.0	143.6	43.4	-49.4	5.4	-64.6	67.9	-0.8	-0.7	-0.7
TOTAL CURRENT OUTLAYS	0.0	-3.9	0.6	4.3	6.3	5.0	6.1	4.3	4.0	1.3	-0.2	-1.2	-0.1	-0.8
CAPITAL OUTLAYS														
Capital Outlays on Goods	4.3	-21.2	20.3	35.7	10.2	-29.4	-19.3	-16.6	20.1	-76.5	3.0	74.2	81.8	30.5
Capital Outlays on Land	na	-70.4	-118.6	na	-115.0	na	173.5	-57.7	-57.1	-164.8	na	-113.6	-33.3	-114.4
Total Capital Transfer Payments	-10.2	-14.9	-1.4	19.1	-11.7	25.4	-29.8	-17.3	-5.1	11.2	-26.8	-6.9	-4.2	-1.9
Grants to Non-Budget Sector	-8.5	-56.6	-71.3	-0.0	72.9	-27.1	69.8	93.9	-30.2	110.6	-49.8	-14.0	0.8	-0.5
Grants to State Governments	-14.5	-5.5	10.6	16.1	-18.0	29.8	-28.0	-21.7	-1.0	1.5	-22.3	-4.6	-4.4	-1.6
Grants Through State Governments	12.6	-27.6	-20.0	40.3	5.8	38.5	-38.1	-40.5	-5.1	-5.1	-16.5	1.8	-8.2	-5.2
Grants Direct to Local Governments	5.5	108.8	-66.0	-4.1	71.9	na	-80.5	-89.2	na	-47.4	-31.9	-38.9	-39.0	-44.7
Grants to Other Sectors	9.1	-7.8	-18.2	43.6	11.7	-44.1	-32.6	-12.6	-16.0	8.1	-20.2	-30.3	-6.6	-7.6
Total Net Advances	-217.4	-75.6	na	22.9	36.5	13.4	37.8	-55.6	231.5	41.3	32.1	-50.7	-92.6	0.2
To Non-Budget Sector	-64.6	-217.2	na	82.3	-221.1	-64.8	na	-94.4	na	na	-100.5	na	-97.1	-2.8
To Other Governments	-107.9	149.9	na	na	45.5	-4.2	-51.3	51.5	99.0	-75.4	-16.5	-78.4	na	-13.3
To Other Sectors	na	-82.2	na	-193.5	-51.4	-69.8	na	-128.7	-193.9	na	178.1	-57.3	-120.9	-19.0
TOTAL CAPITAL OUTLAYS	-34.7	0.7	-18.8	18.4	-22.5	13.0	-74.4	122.1	-159.2	164.1	110.8	-73.8	-228.7	1.7
Contingency Reserve	na	na	na	na	na	na	na	na	na	na	114.6	na	78.8	46.0
TOTAL OUTLAYS	-2.4	-3.7	-0.4	4.9	5.0	5.3	3.2	5.3	1.0	-0.6	-3.5	4.3	4.0	-0.2

(a) The Non-farm GDP (NFGDP) deflator is used as a general measure of price change.

Table IX - Commonwealth Budget Portfolio Outlays by Major Function, 1997-98 (\$m)

PORTFOLIO	General	Defence	Public	Education	Health	Social	Housing and
	Public		Order			Security	Community
	Services		and Safety			and Welfare	Amenities
Parliament	164.2	-	-	-	-	-	-
Attorney-General's	35.9	-	1024.6	-	-	57.6	-
Communications and the Arts	4.6	-	-	15.6	-	-	-
Defence	1020.7	10407.1	-	-	-	-	-
Veterans' Affairs	-	-	-	9.9	1747.5	4572.1	24.9
Employment, Education, Training and Youth Affairs	431.8	-	-	10851.6	-	3.6	-
Environment, Sport and Territories	84.6	-	4.4	7.4	5.0	-	213.5
Finance	800.8	-2.4	-	-	-	-	-4.8
Administrative Services	24.8	-	13.0	-	-	-	5.3
Foreign Affairs and Trade	1966.8	-	51.5	-	-	-	-
Health and Family Services	8.9	-	-	-	18947.0	3256.3	-
Immigration and Multicultural Affairs	0.9	-	-	95.6	-	71.2	-
Industrial Relations	82.3	-	-	-	-	-	-
Industry, Science and Tourism	1066.1	-	37.2	-	-	12.9	6.2
Primary Industries and Energy	-	-	0.6	-	-	21.1	32.9
Prime Minister and Cabinet	86.6	-	7.8	-	-	1037.2	-
Social Security	-	-	-	-	-	41282.5	947.1
Transport and Regional Development	..	-	-	-	-	5.0	-3.8
Treasury	1251.1	-	-	-	-	618.8	-73.9
Contingency Reserve	-	-	-	-	-	-	-
TOTAL	7030.0	10404.8	1139.0	10980.1	20699.5	50938.3	1147.3

Table IX - Commonwealth Budget Portfolio Outlays by Major Function, 1997-98 (\$m) (continued)

PORTFOLIO	Recreation and Culture	Fuel and Energy	Agriculture, Forestry and Fishing	Mining and Mineral Resources	Transport and Communication	Other Economic Affairs	Other Purposes	TOTAL
Parliament	-	-	-	-	-	-	-	164.2
Attorney-General's	-	-	-	-	-	-	-	1118.1
Communications and the Arts	1073.0	-	-	-	120.8	-	-25.0	1189.1
Defence	1.8	-	-	-	-	-	-	11429.7
Veterans' Affairs	36.1	-	-	-	-	0.6	-	6391.1
Employment, Education, Training and Youth Affairs	-	-	-	-	-	2212.0	-	13498.9
Environment, Sport and Territories	207.6	2.4	93.9	-	3.3	131.6	1224.8	1978.6
Finance	-1.0	-	-	-	-	-	-9806.2	-9013.5
Administrative Services	..	-	-	-	-	9.2	-	52.6
Foreign Affairs and Trade	-	-	-	294.3	-	-	-	2312.6
Health and Family Services	-	-	-	-	-	-	-	22212.2
Immigration and Multicultural Affairs	0.8	-	-	-	-	356.2	-	524.7
Industrial Relations	-	-	-	-	-	186.5	-	268.7
Industry, Science and Tourism	-	-	624.4	1344.8	-	107.1	-	3198.6
Primary Industries and Energy	-	10.3	1231.5	87.5	-	-	185.5	1569.4
Prime Minister and Cabinet	-	-	-	-	-	-	-	1131.6
Social Security	-	-	-	-	-	-	-	42229.6
Transport and Regional Development	-	-	-	-	1360.6	7.6	-	1369.4
Treasury	-	-	-0.7	-	-	160.1	24569.5	26524.9
Contingency Reserve	-	-	-	-	-	-	-1222.2	-1222.2
TOTAL	1318.6	12.6	1949.1	1726.7	1484.8	3170.8	14926.4	126928.1

Table X - Commonwealth Budget Portfolio Outlays by Major Economic Type, 1997-98 (\$m)

PORTFOLIO	Final Consumption Expenditure	Interest	Personal Benefit Payments	Capital Outlays on Goods and Land	Assistance to Other Governments	Other Transfers	Contingency Reserve nec	TOTAL
Parliament	157.2	-	-	7.0	-	-	-	164.2
Attorney-General's	753.6	-	-	31.5	236.9	96.1	-	1118.1
Communications and the Arts	169.1	-	5.5	7.2	0.8	1006.5	-	1189.1
Defence	11403.7	-	7.0	-	-	19.0	-	11429.7
Veterans' Affairs	1709.2	-	4445.7	10.3	12.7	213.1	-	6391.1
Employment, Education, Training and Youth Affairs	1467.6	-	2031.9	37.4	7514.1	2447.8	-	13498.9
Environment, Sport and Territories	521.6	-	-	48.5	1247.6	160.8	-	1978.6
Finance	1061.1	1.1	0.5	-16.4	33.0	-10092.8	-	-9013.5
Administrative Services	374.6	-	-	-324.4	2.1	..	-	52.6
Foreign Affairs and Trade	653.1	..	0.7	20.8	-	1637.9	-	2312.6
Health and Family Services	999.7	-	2414.3	27.8	6702.2	12068.2	-	22212.2
Immigration and Multicultural Affairs	464.6	-	..	10.2	..	49.7	-	524.7
Industrial Relations	154.3	-	1.2	-1.3	-	114.5	-	268.7
Industry, Science and Tourism	522.5	-	-	55.8	25.6	2594.8	-	3198.6
Primary Industries and Energy	380.1	14.7	21.6	52.2	338.9	761.8	-	1569.4
Prime Minister and Cabinet	95.2	-	-	2.2	1.5	1032.7	-	1131.6
Social Security	1465.6	-	39611.2	50.1	1099.1	3.5	-	42229.6
Transport and Regional Development	105.6	-	15.9	104.2	895.2	248.5	-	1369.4
Treasury	1290.0	9035.0	462.3	96.8	16410.5	-769.7	-	26524.9
Contingency Reserve	-300.0	-	11.5	-714.7	-	-	-219.0	-1222.2
TOTAL	23448.5	9050.9	49029.5	-494.9	34520.3	11592.8	-219.0	126928.1

Table XI - Outlays on Approved Capital Works of Commonwealth Departments and Agencies (\$m) (a)

Portfolio/Details	Estimate 96-97	Budget 97-98	Estimate 98-99	Estimate 99-00	Estimate 00-01
Administrative Services					
Overseas property services	67.1	96.0	35.7	12.4	13.2
Domestic property services	71.3	68.0	36.9	29.1	28.7
Attorney-General's					
Department	1.8	2.5	1.5	0.0	16.3
Communications & the Arts					
Old Parliament House	5.5	4.0	0.3	0.0	0.0
National Gallery of Australia	1.8	0.0	0.0	0.0	0.0
National Museum of Australia	0.7	5.5	0.0	0.0	0.0
National Film and Sound Archive	0.3	0.0	0.0	0.0	0.0
Defence					
Defence Facilities	425.0	436.1	463.6	479.9	491.8
Environment, Sport, Territories & Local Government					
Antartic Division	1.0	0.7	0.4	0.0	0.0
Australian National Parks and Wildlife Service	2.6	2.8	3.5	5.3	5.3
Territories Program	21.7	12.2	2.9	2.1	2.1
Bureau of Meteorology	3.1	3.2	3.2	3.2	3.2
National Capital Authority	5.9	10.2	4.0	4.0	4.0
Health & Family Services					
Department	4.6	0.0	0.0	0.0	0.0
Industry, Science & Tourism					
Australian Nuclear Science and Technology Organisation	6.8	6.0	6.6	6.6	6.6
Commonwealth Scientific and Industrial Research Organisation	35.5	26.7	28.0	31.1	32.7
Parliament	2.6	2.6	2.7	2.7	2.8
Primary Industries and Energy					
Department - Screw Worm Fly Facility	2.9	0.3	0.0	0.0	0.0
Murray-Darling Basin Commission	16.8	7.5	0.9	3.1	3.1
Australian Geological Survey Organisation	57.9	40.3	1.9	1.6	1.6
Rehabilitation of Maralinga Atomic Test Site	22.9	27.1	17.2	14.4	0.0
Prime Minister & Cabinet					
Aboriginal & Torres Strait Islander Commission	4.1	2.2	2.7	6.2	3.2
Aboriginal Hostels Limited	2.2	2.2	2.2	2.2	2.2
TOTAL	763.9	750.7	614.4	603.9	616.7

(a) Capital Works cover buildings and engineering works and associated facilities. They include instalment purchase projects and expenditure on design work. Excluded are: outright purchases of land and completed buildings, repairs and maintenance, expenditure on staff housing, computers, plant and equipment, fittings for specialised functions and works funded by grants or specific purpose payments to State/Territories.

Table XIIIa - Commonwealth Budget Running Costs (\$m) and Portfolio Estimates of Average Staffing Levels (ASL) of Agencies Operating on the Commonwealth Public Account

	Running Costs Appropriations (\$m) (b)					ASL (a)	
	1996-97	1997-98	1998-99	1999-00	2000-01	1996-97	1997-98
	Estimate	Budget	Estimate	Estimate	Estimate	Estimate	Budget
Parliament							
Senate	22.5	25.5	24.3	24.4	24.6	244	250
House of Representatives	22.8	23.9	24.1	24.1	24.3	235	232
Parliamentary Reporting Staff	30.3	30.6	30.7	30.8	30.4	289	289
Parliamentary Library	15.1	15.3	15.2	15.2	15.3	201	195
Joint House Department	32.7	37.8	34.1	34.3	34.4	301	280
Total	123.3	133.3	128.4	128.7	129.0	1270	1246
Attorney-General's							
Attorney-General's Department	71.3	79.8	67.7	66.0	66.4	434	427
Legal Practice	37.5	36.3	35.0	35.5	35.8	1281	1163
Aust Federal Police	250.2	238.8	243.0	250.6	252.0	2730	2647
AUSTRAC	8.3	7.8	7.4	7.4	7.5	43	41
Human Rights & Equal Opp Comm	20.5	17.9	13.3	13.2	13.3	200	170
National Crime Authority	36.7	44.7	41.6	42.0	35.5	263	255
Office of Parliamentary Counsel	6.2	7.3	6.7	6.7	6.8	47	47
Office of Dir of Public Prosecutions	56.3	54.1	51.8	52.0	52.7	410	400
Family Court of Australia	99.7	107.1	99.1	100.0	101.0	780	760
Federal Court of Australia	53.4	53.7	52.2	51.7	52.0	363	336
Administrative Appeals Tribunal	25.6	27.2	25.2	25.2	25.3	159	158
Aust Bureau of Criminal Intelligence	5.3	6.3	5.2	5.2	5.2	24	22
National Native Title Tribunal	16.1	23.8	21.9	22.3	22.5	150	160
Office of Film and Literature Classif	5.1	4.6	2.7	2.7	2.7	38	38
Total	692.1	709.4	672.8	680.5	678.7	6922	6624
Communications and the Arts							
Dept of Communications and the Arts	110.0	110.1	104.5	105.0	105.8	1085	1086
Defence							
Department of Defence - total (c)	5516.2	5648.3	5613.5	5578.1	5696.5	80380	79067
Veterans' Affairs							
Department of Veterans' Affairs	239.9	221.9	209.8	204.6	205.2	3055	2520
Employment, Education, Training and Youth Affairs							
Department of Employ, Education Training and Youth Affairs	950.1	753.2	356.5	322.0	327.7	11493	7333
Nat Board of Employ, Educ & Training	5.0	3.9	3.5	3.6	3.7	30	30
Total	955.1	757.2	360.0	325.6	331.4	11523	7363
Environment, Sport and Territories							
Dept of Environ, Sport & Territories	76.4	69.9	62.6	53.6	53.0	797	740
C'wealth Bureau of Meteorology	142.6	151.7	150.3	146.5	142.9	1414	1365
Antarctic Division	42.1	43.4	44.6	45.0	45.4	298	305
Territories	3.0	4.4	0.9	1.0	1.0	21	11
National Capital Planning Authority	7.9	7.1	6.2	6.2	6.3	65	64
Total	272.0	276.5	264.6	252.3	248.5	2595	2485
Finance							
Department of Finance	73.6	73.1	67.5	67.7	68.5	669	540
Australian National Audit Office	48.8	51.9	48.9	49.6	50.4	377	343
Commonwealth Superannuation Admin	25.2	25.0	24.7	24.8	24.7	376	353

Table XIIIa - Commonwealth Budget Running Costs (\$m) and Portfolio Estimates of Average Staffing Levels (ASL) of Agencies Operating on the Commonwealth Public Account (continued)

	Running Costs Appropriations (\$m) (b)					ASL (a)	
	1996-97	1997-98	1998-99	1999-00	2000-01	1996-97	1997-98
	Estimate	Budget	Estimate	Estimate	Estimate	Estimate	Budget
Office of Govt Information Technology	12.0	15.2	16.7	12.4	7.8	33	62
Office of Asset Sales	6.8	4.9	0.0	0.0	0.0	41	33
Total	166.4	170.1	157.7	154.6	151.5	1496	1331
Administrative Services							
Dept of Administrative Services	174.6	174.7	156.2	150.3	151.2	1320	1115
Australian Electoral Commission	63.3	72.0	65.8	66.1	66.6	734	734
Total	237.9	246.7	222.1	216.5	217.8	2054	1849
Foreign Affairs and Trade							
Dept of Foreign Affairs and Trade	461.6	540.7	440.4	444.1	448.3	3719	3618
Aust-Japan Foundation	0.7	1.0	0.7	0.7	0.8	3	3
Aust Agency for International Development	54.5	58.1	55.0	55.2	55.6	542	535
Total	516.8	599.8	496.1	500.1	504.7	4264	4156
Health and Family Services							
Dept of Health and Family Services	290.8	303.6	284.1	262.0	268.4	3399	3161
Professional Services Review Scheme	1.1	1.9	1.9	1.4	1.4	5	10
Total	291.9	305.4	285.9	263.4	269.9	3404	3171
Immigration & Multicultural Affairs							
Dept of Immig & Multicultural Affairs	330.7	351.3	331.3	331.1	344.6	3271	3313
Immigration Review Tribunal	7.5	7.2	10.6	9.6	8.9	69	65
Refugee Review Tribunal	14.1	15.7	15.2	14.0	12.0	166	173
Total	352.4	374.2	357.0	354.7	365.6	3506	3551
Industrial Relations							
Department of Industrial Relations	62.4	67.3	64.8	64.9	65.3	526	610
Affirmative Action Agency	2.2	2.2	2.0	2.0	2.0	20	21
Australian Industrial Registry	40.3	40.2	40.5	40.9	41.2	298	302
Total	104.9	109.8	107.2	107.8	108.5	844	933
Industry, Science and Tourism							
Dept of Industry, Science & Tourism	128.4	132.5	108.4	95.4	92.7	1022	1102
Aust Customs Service	381.8	383.3	388.0	398.1	400.0	4075	4022
Anti-Dumping Authority	1.5	1.7	1.7	1.7	1.7	17	17
Total	511.7	517.4	498.1	495.2	494.4	5114	5141
Primary Industries and Energy							
Dept of Primary Industries and Energy	119.6	101.4	97.5	91.8	90.0	1054	1053
ABARE	22.1	22.6	22.5	22.6	22.9	233	228
Aust Geological Survey Organisation	71.3	59.0	53.3	54.4	55.5	534	510
Total	213.0	182.9	173.3	168.8	168.4	1821	1791
Prime Minister and Cabinet							
Dept of Prime Minister and Cabinet	45.1	47.1	41.3	41.3	41.5	391	397
Commonwealth Ombudsman	8.4	8.4	7.8	7.9	7.9	89	87
Governor-Gen Office & Establishments	7.1	8.2	8.0	8.1	8.2	76	74
Office of Inspector-Gen of Intel & Sec	0.6	0.6	0.6	0.6	0.6	6	6
Office of National Assessments	6.7	6.1	6.1	5.9	5.9	65	65
Public Service and Merit Protection Comm	24.8	21.6	18.1	18.1	18.2	177	160
Total	92.7	92.1	82.0	81.8	82.3	804	789

Table XIIIa - Commonwealth Budget Running Costs (\$m) and Portfolio Estimates of Average Staffing Levels (ASL) of Agencies Operating on the Commonwealth Public Account (continued)

	Running Costs Appropriations (\$m) (b)					ASL (a)	
	1996-97	1997-98	1998-99	1999-00	2000-01	1996-97	1997-98
	Estimate	Budget	Estimate	Estimate	Estimate	Estimate	Budget
Social Security							
Department of Social Security	1443.0	84.0	79.7	83.1	83.8	23021	830
Commonwealth Service Delivery Agency	0.0	1710.2	1526.6	1407.0	1403.5	na	26722
Total	1443.0	1794.2	1606.3	1490.1	1487.2	23021	27552
Transport and Regional Development							
Dept of Transport & Regional Devel	93.1	79.0	76.7	76.0	76.9	816	709
Dept. of the Treasury							
Department of the Treasury	51.3	50.5	46.5	44.2	44.1	520	509
Australian Bureau of Statistics	325.4	243.2	237.2	239.2	268.1	3950	3200
Australian Taxation Office	1233.4	1289.6	1196.2	1185.7	1220.2	17045	16150
Aust Competition & Consumer Comm	31.4	34.6	34.2	34.1	34.2	306	335
National Competition Council	1.9	2.7	2.9	2.9	2.9	14	19
Insurance and Superannuation Comm	41.7	37.8	36.1	36.1	36.4	468	444
Industry Commission	26.1	24.6	20.1	20.3	21.6	236	223
Economic Planning Advisory Comm	2.6	0.2	0.0	0.0	0.0	15	1
Total	1713.7	1683.2	1573.2	1562.4	1627.6	22554	20881
Contingency Reserve	-50.0	-300.0					
Grand Total	13596.1	13711.5	12989.3	12746.1	12949.8	176527	172242
Excluding Contingency Reserve	13646.1	14011.5	12989.3	12746.1	12949.8		
Excluding Defence Military Salaries	10437.1	10750.6	9767.2	9530.6	9706.6		

- (a) Staffing Level statistics are provided by portfolios as these estimates are not compiled by the Department of Finance. Staffing statistics are not a control point within the running costs arrangements and are indicative only. Figures are also published in Portfolio Budget Statements. In addition, Statement 4 contains a section on downsizing of the Australian Public Service.
- (b) Data now aligns with data presented in Budget Paper No 4 (1997-98).
- (c) Data for the Department of Defence aligns with data in Budget Paper No4 (1997-98). As such it includes military personnel costs and excludes property operating expenses as appropriated under Sub Division 185-02 of the Bills. Defence operates under global budget funding arrangements and is not subject to most running cost operating arrangements.

Table XIIIb - Commonwealth Budget Running Costs (\$m)

	Net Salaries (\$m) (a)					Net Non-Salary Running Costs (\$m) (a)					Section 35 Receipts (b)			
	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Parliament														
Senate	13.4	15.1	14.3	14.4	14.5	9.0	10.2	9.9	9.8	9.9	0.2	0.2	0.2	0.2
House of Representatives	12.6	13.1	13.2	13.2	13.4	10.2	10.8	10.8	10.7	10.8	0.1	0.1	0.1	0.1
Parliamentary Reporting Staff	16.8	16.8	16.9	17.0	17.1	13.5	13.4	13.4	13.3	12.7	0.5	0.5	0.5	0.5
Parliamentary Library	10.8	11.2	11.0	11.1	11.2	4.2	4.1	4.1	4.1	4.1	0.0	0.0	0.0	0.0
Joint House Department	14.9	14.1	14.2	14.3	14.4	17.8	21.0	17.2	17.2	17.3	2.7	2.7	2.7	2.7
Total	68.5	70.3	69.5	70.0	70.6	54.7	59.4	55.3	55.2	54.8	3.6	3.6	3.6	3.6
Attorney-General's														
Attorney-General's Department	26.4	25.7	26.2	27.5	28.2	44.9	53.3	40.7	37.8	37.5	0.8	0.8	0.8	0.8
Legal Practice	15.8	15.7	15.6	15.9	16.1	21.7	19.4	18.2	18.4	18.6	1.1	1.1	1.1	1.1
Aust Federal Police	189.6	121.1	126.3	135.2	136.2	60.5	50.5	49.4	48.2	48.5	67.2	67.2	67.2	67.2
AUSTRAC	1.9	2.0	2.0	2.0	2.0	6.4	5.9	5.4	5.4	5.5	0.0	0.0	0.0	0.0
Human Rights & Equal Opp Comm	9.8	9.4	5.1	5.1	5.2	10.7	7.5	5.8	5.7	5.7	1.0	2.4	2.4	2.4
National Crime Authority	15.9	15.7	15.8	16.0	16.1	20.8	28.6	25.3	25.5	18.9	0.4	0.5	0.5	0.5
Office of Parliamentary Counsel	3.9	4.7	4.0	4.1	4.1	2.3	1.9	1.9	2.0	2.0	0.7	0.7	0.7	0.7
Office of Dir of Public Prosecutions	28.2	27.1	27.0	27.1	27.4	28.1	26.5	24.4	24.4	24.9	0.4	0.4	0.4	0.4
Family Court of Australia	54.3	55.1	54.2	54.7	55.3	45.4	51.5	44.3	44.7	45.1	0.6	0.6	0.6	0.6
Federal Court of Australia	27.5	24.0	23.7	23.2	23.2	25.9	28.8	27.5	27.5	27.8	1.0	1.0	1.0	1.0
Administrative Appeals Tribunal	11.4	13.9	12.5	12.6	12.7	14.1	12.8	12.1	12.1	12.1	0.5	0.5	0.5	0.5
Aust Bureau of Criminal Intelligence	1.2	1.2	1.2	1.2	1.2	4.1	3.9	2.7	2.8	2.8	1.3	1.3	1.3	1.3
National Native Title Tribunal	7.8	6.7	6.8	6.8	6.9	8.3	17.0	15.1	15.4	15.5	0.1	0.1	0.1	0.1
Office of Film and Literature Classif	5.1	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	2.7	2.7	2.7
Total	398.7	324.4	320.5	331.5	334.7	293.3	307.5	273.0	269.7	264.7	77.4	79.3	79.3	79.3
Communications and the Arts														
Dept of Communications and the Arts	53.4	50.9	51.3	51.8	52.3	56.6	53.9	47.9	47.9	48.2	5.2	5.2	5.2	5.2
Defence														
Department of Defence - total (c)	4135.4	4213.3	4184.8	4105.0	4147.7	1380.8	1433.9	1427.6	1472.1	1547.8	1.0	1.0	1.0	1.0
Military salaries	3209.1	3260.8	3222.1	3215.5	3243.2									
Civilian Salaries	926.4	952.5	962.7	889.5	904.5									
Veterans' Affairs														
Department of Veterans' Affairs	147.7	128.7	131.7	129.4	129.9	92.2	92.0	76.9	73.9	74.1	1.2	1.2	1.2	1.2

Table XIIIb - Commonwealth Budget Running Costs (\$m) (continued)

	Net Salaries (\$m) (a)					Net Non-Salary Running Costs (\$m) (a)					Section 35 Receipts (b)			
	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Employment, Education, Training and Youth Affairs														
Department of Employ, Education Training and Youth Affairs	627.8	474.9	186.3	172.3	175.5	322.3	254.5	156.1	135.3	137.6	23.8	14.1	14.4	14.6
Nat Board of Employ, Educ & Training	2.8	1.8	1.8	1.9	1.9	2.2	2.1	1.7	1.7	1.8	0.0	0.0	0.0	0.0
Total	630.6	476.7	188.2	174.2	177.4	324.5	256.6	157.8	137.0	139.4	23.8	14.1	14.4	14.6
Environment, Sport and Territories														
Dept of Environ, Sport & Territories	46.7	43.7	38.9	32.6	32.2	29.7	23.6	21.4	18.6	18.4	2.6	2.3	2.4	2.4
C'wealth Bureau of Meteorology	81.0	86.1	85.9	85.8	86.4	61.5	50.9	51.9	48.1	47.4	14.7	12.5	12.7	9.1
Antarctic Division	19.1	19.6	19.9	20.3	20.8	23.0	22.9	23.7	23.7	23.7	0.9	0.9	0.9	0.9
Territories	1.5	0.8	0.6	0.6	0.7	1.5	3.5	0.3	0.3	0.3	0.0	0.0	0.0	0.0
National Capital Planning Authority	2.4	3.1	3.2	3.3	3.3	5.6	2.6	1.7	1.6	1.6	1.4	1.4	1.4	1.4
Total	150.7	153.4	148.5	142.6	143.4	121.3	103.5	99.0	92.3	91.4	19.6	17.1	17.4	13.7
Finance														
Department of Finance	42.5	42.9	46.0	46.3	46.7	31.2	25.8	16.7	16.7	17.1	4.4	4.7	4.7	4.7
Australian National Audit Office	25.4	25.0	25.1	25.3	25.5	23.3	26.7	23.6	24.1	24.7	0.2	0.2	0.2	0.3
Commonwealth Superannuation Admin	16.9	17.4	17.5	17.6	17.7	8.3	7.2	6.8	6.9	6.6	0.4	0.4	0.4	0.4
Office of Govt Information Technology	2.9	2.3	3.2	2.4	2.1	9.1	12.7	13.4	9.9	5.5	0.2	0.2	0.2	0.2
Office of Asset Sales	4.6	2.6	0.0	0.0	0.0	2.1	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	92.3	90.3	91.7	91.6	92.1	74.1	74.7	60.5	57.5	53.9	5.2	5.5	5.5	5.5
Administrative Services														
Dept of Administrative Services	74.7	87.6	72.9	75.0	75.8	99.9	57.2	53.5	45.5	46.1	29.8	29.8	29.8	29.3
Australian Electoral Commission	32.1	36.1	33.1	33.1	33.3	31.3	29.2	26.4	26.6	26.8	6.7	6.3	6.5	6.6
Total	106.8	123.7	105.9	108.1	109.0	131.2	86.5	80.0	72.1	72.8	36.5	36.2	36.3	35.9
Foreign Affairs and Trade														
Dept of Foreign Affairs and Trade	162.0	145.5	148.4	150.1	152.0	299.6	339.1	236.0	237.9	240.3	56.0	56.0	56.0	56.0
Aust-Japan Foundation	0.3	0.2	0.2	0.2	0.2	0.4	0.8	0.5	0.6	0.6	0.0	0.0	0.0	0.0
Aust Agency for International Develop	38.0	34.1	34.9	35.2	35.5	16.5	23.2	19.4	19.3	19.4	0.7	0.7	0.7	0.7
Total	200.3	179.8	183.5	185.5	187.7	316.5	363.2	255.9	257.8	260.3	56.8	56.8	56.8	56.8

Table XIIIb - Commonwealth Budget Running Costs (\$m) (continued)

	Net Salaries (\$m) (a)					Net Non-Salary Running Costs (\$m) (a)					Section 35 Receipts (b)			
	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Health and Family Services														
Dept of Health and Family Services	165.9	138.3	133.4	121.8	123.3	124.9	136.6	122.0	111.5	116.4	28.7	28.7	28.7	28.7
Professional Services Review Scheme	0.4	0.6	0.6	0.5	0.5	0.7	1.3	1.3	0.9	1.0	0.0	0.0	0.0	0.0
Total	166.2	138.8	133.9	122.2	123.8	125.7	137.9	123.3	112.5	117.3	28.7	28.7	28.7	28.7
Immigration & Multicultural Affairs														
Dept of Immig & Multicultural Affairs	179.6	170.0	174.7	179.5	188.0	151.1	171.2	146.4	141.2	146.0	10.1	10.2	10.4	10.6
Immigration Review Tribunal	4.7	3.8	7.4	6.6	6.1	2.9	3.4	3.1	3.0	2.8	0.0	0.0	0.0	0.0
Refugee Review Tribunal	9.5	10.5	10.0	9.2	7.8	4.6	5.2	5.1	4.8	4.2	0.0	0.0	0.0	0.0
Total	193.8	184.3	192.2	195.4	201.9	158.5	179.8	154.6	148.9	153.1	10.1	10.2	10.4	10.7
Industrial Relations														
Department of Industrial Relations	34.9	41.5	41.3	41.7	42.0	27.5	21.3	19.4	19.4	19.4	4.6	4.1	3.8	3.8
Affirmative Action Agency	1.1	1.2	1.0	1.0	1.0	1.1	1.0	0.9	0.9	0.9	0.0	0.0	0.0	0.0
Australian Industrial Registry	18.7	19.5	19.6	19.7	19.9	21.7	20.6	20.8	21.1	21.2	0.1	0.1	0.1	0.1
Total	54.6	62.2	61.9	62.4	63.0	50.3	42.9	41.1	41.4	41.5	4.7	4.2	4.0	4.0
Industry, Science and Tourism														
Dept of Industry, Science & Tourism	68.7	66.0	61.2	57.7	56.7	59.7	66.0	46.4	36.8	35.1	0.6	0.9	0.9	0.9
Aust Customs Service	237.2	233.0	238.9	246.1	253.0	144.7	129.6	128.0	130.3	125.1	20.7	21.1	21.6	22.0
Anti-Dumping Authority	1.4	1.4	1.4	1.4	1.4	0.2	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0
Total	307.2	300.3	301.4	305.3	311.1	204.5	195.9	174.7	167.4	160.5	21.2	22.0	22.5	22.9
Primary Industries and Energy														
Dept of Primary Industries and Energy	66.4	44.5	51.0	47.7	46.7	53.3	49.0	38.5	36.0	34.9	7.9	8.0	8.2	8.4
ABARE	10.3	10.7	10.6	10.6	10.7	11.8	4.4	4.2	4.1	4.1	7.6	7.7	7.9	8.0
Aust Geological Survey Organisation	30.3	26.4	27.1	27.9	28.5	41.0	19.6	12.9	12.9	13.1	13.0	13.3	13.6	13.9
Total	106.9	81.5	88.7	86.3	86.0	106.1	73.0	55.6	52.9	52.1	28.4	29.0	29.7	30.3
Prime Minister and Cabinet														
Dept of Prime Minister and Cabinet	29.2	25.5	24.0	24.1	24.3	16.0	21.3	15.1	14.9	14.9	0.3	2.2	2.2	2.2
Commonwealth Ombudsman	5.7	5.1	5.1	5.2	5.2	2.7	3.1	2.5	2.5	2.5	0.2	0.2	0.2	0.2
Governor-Gen Office & Establishments	3.8	3.7	3.6	3.7	3.8	3.4	4.2	4.0	4.0	4.0	0.2	0.4	0.4	0.4
Office of Inspector-Gen of Intel & Sec	0.5	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Office of National Assessments	4.6	4.7	4.7	4.8	4.8	2.1	1.4	1.4	1.1	1.1	0.0	0.0	0.0	0.0
Public Service and Merit Protection Comm	6.7	8.4	8.5	8.5	8.6	18.1	6.6	5.1	5.0	5.1	6.6	4.5	4.5	4.5
Total	50.4	48.0	46.4	46.8	47.3	42.2	36.8	28.2	27.6	27.7	7.3	7.3	7.3	7.3
Social Security														
Department of Social Security	923.9	38.7	32.3	27.1	20.5	519.2	44.5	46.7	55.2	62.5	0.8	0.8	0.8	0.8
Commonwealth Service Delivery Agency	0.0	49.5	0.0	0.0	0.0	0.0	73.0	0.0	0.0	0.0	1587.7	1526.6	1407.0	1403.5
Total	923.9	88.2	32.3	27.1	20.5	519.2	117.5	46.7	55.2	62.5	1588.5	1527.4	1407.8	1404.2

Table XIIIb - Commonwealth Budget Running Costs (\$m) (continued)

	Net Salaries (\$m) (a)					Net Non-Salary Running Costs (\$m) (a)					Section 35 Receipts (b)			
	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
Transport and Regional Development														
Dept of Transport & Regional Devel	58.6	45.1	43.0	43.1	43.9	34.6	32.7	32.5	31.7	31.7	1.2	1.2	1.2	1.2
Treasury														
Department of the Treasury	34.2	32.5	33.3	32.0	32.1	17.1	17.1	12.7	11.6	11.4	0.9	0.5	0.5	0.5
Australian Bureau of Statistics	176.3	149.4	142.9	143.9	145.1	149.1	67.8	67.7	68.2	95.3	26.0	26.5	27.1	27.7
Australian Taxation Office	857.7	850.2	846.8	861.7	881.9	375.7	436.4	346.7	321.2	335.5	3.0	2.7	2.7	2.8
Aust Competition & Consumer Comm	16.7	19.2	19.3	19.5	19.7	14.7	15.1	14.6	14.3	14.3	0.3	0.3	0.3	0.3
National Competition Council	1.1	1.5	1.7	1.7	1.7	0.9	1.2	1.2	1.2	1.2	0.0	0.0	0.0	0.0
Insurance and Superannuation Comm	26.1	25.2	25.5	25.7	25.9	15.5	11.5	9.8	9.6	9.7	1.1	0.8	0.8	0.8
Industry Commission	16.9	15.8	14.3	14.3	14.5	9.1	8.6	5.6	5.8	7.0	0.2	0.2	0.2	0.2
Economic Planning Advisory Comm	1.8	0.2	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	1130.9	1094.0	1083.9	1098.9	1120.9	582.8	557.7	458.4	431.9	474.4	31.5	31.0	31.6	32.3
Grand Total	8977.0	7854.0	7459.3	7377.2	7463.0	4669.1	4205.3	3648.9	3605.1	3728.2	1952.1	1881.2	1763.9	1758.6
Grand Total (excl. Defence military salaries)	5767.9	4593.2	4237.2	4161.7	4219.9	4669.1	4205.3	3648.9	3605.1	3728.2	1952.1	1881.2	1763.9	1758.6

(a) Data aligns with equivalent data presented in Budget Paper No 4 (1997-98).

(b) Section 35 of the Audit Act 1901 provides that items in the Appropriation Bills may be annotated to allow certain receipts to be deemed to be appropriated. For actual 1995-96 any expenditure of amounts deemed to have been appropriated is recorded against either net salaries or net non-salary running costs.

(c) Data for the Department of Defence aligns with data in Budget Paper No 4 (1997-98). The non-salary component excludes property operating expenses as appropriated under Sub Division 185-02 of the Bills. Defence operates under global budget funding arrangements and is not subject to most running cost operating arrangements.

STATEMENT 5 — REVENUE

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STATEMENT 5 — REVENUE

PART I: BUDGET ESTIMATES

Table 1 compares the revised revenue estimates for 1996-97 with the 1996-97 Budget estimates and provides estimates for 1997-98.

Table 1: Revenue Estimates

	1996-97				1997-98		
	Budget Estimate \$m	Revised Estimate \$m	Change on Budget %	Change on 1995-96 %	Estimate \$m	Change on 1996-97 \$m	%
Taxation Revenue							
Income Tax							
Individuals -							
Gross PAYE	57700	57440	-0.5	7.8	62050	4610	8.0
Gross Other Individuals(a)(b)	10290	10640	3.4	11.6	10540	-100	-0.9
Gross Prescribed Payments System(c)	2200	2090	-5.0	1.5	2430	340	16.3
Medicare Levy	4060	4130	1.7	23.3	3740	-390	-9.4
Refunds(d)	8310	8310	0.0	6.1	9000	690	8.3
Total Individuals	65940	65990	0.1	9.2	69760	3770	5.7
Companies(a)	19700	18320	-7.0	0.4	18590	270	1.5
Superannuation Funds(a)	1800	2450	36.1	49.9	2490	40	1.6
Withholding Tax	1170	1120	-4.3	-17.0	1230	110	9.8
Petroleum Resource Rent Tax	840	1310	56.0	65.7	850	-460	-35.1
Fringe Benefits Tax	3180	3150	-0.9	3.9	3150	0	0.0
Total Income Tax	92630	92340	-0.3	8.0	96070	3730	4.0
Indirect Tax							
Sales Tax							
Excise duty -							
Petroleum Products, Crude Oil and LPG	10750	10500	-2.3	2.6	10840	340	3.2
Other	2610	2700	3.4	3.4	2700	0	0.0
Customs Duty - Imports	3010	3280	9.0	5.0	3410	130	4.0
Total Indirect Tax	30260	29890	-1.2	3.3	31120	1230	4.1
Other Taxes, Fees and Fines(e)	2138	2133	-0.3	7.3	2243	110	5.2
Total Taxation Revenue(e)	125028	124363	-0.5	6.9	129433	5070	4.1
Non-Tax Revenue							
Interest	1123	1158	3.2	-17.4	999	-159	-13.8
Dividends and Other	4009	4104	2.4	5.3	2919	-1185	-28.9
Total Non-Tax Revenue	5132	5263	2.5	-0.7	3918	-1344	-25.5
TOTAL REVENUE(e)	130160	129625	-0.4	6.5	133351	3726	2.9

(a) Includes tax on realised capital gains.

(b) Includes Child Support Trust Account receipts (\$426 million in 1996-97 and \$454 million in 1997-98).

(c) Includes Reportable Payments System payments by individuals (\$1 million in 1996-97 and \$1 million in 1997-98).

(d) Includes refunds of Child Support Trust Account receipts (\$10 million in 1996-97 and \$10 million in 1997-98).

(e) Includes impact of classification changes except for the 1996-97 Budget estimate.

Total revenue in 1996-97 is now estimated to be a little lower than forecast in the 1996-97 Budget with a significant downward movement in company tax partly offset by strength in a number of other tax categories.

In 1997-98 total revenue is expected to increase by 2.9 per cent over estimated revenue in 1996-97, with the ratio of revenue to GDP falling to 24.5 per cent. Total tax revenue is expected to grow more slowly in 1997-98 at 4.1 per cent, compared with estimated growth of 6.9 per cent in 1996-97. As a share of GDP, taxation revenue is expected to fall to 23.8 per cent. Taxation revenue is expected to increase by 2.0 per cent in real terms.

The continued growth in taxation revenue in 1997-98 reflects ongoing expansion of economic activity as well as the net contribution to revenue from measures announced in this and previous Budgets. The decline in non-tax revenue mainly reflects a lower dividend from the Reserve Bank of Australia.

Revenue measures contained in this Budget add \$71 million in 1997-98; measures have substantially greater effects in later years. A list of revenue measures is included in Appendix A and described in full in *Budget Paper No. 2*.

The revenue estimates are influenced by the rate of income growth (growth in nominal GDP(I) of around 6 per cent) and the following forecasts:

- average earnings (national accounts basis excluding superannuation and redundancies) growth of around 4 per cent;
- growth in wage and salary employment of 2 per cent;
- a rise in 1996-97 company income of 3¼ per cent; and
- an increase in nominal private consumption of 5¼ per cent.

Taxation Revenue

Individuals Income Tax

The revised estimates for 1996-97 and estimates for 1997-98 for the major categories of individuals income tax are shown in Table 2.

Table 2: Individuals Income Tax

	1996-97 Revised Estimate \$m	1997-98 Estimate \$m	Change on 1996-97 %
Individuals			
Gross PAYE	57440	62050	8.0
Gross Other Individuals(a)(b)	10640	10540	-0.9
Gross Prescribed Payments System(c)	2090	2430	16.3
Medicare Levy(d)	4130	3740	-9.4
less Refunds(e)	8310	9000	8.3
TOTAL	65990	69760	5.7

(a) Includes tax on realised capital gains.

(b) Includes Child Support Trust Account receipts (\$426 million in 1996-97 and \$454 million in 1997-98).

(c) Includes Reportable Payments System payments by individuals (\$1 million in 1996-97 and \$1 million in 1997-98).

(d) The base Medicare levy reverts to 1.5 per cent in 1997-98 with the cessation of the 0.2 per cent surcharge imposed in 1996-97 for the purpose of buying back certain firearms from the public.

(e) Includes refunds of Child Support Trust Account receipts (\$10 million in 1996-97 and \$10 million in 1997-98).

Pay-As-You-Earn (PAYE) Instalment Deductions

Wage and salary earners pay income tax on a pay as you earn basis through tax instalment deductions made by their employers.

Gross PAYE collections (net of the Medicare levy) are expected to rise by 8.0 per cent in 1997-98 in response to forecast growth in average earnings and in wage and salary employment.

Other Individuals

The 'other individuals' category includes all collections of income tax paid by individuals, other than those made through the PAYE and Prescribed Payments System (PPS) categories. Tax revenue comprises provisional tax payments and debit assessments on income tax returns (ie where tax credits are insufficient to meet the tax assessed on income). Taxpayers in this category derive their income from salary and wages, business and property income and capital gains, and may also make concurrent payments under the PAYE and PPS categories.

Provisional tax liability in a given year is generally determined by increasing the previous year's assessed income by a provisional tax uplift factor (currently 6 per cent). Taxpayers who expect their income to grow by less than the uplift factor may elect to lodge a provisional tax variation to reduce provisional tax payments. Current year tax payments for other individuals are made up of provisional tax payments together with any balance on assessment from the previous year's tax liability.

Revenue from this item is expected to fall by around 0.9 per cent in 1997-98 largely due to lower expected collections from debits on assessments. Debits on assessments in 1996-97 have been exceptionally strong because of robust growth in incomes in 1995-96, which is expected to moderate.

Prescribed Payments System (PPS)

PPS collections represent the withholding, at source, of taxation on payments for prescribed labour and services in specific industries (eg building and construction and road transport). PPS collections generally cover industries where the PAYE form of collections is either infeasible or costly to administer.

Revenue in 1997-98 is estimated to increase strongly mainly reflecting strong growth in the construction industries, viz:

- forecast growth of 22.5 per cent in the nominal value of non-residential construction; and
- forecast growth of 12.5 per cent in the nominal value of dwelling construction.

Medicare Levy

Collections in 1997-98 are expected to fall by 9.4 per cent owing to:

- reversion of the base levy to 1.5 per cent with the cessation of the 0.2 per cent (of taxable income) surcharge imposed in 1996-97 for the purpose of buying back certain firearms from the public; partially offset by
- growth in wage and salary incomes.

Individuals Income Tax Refunds

A final assessment of tax liability for individual taxpayers is made on the basis of returns lodged after the end of a financial year. Refunds are made where tax payments exceed the final assessment. Where tax credits are insufficient to meet the final tax liability, taxpayers make an additional payment, which is collected under the other individuals income tax category.

Refunds in 1997-98 are estimated to grow by 8.3 per cent largely on account of:

- ongoing growth in income tax collected from individuals during 1996-97; and
- the impact of the introduction of the Family Tax Initiative from 1 January 1997, which allows taxpayers to claim the tax relief through refunds (and through the year).

Company and Other Income Tax

Table 3 contains revised estimates for 1996-97 and estimates for 1997-98 for company and other income tax items.

Table 3: Company and Other Income Tax

	1996-97 Revised Estimate \$m	1997-98 Estimate \$m	Change on 1996-97 %
Companies(a)	18320	18590	1.5
Superannuation Funds(a)	2450	2490	1.6
Withholding Tax			
Resident	150	160	6.7
Non-resident			
Interest	540	610	13.0
Dividend	169	189	11.8
Royalty	260	270	3.8
Mining	1	1	0.0
Total Withholding Tax	1120	1230	9.8
Petroleum Resource Rent Tax	1310	850	-35.1
Fringe Benefits Tax	3150	3150	0.0
TOTAL	26350	26310	-0.2

(a) Includes tax on realised capital gains.

Company Income Tax

A company's tax liability is assessed as a flat percentage of its taxable income. The general tax rate is 36 per cent, with concessional rates applying to certain income of life assurance companies, registered organisations, pooled development funds and credit unions.

The significant reduction in estimated company tax collections in 1996-97 relative to the 1996-97 Budget estimate (see Table 1) is mainly due to some large companies using stock valuation options to shift forward their income to take advantage of the lower company tax rate applying to the 1994-95 income year.

Estimated company tax collections in 1996-97 are higher than estimated in the MYEFO partly reflecting more information on the extent and implications of corporate tax planning activities associated with the change in the company tax rate.

Company income tax is forecast to grow by 1.5 per cent in 1997-98 owing to:

- growth of 3¼ per cent in company taxable income in 1996-97;
- a recovery in company tax collections associated with the end of tax planning which arose in response to the increase in the company tax rate from the 1995-96 income year;

partly offset by:

- the end of the bring-forward of company tax revenue associated with the move to quarterly tax payment arrangements for companies.

Superannuation Funds Tax and Surcharge

Superannuation funds are generally taxed at the concessional rate of 15 per cent in relation to investment income and certain contributions received. Payments are made according to the same schedule as applies to company income tax.

Tax collections under this category have generally been volatile: the strong increase in collections in 1996-97 has followed negative growth in 1995-96. Although the reasons for the large surge in superannuation funds tax collections in 1996-97 are not fully clear, strong growth in contributions, high realisations of capital gains and strong growth in interest income have been contributing factors.

The estimated increase in collections in 1997-98 of 1.6 per cent is attributable to:

- growth in contributions to superannuation funds; and
- the surcharge on employer and deductible member superannuation contributions on behalf of or by high income earners;

partly offset by:

- the end of the bring-forward of superannuation funds tax payments associated with the move to quarterly tax payment arrangements; and
- an anticipated easing in capital gains tax payments by superannuation funds from an unusually high level in 1996-97.

Because the reasons behind the strong growth in 1996-97 collections are not fully known, the estimate for 1997-98 is subject to more than the usual degree of uncertainty.

Withholding Tax

Withholding tax is levied on:

- income payments to residents who, when making an investment, do not supply the investment body with a tax file number;
- certain interest, dividend and royalty payments to non-residents; and
- payments made to Aboriginal groups for the use of Aboriginal land for mineral exploration and mining.

The estimated increase in withholding tax in 1997-98 of 9.8 per cent is attributable to strong growth in expected collections of interest withholding tax and continued growth in dividend withholding tax.

Petroleum Resource Rent Tax (PRRT)

Under the Commonwealth's *Petroleum (Submerged Lands) Act 1967*, PRRT applies to offshore areas other than the North West Shelf production licence areas and associated

exploration permit areas, which are subject to excise and royalty arrangements. PRRT is levied at the rate of 40 per cent of taxable profit from a petroleum project.

The strong increase in PRRT collections in 1996-97 represents a large one-off payment related to the settlement of the dispute between the Victorian gas utilities and their gas suppliers. The gain in tax revenue is largely offset by the payment of \$556 million to the Victorian Government under the Deed for the Return of Tax Payments between Victoria and the Commonwealth.

In 1997-98, PRRT revenue is expected to return to more normal levels.

Fringe Benefits Tax (FBT)

FBT applies to a range of benefits provided by employers to their employees or associates of their employees.

FBT collections are estimated to remain broadly unchanged under the offsetting influences of remuneration growth and a reduction in the statutory interest rate used to determine the value of fringe benefits flowing from low interest loans.

Indirect Tax

A summary of the revised 1996-97 estimates and estimated revenue for 1997-98 for components of indirect tax is contained in Table 4.

Table 4: Indirect Tax

	1996-97 Revised Estimate \$m	1997-98 Estimate \$m	Change on 1996-97 %
Wholesale Sales Tax	13410	14170	5.7
Excise Duty			
Petroleum Products			
Leaded Petrol	2328	2081	-10.6
Unleaded Petrol	4047	4404	8.8
Diesel	3970	4131	4.1
Other(a)	145	147	1.0
Total Petroleum Products	10490	10764	2.6
Crude Oil and LPG	10	76	660.0
Other Excise			
Beer	868	883	1.7
Potable Spirits	207	210	1.8
Tobacco products	1625	1606	-1.1
Total Other Excise	2700	2700	0.0
Total Excise	13200	13540	2.6
Customs Duty - Imports	3280	3410	4.0
TOTAL	29890	31120	4.1

(a) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene and refunds/drawbacks relating to petroleum products excise.

Wholesale Sales Tax (WST)

WST is imposed on a range of goods destined for consumption in Australia and is levied at the last wholesale or import point on the wholesale sales value of taxable goods. In 1997-98, taxable goods will continue to be subject to tax rates of either 12, 22, 26, 32 or 45 per cent, depending on the classification of the goods involved.

The estimated increase in WST revenue of 5.7 per cent mainly reflects forecast growth in nominal demand for taxable goods.

Excise Duty

Petroleum products excise includes excise on motor spirit (petrol), diesel fuel, aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene. It is imposed at specific rates per litre of product. *Crude oil and LPG excise* includes excise collected from fields in the North West Shelf production license areas not subject to PRRT.

Excise revenue from total petroleum products is expected to increase by 2.6 per cent in 1997-98 reflecting an expected increase in consumption of diesel fuel and unleaded petrol and the indexation of excise rates. The fall in excise collections from leaded petrol reflects a continuing decline in the number of vehicles which exclusively use leaded petrol. The increase in excise collections from crude oil and LPG production reflects the expectation that the Wanaea field will become excisable in late 1997 (a delay of seven months on the forecast in the 1996-97 Budget).

Other excise is derived from beer, potable spirits and tobacco products. It is imposed at a specific rate per kilogram on tobacco products, on the alcoholic content of beer in excess of 1.15 per cent and on the distilled alcohol in other products such as spirits and mixed drinks. Beer with an alcoholic content below 1.15 per cent is subject to an excise rate of zero. Wine, wine products and other fermented alcohol are exempt from duty.

Excise revenue from these products is expected to remain broadly unchanged in 1997-98 reflecting indexation of excise rates offset by falling or static product volumes. Tobacco product and brandy volumes are expected to continue to decline, while other volumes are expected to remain around 1996-97 levels.

Excise Indexation

The rates of duty for 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.

All revenue from the excise duty on aviation gasoline and aviation turbine fuel is appropriated to the Civil Aviation Safety Authority (CASA) and Airservices Australia as a contribution to cost recovery. In addition to the changes from indexation described above, the excise rates applying to these fuels are adjusted as necessary according to the funding requirements of those agencies.

Existing excise rates are shown in Table 5.

Table 5: Excise Rates

Commodity	Rates applying from - 1 February 1997 \$
Petroleum (per litre)	
Leaded Petrol	0.36872
Unleaded Petrol	0.34697
Diesel (gross)	0.34697
Aviation Gasoline(a)	0.18003
Aviation Turbine Fuel(a)	0.01785
Fuel Oil	0.07200
Heating Oil	0.07200
Kerosene	0.07200
Beer (per litre of alcohol over 1.15 per cent)	15.89
Potable Spirits (per litre of alcohol)	
Brandy	31.59
General rate for Other Spirits	36.99
Tobacco Products (per kg)	84.27

(a) The excise rates applying to aviation gasoline and aviation turbine fuel were reduced by \$0.0075 per litre on 1 September 1996 to \$0.17931 per litre and \$0.01778 per litre respectively to reduce over-recovery of revenue necessary to fund CASA and Airservices Australia.

Customs Duty on Imports

Ad valorem tariffs are applied to many categories of imports. Customs duty revenue is affected by the \$A value of imports, the level of the statutory tariff rates applied to imports and the composition of imports between high and low tariff rates. Around 70 per cent of total imports by value enter duty free.

The expected increase in customs duty revenue of 4.0 per cent in 1997-98 reflects the rise in the total value of imports, partly offset by continuing tariff rate reductions.

Other Taxes, Fees and Fines

The revised 1996-97 and 1997-98 estimates of other taxes, fees and fines are shown in Table 6.

Table 6: Other Taxes, Fees and Fines

	1996-97 Revised Estimate \$m	1997-98 Estimate \$m	Change on 1996-97 %
Primary Industry Charges	102	98	-4.3
Primary Industry Levies	587	555	-5.4
Broadcasting and Television Station Licence Fees	165	191	15.4
Radiocommunications Licence Fees	100	92	-8.0
International Passenger Movement Charge	182	200	9.9
Passport Fees	88	104	18.4
Immigration Fees and Charges	143	162	13.5
Court Fees and Fines	35	50	44.1
Light Dues and Navigation Charges	47	48	2.5
Superannuation Guarantee Charge	43	54	25.6
Australian Securities Commission - Regulatory Fees	263	278	5.7
Other(a)	378	410	8.5
TOTAL	2133	2243	5.2

(a) Includes Telecommunications Act Carrier Licence Fees, Coal Mining Industry Levy and the Interstate Road Services Charge.

Primary Industry Charges

The fall in industry charges reflects reforms to the Australian Quarantine and Inspection Service's export meat inspection programme and implementation of a company based inspection system focussing on quality assurance.

Primary Industry Levies

The reduction in Primary Industry levies is due mainly to a reduction in the Wheat Industry Fund Levy. This reflects an expectation of lower world prices and reduced production levels in the 1997-98 financial year.

Broadcasting and Television Station Licence Fees

The increase in broadcasting and television licence fees reflects the expected growth of commercial broadcasters' gross advertising revenue, on which the fees are based, as well as a reduction in the equalisation rebates due to commercial television broadcasters participating in the equalisation scheme.

Radiocommunications Licence Fees

Revenue from Radiocommunications Licence Fees has been reduced primarily to reflect the Government's announcement in October 1996 confirming its intention to proceed with analogue mobile phone (AMPS) phase out by January 2000 and the detailed arrangements and time-table for the phase out. The phase out will reduce the fees paid by the telecommunications carriers for the use of AMPS spectrum.

International Passenger Movement Charge

The expected revenue increase reflects a forecast increase in the number of international passengers of 10 per cent with the charge remaining at \$27. Revenue from this item seeks

to recover the costs of Customs, Immigration and Quarantine processing of international travellers at Australian airports and seaports as well as the costs of processing short-term visitor visas.

Immigration Fees and Charges

Revenue from immigration fees is expected to rise in 1997-98 largely as a result of the full year effect of increases introduced in the 1996-97 Budget which include:

- an increase in the Migrant Application fee on 1 May 1997;
- the change of status to permanent residency fee increasing from 1 October 1996; and
- the application fee for a student visa increasing on 1 October 1996 with a further increase on 1 May 1997.

Measures announced in this Budget include the rationalisation of temporary business entry visa sub-classes, cost recovery for health assessments, health undertakings and medical reviews, and increased cost recovery for citizenship processing. A fall in the number of applications for 1997-98 is expected to be offset by the higher level of fees.

Non-Taxation Revenue

The revised estimates of non-tax revenue for 1996-97 and estimates for 1997-98 are shown in Table 7.

Table 7: Non-Taxation Revenue

	1996-97 Revised Estimate \$m	1997-98 Estimate \$m	Change on 1996-97 %
Interest			
States, NT and ACT	781	686	-12.2
Non-budget Authorities:			
Airservices Australia	1	..	na
Federal Airports Corporation	11	11	3.1
Snowy Mountains Hydro-Electric Authority	73	68	-6.1
Commonwealth Cash Balances with RBA	124	124	0.0
Other	170	110	-35.2
Total Interest	1158	999	-13.8
Dividends and Other			
Communications Government Business Enterprises(a)	1452	1219	-16.0
Transport Government Business Enterprises(b)	30	38	25.0
Reserve Bank of Australia	2136	1200	-43.8
Royal Australian Mint	52	60	15.3
Petroleum Royalties	309	283	-8.4
Other(c)	126	120	-4.7
Total Dividends and Other	4104	2919	-28.9
TOTAL	5263	3918	-25.5

(a) Comprises Telstra Corporation and Australian Postal Corporation.

(b) Comprises the Federal Airports Corporation and Airservices Australia.

(c) Comprises the Export Finance and Insurance Corporation, Commonwealth Funds Management Ltd, Housing Loans Insurance Corporation, the Australian Industry Development Corporation, Australian Defence Industries Ltd, Defence Housing Authority, the Pipeline Authority and other non-tax revenue.

Interest Revenue

Interest Revenue from the States, NT and ACT

This item comprises interest revenue from the States and Territories on General Purpose and Specific Purpose Borrowings.

The Commonwealth receives interest payments from the States in respect of borrowings made on behalf of the States under the State Governments' Loan Council Programme and from the Northern Territory in respect of advances made under similar general purpose capital assistance arrangements. Payments relating to these advances are made in turn by the Commonwealth to bondholders.

Interest from the States on General Purpose Borrowings is declining as a result of the June 1990 Loan Council decision that the States make additional payments to the Debt Retirement Reserve Trust Account (with analogous payments from the Territories) each year, to facilitate the redemption of all maturing Commonwealth securities issued on their behalf. The reduction in interest received from the States and Territories is matched by a reduction in public debt interest outlays.

Interest will be lower in 1997-98 compared to 1996-97 reflecting repayments of outstanding debt to the Commonwealth in 1996-97.

The Commonwealth receives interest on advances made under Commonwealth-State Housing Agreements, States (Works and Housing) Assistance Acts, Northern Territory Housing Advances and from the Australian Capital Territory on debts assumed upon self-government.

Interest from the States on Specific Purpose Borrowings will be lower in 1997-98 compared to 1996-97 reflecting repayments of advances to the Commonwealth in 1996-97.

Dividends and Other

Communications Government Business Enterprises (GBEs) Dividends

Total dividends from communications GBEs are expected to fall by around 16 per cent as a result of a reduction in the Commonwealth's entitlement to Telstra's dividend following the sale of one-third of the Commonwealth's equity in Telstra, partially offset by a special dividend payment by Australia Post.

Transport Government Business Enterprises (GBE) Dividends

Total dividends from transport GBEs are estimated to increase by around 25 per cent. This is principally due to an expectation of an increased Federal Airports Corporation dividend for 1997-98, as a result of higher traffic growth leading to greater operating profits for the 1996-97 financial year.

Reserve Bank of Australia (RBA)

The Reserve Bank Act 1959 requires the RBA to pay its net earnings to the Commonwealth after contingencies and appropriations to reserves.

The lower dividend estimate in 1997-98 reflects the effect on the RBA's 1996-97 earnings of expected asset valuation adjustments arising mainly from changes in exchange rates during 1996-97. The stronger the Australian dollar, the lower is the value of the RBA's foreign exchange assets in Australian dollar terms. Changes in the structure of domestic and international interest rates are also expected to reduce the RBA's underlying earnings.

Royal Australian Mint (RAM)

Revenue from the RAM includes seigniorage from circulating coin production, royalties from numismatic coin sales and annual dividends from the profits the Mint makes as the manufacturer of these products. The estimated increase in revenue in 1997-98 mainly reflects increases in numismatic royalties and profits associated with the Olympics coin numismatic programme.

PART II: FORWARD ESTIMATES OF REVENUE AND MEDIUM TERM TRENDS

Estimates of the major categories of revenue, for 1997-98 to 2000-01, are shown in Table 8.

Table 8: Revenue Estimates

	1997-98		1998-99		1999-00		2000-01	
	Estimate \$b	Change on 1996-97 per cent	Estimate \$b	Change on 1997-98 per cent	Estimate \$b	Change on 1998-99 per cent	Estimate \$b	Change on 1999-00 per cent
Individuals Tax	69.8	5.7	75.0	7.4	79.6	6.2	84.7	6.4
<i>Per cent of GDP</i>	<i>12.8</i>		<i>13.0</i>		<i>13.0</i>		<i>13.1</i>	
Other Income Tax	26.3	-0.2	28.1	6.7	29.8	6.2	31.6	6.1
<i>Per cent of GDP</i>	<i>4.8</i>		<i>4.9</i>		<i>4.9</i>		<i>4.9</i>	
Total Income Tax	96.1	4.0	103.0	7.2	109.4	6.2	116.3	6.3
<i>Per cent of GDP</i>	<i>17.7</i>		<i>17.9</i>		<i>17.9</i>		<i>17.9</i>	
Other Tax	33.4	4.2	35.2	5.6	36.8	4.4	38.5	4.5
<i>Per cent of GDP</i>	<i>6.1</i>		<i>6.1</i>		<i>6.0</i>		<i>5.9</i>	
Total Tax	129.4	4.1	138.2	6.8	146.2	5.7	154.8	5.9
<i>Per cent of GDP</i>	<i>23.8</i>		<i>24.0</i>		<i>23.9</i>		<i>23.9</i>	
Non-tax	3.9	-25.5	4.1	5.5	4.1	0.1	4.1	-0.6
<i>Per cent of GDP</i>	<i>0.7</i>		<i>0.7</i>		<i>0.7</i>		<i>0.6</i>	
Total Revenue	133.4	2.9	142.4	6.8	150.3	5.6	158.9	5.7
<i>Per cent of GDP</i>	<i>24.5</i>		<i>24.7</i>		<i>24.6</i>		<i>24.5</i>	

The revenue projections have been made on the conventional assumption of no change in current policy. The forward estimates of revenue are principally affected by projected growth in economic parameters and policy measures contained in this and previous Budgets.

Chart 1 shows actual taxation revenue and GDP(I) growth in nominal terms for the period from 1986-87 to 1995-96, and estimated growth for the years 1996-97 to 2000-01. Taxation revenue generally mirrors economic activity during periods of fairly steady economic growth (as depicted by the economic projections in this Budget), but tends to swing more sharply during periods of economic contraction and expansion and more sharply than nominal GDP(I) growth itself.

The forward revenue estimates are also particularly susceptible to tax minimisation and avoidance actions by taxpayers which over time erode the tax base. Measures taken in this Budget have an impact on revenue in 1997-98 and 1998-99 and serve to protect the tax base.

Longer term trends in major components of total tax revenue are shown in Chart 2. Total tax revenue as a share of GDP fell sharply in the early 1990s and is not expected to fully recover over the forward estimates period to its level of ten years ago.

Chart 1: Growth in Taxation Revenue and Nominal GDP

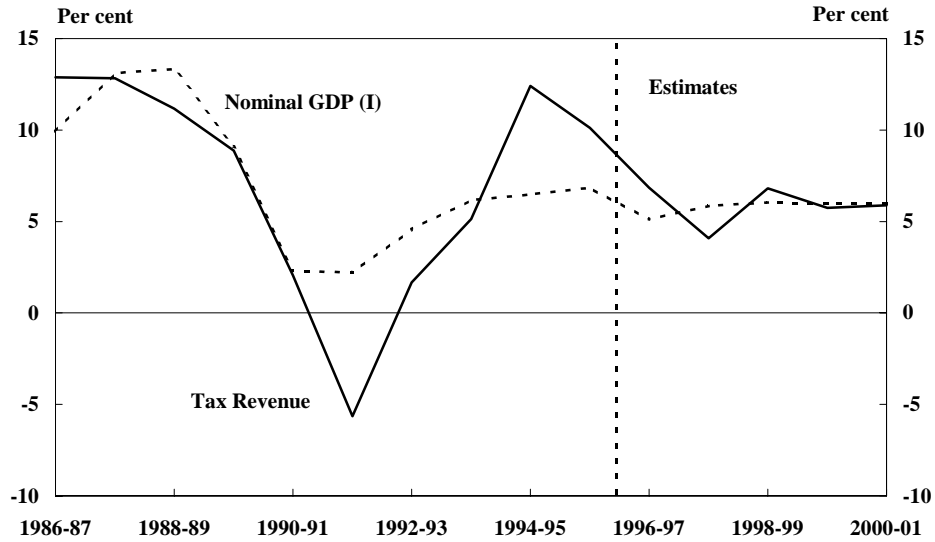
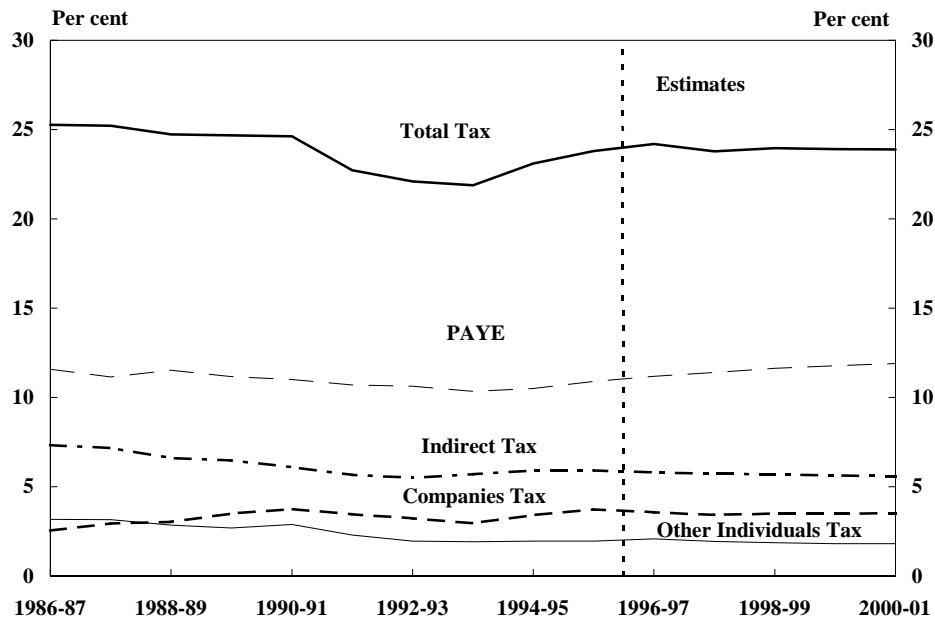


Chart 2: Tax Revenue as a share of GDP



Within this overall trend, there have been some important compositional changes. Company tax as a proportion of GDP has increased since 1986-87, despite reductions in the company tax rate. The reasons for the trend rise in company tax may be traced back to influences such as the general improvement in corporate profitability and the tendency toward incorporation by small businesses. By the same token, the increasing incidence of incorporation is likely to be a factor explaining the trend decline in other individuals income tax as a share of GDP.

There has been a steady decline in the relative importance of indirect tax collections over the past ten years. Excise duties have declined significantly as a proportion of GDP owing to much lower collections of crude oil and LPG excise, following the extension of the PRRT to Bass Strait, and slower growth in consumption of alcohol and tobacco. Customs duty collections have also fallen significantly, largely due to tariff reductions announced in 1988 and 1991. Sales tax collections have increased slightly over the period, mainly because of increases in sales tax rates and some base broadening.

The past ten years has also seen the introduction of new taxes such as the FBT, tax on superannuation funds, PRRT, resident withholding tax, and royalties withholding tax.

APPENDIX A: REVENUE MEASURES

Table A1: Revenue Measures

	Estimated Change in Revenue(a)			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
Measures introduced in the 1997-98 Budget				
<i>Income Tax</i>				
Withholding tax arrangements	-	330	-	-
Medicare levy low income thresholds — 1997-98	-3	-35	-18	-18
Provisional tax exemption for pensioners	-5	-	-	-
Tax deductibility for Constitutional Convention election expenses	-	..	-	-
Deductibility of donations to the National Nurses Memorial Trust	*	*	*	*
Small Business Deregulation Task Force — Pay as you go proposal	-	-	-	-
Conversion of the CRAFT tax expenditure to outlays	-	35	45	55
Trust losses	5	15	20	20
Taxation of trusts	-	-	-	-
Limited partnerships	-	-	-	-
Taxation of distributions disguised as loans from private companies	2	50	30	30
Measures to prevent dividend streaming	-	††	††	††
Measures to prevent trading in franking credits	-	††	††	††
National Crime Authority investigations(b)	-	40	40	-
Introduction of the Infrastructure Borrowings tax rebate(c)	-38	-75	-75	-75
Tax exempt entities which become taxable — Notional depreciation	-	-	-	-
Hire purchase arrangements — Balancing adjustment on disposal	5	30	20	25
Sydney Olympic Games — Taxation issues	..	..	..	..
Demutualisations of non-insurance organisations — Development of a generic tax framework	*	*	*	*
Taxation of foreign source income	-	150	150	150
Passive income of life and general insurance companies	-	10	10	10
<i>Superannuation and Savings</i>				
Taxation rebate for savings(d)	-	-350	-1370	-2040
Freezing the trustee tax rate for friendly societies	-6	-29	-4	2
Broadening the definition of 'complying' pensions and annuities in the Superannuation Industry (Supervision) Regulations	-	*	*	*
Choice of superannuation fund	-	-	-	-
Opting out of the Superannuation Guarantee system	-8	-10	-11	-12
Improvements to superannuation preservation arrangements	-	-	-35	-105
Increasing superannuation preservation age	-	-	-	-
Reforms to early release of superannuation benefits	-10	-10	-11	-11
<i>Capital Gains Tax</i>				
Capital gains tax cost base provisions	5	80	120	125
Interaction of controlled foreign company measures and capital gains tax provisions	†	†	†	†
<i>Wholesale Sales Tax</i>				
Wholesale sales tax — Change in temporary importation provisions	2	2	2	2
<i>Customs and Excise Duty</i>				
Revenue savings through fuel substitution minimisation	13	25	25	25

Table A1: Revenue Measures — continued

	Estimated Change in Revenue(a)			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
<i>Other Measures</i>				
Increase in High Court fees	2	2	2	2
Australian Competition and Consumer Commission — New regulatory arrangements for telecommunications Cost recovery by AUSTEL to implement telecommunications reform initiatives and for set up costs and new functions of the Australian Communications Authority	1	2	2	2
Cost recovery for the Australian Communications Authority to enhance administration of cabler licensing	-	4	1	1
Licence charges payable by telecommunications carriers to meet costs of monitoring industry development	1	1	1	1
Special dividend from Australia Post	80	80	-	-
Australian Competition and Consumer Commission — Gas regulation role	-	2	2	2
Cost recovery of funding for Airport Environment Officers and Airport Building Controllers at Federal airports subject to sale	1	1	1	1
Reform of the provision of legal services provided by the Attorney-General's Legal Practice to enhance contestability and competitiveness	-	6	9	9
Phased increase in industry contribution for the regulation of therapeutic goods	3	10	10	10
Increase in passport fees	5	6	9	13
Extension of the Migration Agents Registration Scheme	1	-	-	-
Increased cost recovery for citizenship processing	1	3	3	3
Rationalisation of temporary business entry visa sub-classes	3	4	4	5
Cost recovery for health assessments, health undertakings and medical reviews	3	3	3	3
Increased cost recovery for business skills migration	1	1	1	1
Merging of the Migration Internal Review Office and the Immigration Review Tribunal	2	2	2	2
Australian Quarantine and Inspection Services — Implementation of reports into quarantine and imported fish and fish products (industry charges)	5	7	7	7
	71	391	-1006	-1758
Measures introduced up to the 1997-98 Budget(e)				
<i>Income Tax</i>				
Medicare levy surcharge — Increase in family income threshold for each additional child by \$1500	-3	-3	-3	-3
Medical Expenses Rebate — Reduction in threshold for eligible net medical expenses to \$1250	-1	2	4	6
Low income aged persons(f)	-1	15	-	-
Provisional tax uplift factor	-	-	-	-
Deductibility of gifts	*	*	*	*
Deductions allowable to a co-operative company for the repayment of Government loans(f)	-1	-4	-7	-10
Research and Development tax concession — Syndication arrangements(f)	-15	-5	-5	-5
— Registration procedures(f)	-5	-	-	-
Exemption of income derived by bona fide prospectors(f)	-33	-20	-5	-
Preventing future access to the Infrastructure Borrowings tax concession	-	†	†	†
Thin capitalisation — Change in commencement date(f)	-	..	..	..

Table A1: Revenue Measures — continued

	Estimated Change in Revenue(a)			
	1997-98 \$m	1998-99 \$m	1999-00 \$m	2000-01 \$m
Taxation of foreign dividends paid on finance shares	†	†	†	†
<i>Superannuation</i>				
Calculating life insurance companies' exempt and taxable income	†	†	†	†
<i>Capital Gains Tax</i>				
CGT rollover relief for small business				
— Removal of like kind test and extension of time to 24 months(f)	-	-50	-55	-55
— Extension of rollover relief through shares	-	-90	-90	-90
CGT exemption on the sale of a small business for retirement — Extension to companies and trusts	-	-35	-35	-35
Capital losses — Denial of artificially created losses	-	†	†	†
<i>Fringe Benefits Tax</i>				
Fringe benefits tax — Small business				
— Record keeping	-5	-25	-20	-20
— Car parking	-25	-50	-35	-35
— Taxi travel	*	*	*	*
<i>Wholesale Sales Tax</i>				
Telecommunications equipment(f)	-	-	-	-
<i>Other Measures</i>				
Changes to the Migration Programme(f)	-25	-25	-25	-25
Increased cost recovery in the Adult Migrant English Programme(f)	-6	-7	-7	-7
Fees in Commonwealth Courts and Tribunals(f)	-5	-8	-8	-8
Revised licence fee arrangements for commercial broadcasters(f)	-	..	..	..
Funding for radiofrequency electromagnetic energy public health issues(f)	1	1	1	1
Retain the current maximum charge for English language tuition under the Adult Migrant English Programme	-2	-2	-2	-2
	-125	-306	-292	-288
TOTAL IMPACT OF ALL REVENUE MEASURES(g)	-54	85	-1298	-2046

.. Not zero, but rounded to zero.

* The nature of the measure is such that a reliable estimate cannot be provided.

† The measure will protect the revenue base used for the forward estimates, by removing opportunities for significant future expansion of tax minimisation practices. In the absence of the measure, to the extent that the revenue base would not be protected, there would be a significant revenue loss compared to the forward estimates.

‡ The measure will result in unquantifiable revenue gains to the extent of existing tax minimisation.

(a) A minus sign before an estimate indicates a reduction in revenue; no sign before an estimate indicates a gain to revenue.

(b) This measure is listed under income tax as most of the additional revenue raised (\$30m in both 1998-99 and 1999-2000) is in the form of additional income tax collections; the remainder of the additional revenue raised (\$10m in both 1998-99 and 1999-2000) is in the form of increased recoveries of the proceeds of crime.

(c) Includes running costs for the programme.

(d) The measure will reduce outlays compared with forward estimates for matching Government superannuation contributions as described in the 1995-96 Budget. The net fiscal impact of implementing the savings rebate but not going ahead with matching Government superannuation contributions will be positive.

(e) Includes measures amended or rejected by the Senate up to the 1997-98 Budget.

(f) A description of the measure is provided in the 1996-97 *Mid-Year Economic and Fiscal Outlook* and is not repeated in this document.

(g) Measures may not sum to totals due to rounding.

APPENDIX B: REVENUE STATISTICS — 1986-87 TO 1997-98

Table B1: Commonwealth Government Budget Revenue (\$million)^(a)

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
TAXATION REVENUE												
Income Tax												
Individuals												
Gross PAYE	30657	33359	39106	41322	41704	41388	43035	44451	48078	53302	57440	62050
Gross Other	8378	9426	9666	9958	10932	8865	7905	8217	8971	9538	10640	10540
Gross Prescribed Payments System	841	1065	1440	1912	1693	1563	1589	1781	2049	2059	2090	2430
Medicare Levy	1715	2080	2320	2545	2480	2385	2415	2870	3030	3350	4130	3740
Refunds	3530	4056	4984	5672	6546	7516	7433	6743	7481	7835	8310	9000
Total Income Tax on Individuals	38061	41875	47548	50065	50263	46685	47511	50575	54647	60414	65990	69760
Companies	6714	8801	10265	12926	14166	13419	13071	12700	15588	18252	18320	18590
Superannuation	13	11	7	376	1053	1139	1522	1191	1913	1634	2450	2490
Withholding Tax	639	667	737	915	901	941	764	877	903	1349	1120	1230
Petroleum Resource Rent Tax	-	-	-	42	293	876	1389	1072	865	791	1310	850
Fringe Benefits Tax	535	881	990	1168	1262	1327	1344	1417	2740	3031	3150	3150
Total Income Tax	45962	52234	59547	65493	67938	64387	65602	67833	76656	85470	92340	96070
Sales Tax	6348	7547	9402	10132	9365	9113	9252	10414	11624	12955	13410	14170
Excise Duty												
Crude Oil and LPG	2062	2056	1188	1232	1354	64	116	62	27	13	10	76
Petroleum Products	5217	5426	5828	6416	6642	7093	7200	8499	9406	10224	10490	10764
Other Excise Duty	2557	2778	2252	2239	2364	2324	2361	2253	2567	2612	2700	2700
Total Excise Duty	9835	10261	9268	9888	10360	9482	9677	10814	12001	12849	13200	13540
Customs Duty - Imports	3237	3632	3752	3954	3319	3299	3331	3226	3474	3124	3280	3410
Total Indirect Tax	19420	21440	22422	23974	23044	21893	22260	24455	27099	28928	29890	31120

Table B1: Commonwealth Government Budget Revenue (\$million)^(a) — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
TAXATION REVENUE (continued)												
Other Taxes, Fees and Fines												
Primary Industry Charges	65	71	79	82	99	124	127	129	117	99	102	98
Primary Industry Levies	577	691	778	789	1233	728	625	640	678	654	587	555
Broadcasting and Television Licence Fees	77	86	110	175	124	134	101	140	134	149	165	191
Radiocommunications Licence Fees	33	40	50	62	68	73	82	89	97	108	100	92
International Passenger Movement Charge	-	-	-	-	-	-	-	-	64	148	182	200
Passport Fees	34	42	53	63	66	60	60	57	60	62	88	104
Immigration Fees and Charges	17	29	40	62	56	60	61	82	95	119	143	162
Court Fees and Fines	7	10	10	17	18	19	20	19	19	22	35	50
Light Dues and Navigation Charges	39	42	42	45	44	43	41	45	43	42	47	48
Superannuation Guarantee Charge	-	-	-	-	-	-	..	5	13	28	43	54
ASC - Regulatory Fees	-	-	-	-	95	176	190	202	239	256	263	278
Other	160	162	125	146	166	226	265	328	374	302	378	410
ACT Taxes and Charges	177	239	233	-	-	-	-	-	-	-	-	-
Coal Exports	52	50	50	57	47	45	1	..	-	-	-	-
Debits Tax	261	330	358	378	229	3	1	..	..	..	-	-
Total Other Taxes, Fees and Fines	1499	1792	1928	1876	2243	1690	1572	1736	1933	1988	2133	2243
TOTAL TAXATION REVENUE	66881	75465	83897	91343	93225	87970	89434	94024	105687	116386	124363	129433

Table B1: Commonwealth Government Budget Revenue (\$million)^(a) — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
NON-TAXATION REVENUE												
Interest Received												
From Other Government												
On General Purpose Advances	2073	2107	2082	2124	2032	1842	1567	1242	1117	676	470	391
On Housing Agreements	265	289	303	308	304	258	268	251	271	254	251	247
On Other Specific Projects	91	85	141	86	127	117	85	83	71	66	60	47
ACT Loan Council	-	-	-	16	3	-	-	-	-	-	-	-
Total Interest from Other Governments	2429	2481	2527	2534	2466	2216	1920	1576	1459	996	781	686
From Non-Budget Authorities												
Australian National Railways	8	8	8	4	8	9	3	2	2	2	2	-
Snowy Mountains Hydro-Electric Authority	72	73	75	76	76	75	75	74	74	74	73	68
Pipeline Authority	33	30	28	26	23	14	9	8	-	-	-	-
Telstra and Australian Postal Corporation	667	654	638	483	413	355	170	118	73	32	-	-
Airservices Australia	-	-	16	17	18	5	2	2	1	1	1	..
Federal Airports Corporation	-	22	47	48	49	49	49	41	10	10	11	11
Other Non-Budget Authorities	-	-	-	14	23	50	50	31	28	42	26	19
Total Interest from Non-Budget Authorities	779	787	812	668	609	558	357	275	188	160	112	98
Defence Service Homes	75	76	56	-	-	-	2	-	-	-	-	-
ACT Housing	28	27	22	9	4	-	-	-	-	-	-	-
Public Financial Enterprises	4	1	1	1	1	..	-	-	-	-	-	-
Commonwealth Cash Balances - Reserve Bank	187	184	231	163	153	148	148	163	76	118	124	124
Other Interest Received	73	65	107	98	76	54	50	37	68	129	142	91
Total Interest Received	3575	3621	3755	3473	3309	2976	2477	2051	1790	1403	1158	999

Table B1: Commonwealth Government Budget Revenue (\$million)^(a) — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
NON-TAXATION REVENUE (continued)												
Dividends and Other												
Public Trading Enterprises	60	94	69	277	450	405	340	1118	937	1385	1527	1294
Public Financial Enterprises												
Banks	2701	2027	626	550	675	2003	2660	3318	1671	2176	2136	1200
AIDC and EFIC	9	11	-	11	8	-	-	15	20	9	15	20
Other Financial Enterprises	22	11	23	25	12	14	9	13	24	15	30	16
Petroleum Royalties	254	266	159	251	337	81	61	83	112	198	309	283
Royal Australian Mint	7	26	234	23	23	31	29	62	93	63	52	60
Other (including revenue nec)	44	37	33	42	54	29	51	63	95	52	36	47
Total Dividends and Other	3097	2471	1144	1178	1558	2563	3150	4671	2952	3899	4104	2919
TOTAL NON-TAX REVENUE	6672	6093	4899	4651	4867	5539	5627	6722	4743	5302	5263	3918
TOTAL REVENUE	73553	81558	88796	95995	98093	93509	95062	100747	110430	121688	129625	133351

(a) Figures for all past years have been revised for classification changes.

(b) Revised Estimate.

(c) Budget Estimate.

Table B2: Real Rate of Change in Commonwealth Government Budget Revenue Items (per cent)^{(a)(d)}

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
TAXATION REVENUE												
Income Tax												
Individuals												
Gross PAYE	3.8	1.8	8.2	-0.8	-3.2	-2.5	2.7	2.1	6.8	7.8	5.3	5.9
Gross Other	20.0	5.2	-5.3	-3.3	5.2	-20.4	-11.9	2.8	7.8	3.4	9.0	-2.9
Gross Prescribed Payments System	40.9	18.5	24.8	24.7	-15.1	-9.3	0.4	10.8	13.6	-2.3	-0.8	14.0
Medicare Levy	19.9	13.4	3.0	3.0	-6.6	-5.6	0.0	17.5	4.2	7.5	20.5	-11.2
Refunds	0.8	7.5	13.5	6.9	10.6	12.8	-2.3	-10.3	9.5	1.9	3.7	6.2
Total Income Tax on Individuals	8.6	2.9	4.8	-1.1	-3.7	-8.8	0.5	5.3	6.7	7.5	6.8	3.7
Companies	2.5	22.6	7.7	18.2	5.1	-7.0	-3.8	-3.9	21.2	13.9	-1.9	-0.5
Superannuation	-44.2	-23.6	-35.9	4641.7	168.6	6.2	32.0	-22.6	58.6	-16.9	46.5	-0.3
Withholding Tax	6.2	-2.4	2.0	16.7	-5.6	2.6	-19.8	13.5	1.7	45.3	-18.8	7.7
Petroleum Resource Rent Tax	-	-	-	na	567.9	194.0	56.7	-23.7	-20.4	-11.1	62.0	-36.4
Fringe Benefits Tax	na	53.9	3.8	10.9	3.5	3.3	0.1	4.3	90.8	7.6	1.6	-1.9
Total Income Tax	8.9	6.3	5.3	3.3	-0.5	-6.9	0.7	2.3	11.6	8.4	5.6	2.0
Sales Tax	3.4	11.2	15.0	1.2	-11.4	-4.4	0.3	11.3	10.2	8.4	1.2	3.6
Excise Duty												
Crude Oil and LPG	-52.1	-6.7	-46.6	-2.7	5.4	-95.3	77.7	-46.8	-56.8	-51.9	-27.5	645.2
Petroleum Products	57.8	-2.7	-0.8	3.4	-0.8	4.9	0.3	16.7	9.3	5.7	0.3	0.6
Other Excise Duty	0.6	1.6	-25.2	-6.6	1.2	-3.4	0.4	-5.6	12.5	-1.1	1.1	-1.9
Total Excise Duty	-3.1	-2.4	-16.6	0.2	0.5	-10.1	0.8	10.5	9.6	4.1	0.4	0.6
Customs Duty - Imports	-7.9	5.0	-4.6	-1.1	-19.5	-2.4	-0.2	-4.2	6.3	-12.5	2.6	1.9
Total Indirect Tax	-2.0	3.3	-3.4	0.4	-7.8	-6.7	0.4	8.6	9.4	3.8	1.0	2.1

Table B2: Real Rate of Change in Commonwealth Government Budget Revenue Items (per cent)^{(a)(d)} — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
TAXATION REVENUE (continued)												
Other Taxes, Fees and Fines												
Primary Industry Charges	1.9	2.6	2.2	-2.1	14.6	24.1	0.9	0.4	-10.5	-17.5	0.8	-6.2
Primary Industry Levies	5.2	11.9	4.0	-4.8	49.8	-42.0	-15.2	1.4	4.5	-6.2	-12.3	-7.2
Broadcasting and Television Licence Fees	4.2	4.6	18.5	49.2	-32.3	6.4	-25.6	37.2	-5.7	8.3	8.5	13.2
Radiocommunications Licence Fees	17.3	13.7	13.4	16.7	5.8	4.8	11.9	6.9	8.0	7.8	-9.0	-9.8
International Passenger Movement Charge	-	-	-	-	-	-	-	-	na	124.1	20.6	7.8
Passport Fees	61.5	16.0	15.3	11.3	0.9	-10.4	-2.0	-5.3	3.4	0.6	39.3	16.1
Immigration Fees and Charges	92.0	59.9	27.7	46.9	-12.6	3.8	0.4	33.3	14.9	21.5	17.4	11.3
Court Fees and Fines	-5.7	24.8	-0.7	50.6	6.0	2.7	1.1	-3.8	0.4	9.3	56.4	41.3
Light Dues and Navigation Charges	-6.6	0.3	-6.9	0.7	-7.7	-3.3	-6.2	8.2	-4.9	-4.3	8.0	0.5
Superannuation Guarantee Charge	-	-	-	-	-	-	na	11797.1	165.1	111.9	50.9	23.1
ASC - Regulatory Fees	-	-	-	-	na	82.5	7.0	5.0	16.9	4.1	0.3	3.6
Other	-28.1	-5.2	-28.8	10.0	8.6	33.7	15.9	22.7	12.5	-21.4	22.2	6.4
ACT Taxes and Charges	15.1	26.3	-10.0	-100.0	-	-	-	-	-	-	-	-
Coal Exports	-16.1	-8.4	-8.9	7.1	-20.7	-6.2	-98.2	-100.0	-100.0	-	-	-
Debits Tax	20.4	18.2	0.3	-0.8	-42.0	-98.8	-77.0	-27.7	-100.0	64951.4	-100.0	-
Total Other Taxes, Fees and Fines	3.5	11.8	-0.6	-8.6	14.6	-26.0	-8.1	9.2	9.9	0.0	4.9	3.1
TOTAL TAXATION REVENUE	5.4	5.5	2.6	2.2	-2.1	-7.3	0.4	4.0	11.0	7.1	4.5	2.0

Table B2: Real Rate of Change in Commonwealth Government Budget Revenue Items (per cent)^{(a)(d)} — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
NON-TAXATION REVENUE												
Interest Received												
From Other Government												
On General Purpose Advances	-2.8	-4.9	-8.7	-4.2	-8.3	-11.0	-15.9	-21.6	-11.2	-41.2	-32.0	-18.4
On Housing Agreements	0.8	2.0	-3.3	-4.5	-5.2	-16.8	2.6	-7.4	6.7	-8.7	-3.6	-3.3
On Other Specific Projects	-11.7	-12.9	53.4	-42.9	42.0	-10.0	-28.3	-3.3	-15.5	-10.2	-10.6	-22.4
ACT Loan Council	-	-	-	na	-84.0	-100.0	-	-	-	-	-	-
Total Interest from Other Governments	-2.8	-4.5	-6.0	-5.8	-6.7	-11.7	-14.4	-18.8	-8.6	-33.6	-23.3	-13.9
From Non-Budget Authorities												
Australian National Railways	4.9	-10.6	-8.9	-44.0	61.9	21.8	-72.7	-8.7	-14.7	-20.0	-100.0	na
Snowy Mountains Hydro-Electric Authority	1.2	-5.4	-4.7	-4.9	-4.4	-2.4	-1.9	-1.5	-1.4	-3.5	-3.8	-100.0
Pipeline Authority	-9.1	-13.8	-13.9	-14.2	-14.9	-39.3	-35.8	-18.9	-100.0	-	-	-
Telstra and Australian Postal Corporation	-11.8	-8.2	-9.9	-28.9	-18.0	-15.6	-52.8	-31.4	-39.2	-57.6	-100.0	-
Airservices Australia	-	-	na	-2.3	-0.8	-72.9	-59.5	-17.5	-21.0	-27.1	-34.8	-51.0
Federal Airports Corporation	-	na	97.9	-4.6	-1.2	-1.0	-1.5	-18.7	-75.8	0.4	0.8	1.0
Other Non-Budget Authorities	-100.0	-	-	na	55.4	111.8	-1.2	-38.2	-12.5	47.2	-38.9	-29.1
Total Interest from Non-Budget Authorities	-10.9	-5.6	-4.7	-22.7	-12.6	-10.0	-36.8	-23.7	-32.7	-17.1	-31.9	-13.7
Defence Service Homes	-1.7	-4.6	-32.9	-100.0	-	-	na	-100.0	-	-	-	-
ACT Housing	-5.0	-9.4	-24.3	-62.4	-56.3	-100.0	-	-	-	-	-	-
Public Financial Enterprises	-26.8	-75.6	-27.1	-6.1	-4.1	-67.3	-100.0	-	-	-	-	-
Commonwealth Cash Balances - Reserve Bank	36.4	-8.2	16.0	-33.6	-9.9	-5.4	-1.2	9.2	-54.2	51.5	2.3	-1.9
Other Interest Received	-17.5	-16.6	51.2	-13.5	-26.2	-30.3	-8.0	-26.4	79.5	86.3	7.6	-37.1
Total Interest Received	-3.6	-5.3	-4.3	-13.1	-8.6	-11.7	-17.8	-18.1	-13.8	-23.8	-19.3	-15.4

Table B2: Real Rate of Change in Commonwealth Government Budget Revenue Items (per cent)^{(a)(d)} — continued

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(b)	1997-98(c)
NON-TAXATION REVENUE (continued)												
Dividends and Other												
Public Trading Enterprises	-25.3	45.6	-32.1	277.1	55.9	-11.6	-17.2	225.5	-17.3	43.8	7.8	-16.9
Public Financial Enterprises												
Banks	25.6	-29.8	-71.5	-17.5	17.6	191.5	31.2	23.3	-50.3	26.7	-4.1	-44.9
AIDC and EFIC	2.8	15.3	-100.0	na	-34.1	-100.0	-	na	26.9	-56.8	66.6	33.0
Other Financial Enterprises	11.3	-53.0	99.6	-1.5	-53.7	14.8	-36.0	38.9	87.9	-38.4	93.0	-46.5
Petroleum Royalties	-36.9	-2.1	-44.8	48.3	28.8	-76.3	-26.0	35.1	33.4	71.7	52.1	-10.2
Royal Australian Mint	-81.8	237.1	729.9	-90.8	-4.0	34.1	-7.1	107.1	49.1	-34.2	-19.6	13.1
Other (including revenue nec)	-9.8	-21.7	-18.5	21.6	22.8	-46.9	72.8	21.9	48.7	-46.3	-33.3	28.1
Total Dividends and Other	12.6	-25.4	-57.3	-3.3	26.8	61.6	21.4	46.6	-37.6	28.4	2.9	-30.3
TOTAL NON-TAX REVENUE	3.3	-14.6	-25.8	-10.8	0.3	11.8	0.4	18.1	-30.3	8.7	-3.0	-27.0
TOTAL REVENUE	5.2	3.7	0.5	1.5	-2.0	-6.4	0.4	4.8	8.2	7.2	4.1	0.9

(a) Nominal increases deflated by movements in non-farm GDP deflator.

(b) Revised estimate.

(c) Budget estimate.

(d) na denotes change from zero to positive values.

Table B3: Major Categories of Revenue as a Proportion of Gross Domestic Product (per cent)

	Taxation Revenue													Non-Taxation Revenue			Total Revenue		
	Income Tax							Other Taxation Revenue						Total Tax Revenue	Interest	Dividends and Other Revenue	Total Non-Tax Revenue	Revenue	
	Individuals				Companies FBT			Total	Crude Oil and LPG	Petroleum Products	Other (d)	Total Excises	Sales Tax						Customs Duty on Imports	Total Other Tax (e)
	Gross PAYE (a)	Gross Other (a)	Gross PPS (a)	Total (b)	Total (c)														
1986-87	12.2	3.3	0.3	14.4	2.5	0.2	17.4	0.8	2.0	1.0	3.7	2.4	1.2	7.9	25.3	1.4	1.2	2.5	27.8
1987-88	11.8	3.3	0.4	14.0	2.9	0.3	17.4	0.7	1.8	0.9	3.4	2.5	1.2	7.8	25.2	1.2	0.8	2.0	27.2
1988-89	12.2	3.0	0.4	14.0	3.0	0.3	17.6	0.4	1.7	0.7	2.7	2.8	1.1	7.2	24.7	1.1	0.3	1.4	26.2
1989-90	11.8	2.8	0.5	13.5	3.5	0.3	17.7	0.3	1.7	0.6	2.7	2.7	1.1	7.0	24.7	0.9	0.3	1.3	25.9
1990-91	11.6	3.0	0.4	13.3	3.7	0.3	17.9	0.4	1.8	0.6	2.7	2.5	0.9	6.7	24.6	0.9	0.4	1.3	25.9
1991-92	11.3	2.4	0.4	12.1	3.5	0.3	16.6	..	1.8	0.6	2.4	2.4	0.9	6.1	22.7	0.8	0.7	1.4	24.2
1992-93	11.2	2.1	0.4	11.7	3.2	0.3	16.2	..	1.8	0.6	2.4	2.3	0.8	5.9	22.1	0.6	0.8	1.4	23.5
1993-94	11.0	2.0	0.4	11.8	3.0	0.3	15.8	..	2.0	0.5	2.5	2.4	0.8	6.1	21.9	0.5	1.1	1.6	23.4
1994-95	11.1	2.1	0.5	11.9	3.4	0.6	16.7	..	2.1	0.6	2.6	2.5	0.8	6.3	23.1	0.4	0.6	1.0	24.1
1995-96	11.5	2.1	0.4	12.4	3.7	0.6	17.5	..	2.1	0.5	2.6	2.6	0.6	6.3	23.8	0.3	0.8	1.1	24.9
1996-97(f)	11.9	2.2	0.4	12.8	3.6	0.6	18.0	..	2.0	0.5	2.6	2.6	0.6	6.2	24.2	0.2	0.8	1.0	25.2
1997-98(g)	12.1	2.0	0.5	12.8	3.4	0.6	17.7	..	2.0	0.5	2.5	2.6	0.6	6.1	23.8	0.2	0.5	0.7	24.5

(a) The totals for these categories include Medicare levy collections.

(b) The total for the individuals category includes Medicare levy collections and refunds.

(c) The total for the income tax category also includes refunds, Medicare levy collections, collections from superannuation funds, PRRT and withholding tax.

(d) The 'other' category includes excise from beer, potable spirits and tobacco. A more detailed decomposition — for 1996-97 and 1997-98 and by value of collections — is shown in Table 4 of this Statement.

(e) As well as excises, sales tax and customs duty, 'other taxation revenue' includes other taxes, fees and fines.

(f) Revised Estimate.

(g) Budget Estimate.

Table B4: Major Categories of Revenue as Proportions of Total Revenue

	Taxation Revenue														Non-Taxation Revenue			
	Income Tax							Other Taxation Revenue							Total Tax Revenue	Interest	Dividends and Other	Total Non-Tax Revenue
	Individuals				Companies			Excises				Sales Tax	Customs Duty on Imports	Total Other Tax				
	Gross PAYE (a)	Gross Other (a)	Gross PPS (a)	Total (b)	Companies	FBT	Total (c)	Crude Oil and LPG	Petroleum Products	Other (d)	Total Excises	Sales Tax	Customs Duty on Imports	Total Other Tax (e)	Total Tax Revenue	Interest	Dividends and Other	Total Non-Tax Revenue
1986-87	43.7	11.8	1.1	51.7	9.1	0.7	62.5	2.8	7.1	3.5	13.4	8.6	4.4	28.4	90.9	4.9	4.2	9.1
1987-88	43.2	12.0	1.3	51.3	10.8	1.1	64.0	2.5	6.7	3.4	12.6	9.3	4.5	28.5	92.5	4.4	3.0	7.5
1988-89	46.5	11.3	1.6	53.5	11.6	1.1	67.1	1.3	6.6	2.5	10.4	10.6	4.2	27.4	94.5	4.2	1.3	5.5
1989-90	45.5	10.8	2.0	52.2	13.5	1.2	68.2	1.3	6.7	2.3	10.3	10.6	4.1	26.9	95.2	3.6	1.2	4.8
1990-91	44.8	11.6	1.7	51.2	14.4	1.3	69.3	1.4	6.8	2.4	10.6	9.5	3.4	25.8	95.0	3.4	1.6	5.0
1991-92	46.8	9.8	1.7	49.9	14.4	1.4	68.9	0.1	7.6	2.5	10.1	9.7	3.5	25.2	94.1	3.2	2.7	5.9
1992-93	47.7	8.8	1.8	50.0	13.7	1.4	69.0	0.1	7.6	2.5	10.2	9.7	3.5	25.1	94.1	2.6	3.3	5.9
1993-94	46.8	8.6	1.9	50.2	12.6	1.4	67.3	0.1	8.4	2.2	10.7	10.3	3.2	26.0	93.3	2.0	4.6	6.7
1994-95	46.1	8.6	2.0	49.5	14.1	2.5	69.4	..	8.5	2.3	10.9	10.5	3.1	26.3	95.7	1.6	2.7	4.3
1995-96	46.4	8.3	1.8	49.6	15.0	2.5	70.2	..	8.4	2.1	10.6	10.6	2.6	25.4	95.6	1.2	3.2	4.4
1996-97(f)	47.2	8.7	1.7	50.9	14.1	2.4	71.2	..	8.1	2.1	10.2	10.3	2.5	24.7	95.9	0.9	3.2	4.1
1997-98(g)	49.2	8.4	1.9	52.3	13.9	2.4	72.0	0.1	8.1	2.0	10.2	10.6	2.6	25.0	97.1	0.7	2.2	2.9

- (a) The totals for these categories include Medicare levy collections.
- (b) The total for the individuals category includes Medicare levy collections and refunds.
- (c) The total for the income tax category also includes refunds, Medicare levy collections, collections from superannuation funds, PRRT and withholding tax.
- (d) The 'other' category includes excise from beer, potable spirits and tobacco. A more detailed decomposition — for 1996-97 and 1997-98 and by value of collections — is shown in Table 4 of this Statement.
- (e) As well as excises, sales tax and customs duty, 'other taxation revenue' includes other taxes, fees and fines.
- (f) Revised estimate.
- (g) Budget estimate.

**STATEMENT 6 — BUDGET FINANCING
AND DEBT MANAGEMENT**

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STATEMENT 6 — BUDGET FINANCING AND DEBT MANAGEMENT

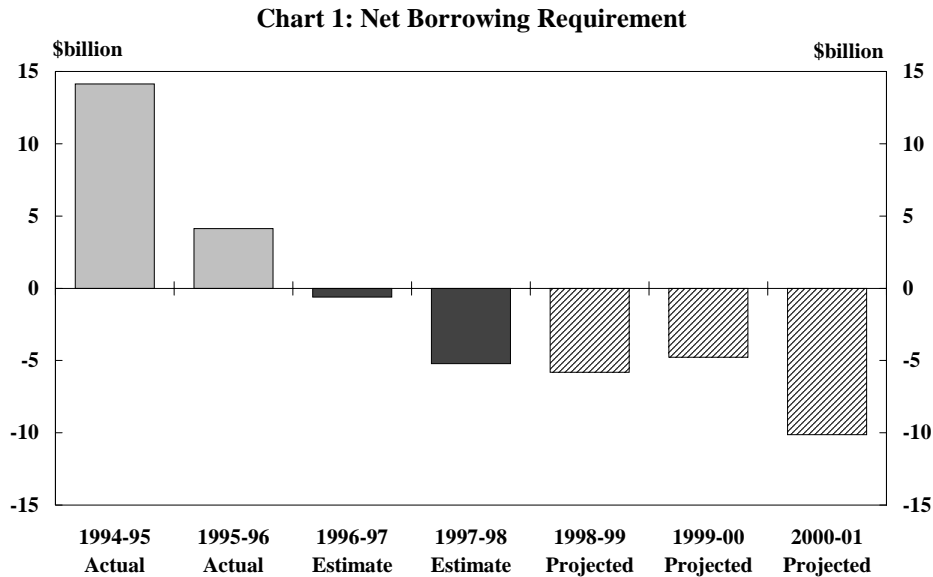
This Statement provides information on the Commonwealth's current and prospective budget financing programmes. A further reduction in the Commonwealth's borrowing requirement from the levels of recent years is in prospect for 1997-98 and the out-years.

OUTLOOK FOR 1997-98 AND THE OUT-YEARS

Borrowing Requirement

In 1997-98, the Commonwealth is expected to repay \$5.2 billion of debt in net terms. This is the lowest net borrowing requirement since 1989-90. The negative net borrowing requirement reflects an estimated headline budget surplus of \$6.4 billion, more than offsetting an estimated \$1.2 billion in payments associated with Commonwealth public trading enterprise superannuation. (It is the net borrowing requirement that determines the Commonwealth's net call on capital markets.)

Chart 1 depicts the net borrowing requirement in recent years and that projected for each year out to 2000-01. The net borrowing requirement is projected to remain negative for each of the out-years. The negative net borrowing requirements for 1998-99, 1999-00 and 2000-01 are projected to be \$5.8 billion, \$4.8 billion and \$10.1 billion respectively.



The Commonwealth's gross borrowing requirement in 1997-98 is estimated to be \$5.5 billion after allowing for the refinancing of scheduled domestic debt maturities (excluding Treasury Notes) of \$10.5 billion and foreign currency debt repayments of \$0.2 billion.

Debt Issue Programme for 1997-98

The Commonwealth's aggregate debt issue programme for 1997-98 is estimated to be around \$6½ billion to \$7½ billion, somewhat larger than the minimum implied by the gross borrowing requirement. The programme provides flexibility to undertake some early repurchase of debt scheduled for maturity in out-years through the course of the year, if this is judged desirable. Early repurchase of out-year maturities can assist in the smoothing across financial years of the refinancing task associated with lumpy maturities and offers a number of additional advantages for management of the Commonwealth's funding risk.

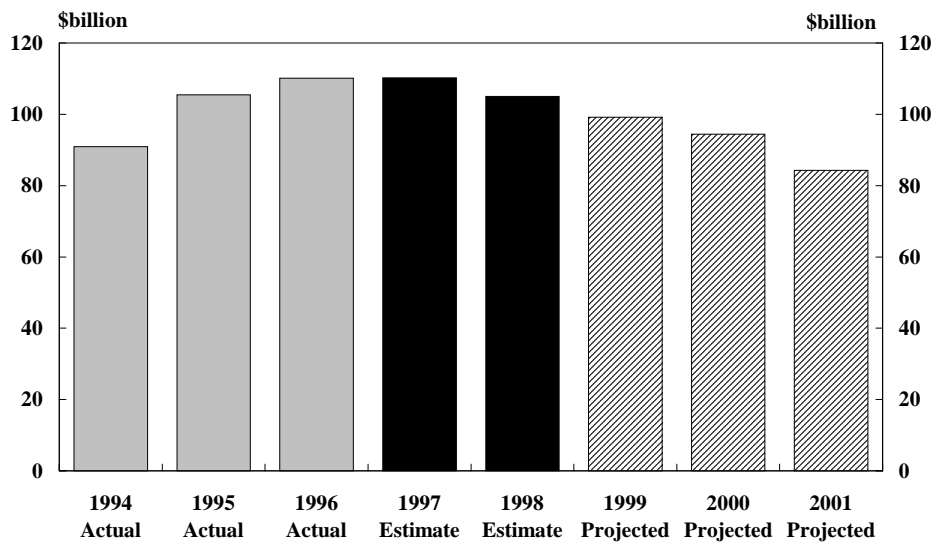
Within the aggregate programme of around \$6½ billion to \$7½ billion, Treasury Fixed Coupon Bond issuance is expected to be of the order of \$5 billion to \$6 billion, with Treasury Adjustable Rate Bond issuance around \$1 billion and Treasury Indexed Bond issuance around \$500 million to \$1 billion. No net change in the Treasury Note stock or in cash balances is planned for 1997-98. Consistent with portfolio management objectives, a new \$US exposure requirement of around \$3 billion is indicated. Relative cost will be an important consideration in choosing between domestic or offshore sourcing of \$US requirements. Any direct offshore issue would, of course, reduce the domestic issue programme.

A detailed announcement covering the Commonwealth's debt management operations in 1997-98 will be made in the new financial year. This will cover planned issuance strategies across each debt instrument, including indications as to possible new benchmark lines and early repurchase operations, and details of the broad risk management framework guiding the composition and conduct of the issuance programme.

Stock of Commonwealth Government Securities (CGS) on Issue

Chart 2 shows the stock of CGS on issue in recent years and as projected for the period to end-June 2001.

Chart 2: Commonwealth Government Securities on Issue at End-June^{(a)(b)(c)}



- (a) The stock of CGS on issue differs from the Commonwealth general government net debt measure referred to elsewhere in *Budget Paper No. 1*. Commonwealth general government net debt refers to a wider definition of government and a broader class of financial assets and liabilities but, unlike the stock of CGS on issue, excludes CGS issued for and on behalf of State and Territory governments.
- (b) Based on the face value of securities.
- (c) Excludes Commonwealth holdings of CGS.

The estimated negative net borrowing requirement for 1997-98 implies a reduction in the stock of CGS on issue over 1997-98. At end-June 1998, the face value of CGS on issue is estimated to be around \$105 billion, or around 19 per cent of GDP, compared with an estimated \$110 billion and 21 per cent of GDP at end-June 1997.

Further reductions in the stock of CGS on issue are projected in the out-years. Between end-June 1998 and end-June 2001, the volume of CGS on issue is projected to fall more than \$20 billion to around \$84 billion, or to about 13 per cent of GDP.

EXPECTED OUTCOME FOR 1996-97

Borrowing Requirement and Debt Issue Programme

Table 1 provides details of the net and gross borrowing requirement and associated debt issue programme in each of 1994-95, 1995-96 and the outcome currently expected for 1996-97.

Table 1: Borrowing Requirement and Debt Issue Programme^(a)

	1994-95 Actual \$m	1995-96 Actual \$m	1996-97 Estimate \$b
Headline Budget Deficit(b)	11582	5001	-0.8
PTE Superannuation Financing	1106	1006	1.0
Other Financing(c)	732	-1040	-0.8
Change in Cash Balances(d)	722	-847	-
Net Borrowing Requirement	14142	4120	-0.6
<i>Plus:</i>			
Domestic Debt Repayments(e)	6531	7732	5.3
Overseas Debt Repayments(f)	1563	1084	0.8
Gross Borrowing Requirement	22236	12936	5.5
<i>Financed as follows:</i>			
Treasury Fixed Coupon Bond Issuance	19993	7799	7.0
Treasury Indexed Bond Issuance	545	602	0.6
Treasury Adjustable Rate Bond Issuance	3700	3400	0.9
Treasury Notes (Net Issuance)	-2002	1135	-3.0
Total Debt Issue Programme	22236	12936	5.5

(a) Based on the face value of securities.

(b) Deficits increase the borrowing requirement; surpluses reduce the requirement.

(c) Includes difference between face value of securities and proceeds, net subscriptions to the IMF, proceeds and payments relating to swap transactions classified as financing transactions and other financing transactions not elsewhere identified.

(d) Change in cash balances held by the Commonwealth at the Reserve Bank. A reduction in cash balances reduces the borrowing requirement.

(e) Excludes the refinancing of Treasury Notes.

(f) \$A equivalent at exchange rate at time of transaction.

The Commonwealth is expected to have a negative net borrowing requirement of \$0.6 billion for 1996-97, \$1.3 billion less than estimated at budget time, reflecting:

- an estimated headline budget surplus of \$0.8 billion (at budget time the surplus was estimated to be \$0.5 billion); and
- \$0.8 billion in other financing transactions (assumed to be to zero at budget time), principally reflecting the receipt of monies from the IMF in respect of a maintenance of value adjustment to Australia's IMF quota and net receipts in respect of swap cash flows classified as financing transactions; partly offset by
- \$1.0 billion in payments associated with Commonwealth public trading enterprise superannuation (estimated to be \$1.2 billion at budget time).

The Commonwealth's gross borrowing requirement for 1996-97 is expected to be \$5.5 billion, after allowing for aggregate debt repayments of \$6.1 billion. The debt repayments include the early retirement of \$0.7 billion of Treasury Fixed Coupon Bonds that were due to mature in 1997-98. At this stage, no further issuance into the Commonwealth's long-term debt instruments (Treasury Fixed Coupon Bonds, Indexed Bonds and Adjustable Rate Bonds) is planned over the remainder of 1996-97. Treasury Notes will continue to be issued in line with the requirements of within-year financing.

Treasury Fixed Coupon Bonds have been the main funding instrument employed by the Commonwealth in 1996-97. Ten tenders have been held, raising \$7.0 billion. A new benchmark stock, a September 2009 line, was introduced in 1996-97, consistent with the objective of maintaining the length of the Commonwealth yield curve at around twelve to thirteen years.

Four tenders of Treasury Indexed Bonds have been conducted in 1996-97, raising an aggregate \$622 million. In line with the Commonwealth's continuing commitment to assist the development of the domestic market for indexed securities, issuance timing and volume through the course of the year have been tailored to meet identified market demand. In October 1996, a new 2020 capital indexed stock was launched via a \$250 million tender. In subsequent tenders, priority has been given to building up liquidity in the new 2020 line. However, it is planned to continue to issue also the 2015 line as demand and circumstances permit.

Consistent with the programme announced at budget time last year, a total of \$900 million of Treasury Adjustable Rate Bonds (TABs) has been issued in 1996-97. Three tenders have been conducted, with all issuance being into the October 2000 line. The TABs market continued to develop steadily through the year, with investor support underpinned by the Commonwealth's practice of managing issuance in line with identified demand.

Treasury Note issuance in 1996-97, as in prior years, has been directed primarily towards meeting the within-year funding task that arises from day-to-day mismatches in the timing of outlays and revenue. The volume of Treasury Notes outstanding at end-June 1997 is expected to be around \$13 billion, around \$3 billion lower than at end-June 1996.

Full details of the Commonwealth's debt and portfolio management operations in 1996-97, as well as historical data on debt issuance and portfolio composition in previous years, will be presented in the *Commonwealth Debt Management Report* for 1996-97, which is expected to be published in September 1997.

STATEMENT 7 — THE PUBLIC SECTOR

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STATEMENT 7 — THE PUBLIC SECTOR

PART I: INTRODUCTION

Statement 7 examines trends in the finances of the Commonwealth and State/local levels of government from two perspectives — underlying deficits and the stock of outstanding liabilities. Its focus on the total public sector provides a broader context in which to consider developments in the Commonwealth budget sector.

This Statement uses the ABS' classifications of the non-financial public sector to present data both by level of government and institutional sector. The former refers to the distinction between the Commonwealth and the State/local government levels while the latter differentiates between the general government sector and the public trading enterprise (PTE) sector within each main level of government.

- The general government sector, through government departments and agencies, provides public services which are mainly non-market in nature, are mainly for the collective consumption of the community, or involve the transfer or redistribution of income. These services are financed mainly through taxes and other compulsory levies, although user charging and external funding have increased in recent years.
- The PTE sector consists of bodies which provide goods and services which are mainly market, non-regulatory and non-financial in nature, financed mainly through sales to the consumers of these goods and services. In general, PTEs are legally distinguishable from the governments owning them.

This classification provides a consistent framework for making comparisons across the whole public sector. For the Commonwealth, for example, the general government sector extends beyond the budget sector to include non-budget general government authorities such as the ABC.

The historical data used in this Statement have been drawn from GFS publications. Preliminary 1996-97 data and projections for the States were compiled by the Commonwealth Treasury, drawing on general government sector information provided by the States for the *National Fiscal Outlook*, published in March 1997, updated for recent State budgets. Projections for the Commonwealth incorporate the parameter assumptions which underlie the Commonwealth Budget forward estimates.

Consistent with the focus of the Budget Papers on the Commonwealth's underlying budget balance, this statement examines trends in the public sector underlying deficit. By so abstracting from net advances — which simply involve the transfer or exchange of a financial asset and therefore have no impact on government net lending or net worth — the underlying deficit is broadly consistent with the national accounts net lending measure. It thus provides a good estimate of the savings-investment gap for the relevant sector. For the Commonwealth general government sector, net advances mainly comprise the proceeds of equity asset sales and State debt repayments to the Commonwealth.

The underlying deficit differs from the ABS adjusted deficit measure by not excluding increases in provisions. This is to maintain consistency with the ABS national accounts

treatment which excludes increases in provisions from the net lending estimates. The difference is further explained in the statistical notes at Appendix B to this Statement.

The net debt position can change without a corresponding movement in the underlying deficit. This is mainly because the proceeds of asset sales, while excluded from the underlying deficit, result in lower borrowing requirements (or repayments of previous borrowings) and therefore lower net debt.

Part II of this Statement examines trends in underlying deficits, outlays and revenue, while Part III discusses movements in the stock of public sector financial assets and liabilities, including net debt.

Appendix A outlines the size and structure of the public sector, reflecting the respective roles of the Commonwealth and State/local governments. Appendix B provides notes on the data used in this Statement. Appendix C presents data on public sector revenue, outlays and underlying deficits by institutional sector and level of government, own-purpose outlays, and net interest outlays. In line with the agreement between the Commonwealth, the States and the Territories on the uniform presentation of government financial information, Appendix D provides GFS consistent data for the Commonwealth general government, PTE and consolidated sectors. It also discusses the distinction between budget and GFS data.

BOX 1: REVISED UNIFORM PRESENTATION FRAMEWORK

In March 1997, the Australian Loan Council agreed to implement a revised uniform presentation framework for Commonwealth, State and Territory financial information.

This framework updates the May 1991 Premiers' Conference uniform presentation agreement to take account of early budgets and integrate the Loan Council and *National Fiscal Outlook* reports.

- The primary objective of this agreement is to ensure that a common core of financial information is provided in jurisdictions' budget papers. This is achieved through presenting information on the ABS GFS basis.

The revised uniform presentation framework represents a significant improvement on existing reporting arrangements. In particular, it includes valuable enhancements such as the presentation of general government forward estimates and the publication of a mid-year report by each jurisdiction.

Under the revised framework:

- Commonwealth, State and Territory governments will continue to report core financial information in their budget papers. However, these reports will be made more forward looking by including three-year forward estimates for the general government sector.
- All jurisdictions will also publish a mid-year report providing updated information, including forward estimates and a revised Loan Council Allocation estimate. The mid-year update will take into account fiscal and economic developments since the commencement of the budget year. As a consequence quarterly Loan Council reporting will be discontinued.
- The NFO will continue to present forward estimates for the general government sector; however, these estimates will now be based on jurisdictions' mid-year reports.

The revised framework is to be implemented in two stages. Revised Loan Council reporting arrangements will commence immediately, while the remainder of the framework will come into effect from 1998-99. A paper setting out the revised framework is available from the Commonwealth and State Treasuries.

The ABS will also continue to present annual information on government outlays, revenue and deficits for the Commonwealth, States and Territories in the GFS and Government Financial Estimates (GFE) publications (Catalogue Nos. 5512.0 and 5501.0 respectively). The GFS is usually published in April and the GFE in November of each year. Information on public sector financial assets and liabilities is published annually in ABS Cat. No. 5513.0.

PART II: TRENDS IN PUBLIC SECTOR BALANCES

PUBLIC SECTOR UNDERLYING DEFICIT

Trends in total public sector balances in Australia have been largely determined by developments in the Commonwealth budget through its influence on the general government sector. Movements in PTE sector balances have made a smaller contribution to the total and tend to be driven by the State/local level of government which has a relatively large PTE sector.

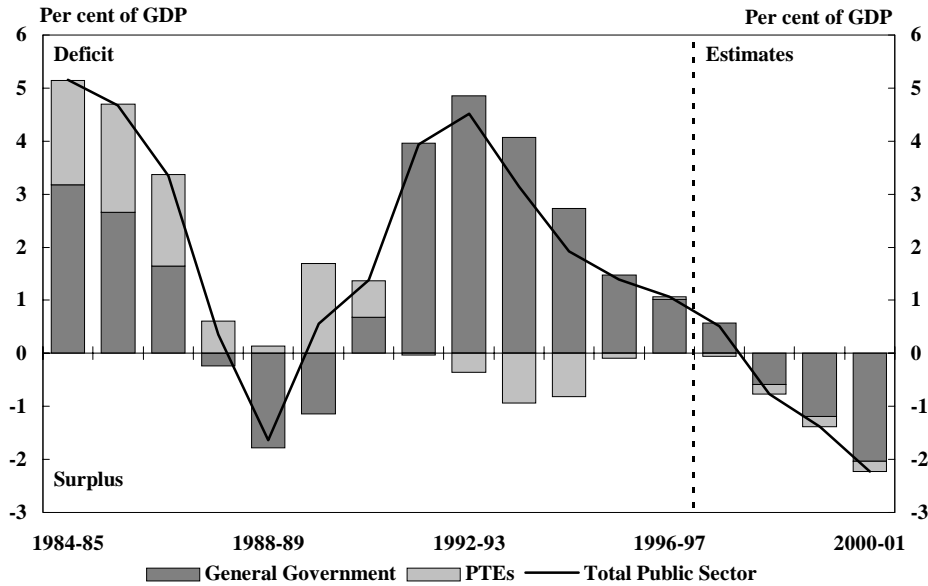
Chart 1 shows the trend in the total public sector underlying deficit as a share of GDP and the contributions of the general government and PTE sectors. Apart from a small surplus in 1988-89, deficits have been recorded consistently over recent decades. Despite the decline from a recent peak of 4.5 per cent of GDP in 1992-93 to 1.4 per cent in 1995-96, deficits have been recorded throughout the expansionary phase of the cycle.

A further decline to an estimated 1.1 per cent of GDP in 1996-97 reflects the measures implemented in the 1996-97 Budget as part of the Government's fiscal consolidation programme. The overall improvement has been achieved notwithstanding an expected fall in the State/local public sector's underlying balance from a surplus of 0.8 per cent of GDP in 1995-96 to a 0.5 per cent surplus in 1996-97.

Chart 1 also shows projections for the period to 2000-01.¹ The total public sector is expected to move into surplus in 1998-99, at about 0.8 per cent of GDP, largely due to the Government's fiscal consolidation programme including the measures announced in the Budget.

¹ These projections incorporate the parameter assumptions which underlie the Commonwealth Budget forward estimates and information provided by the States for the 1997 *National Fiscal Outlook*.

Chart 1: Non-financial Public Sector Underlying Deficit by Sector



The deficit since 1984-85 for each level of government and institutional sector is shown in Chart 2. This demonstrates the major impact of past deficits in the Commonwealth general government sector on the total public sector deficit and, over the projection period, the role that fiscal consolidation by the Commonwealth will play in ensuring that the public sector makes a positive contribution to national saving.

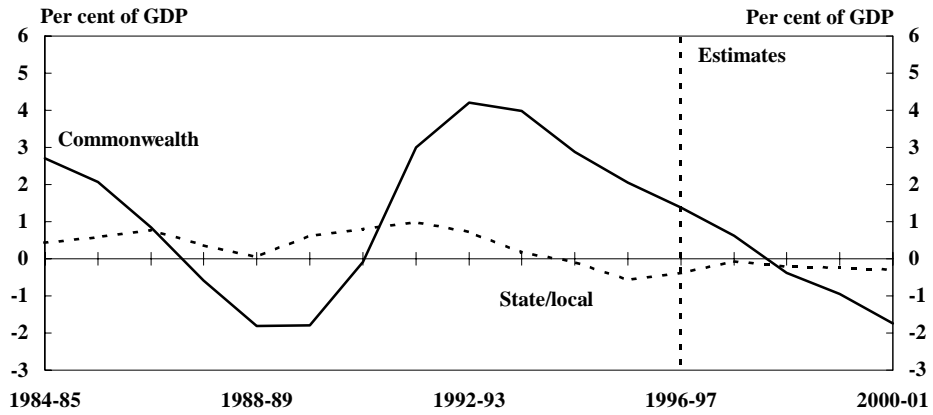
The State/local general government sector has recorded small surpluses since 1994-95 following an improvement in fiscal performance beginning in 1991-92. Although the surplus is expected to decline in 1996-97 and 1997-98, the sector is expected to remain in small surplus over the projection period.

With the total PTE sector also expected to remain close to balance, the projections show the transition to a total public sector surplus in 1998-99 being driven by a shift to surplus in the Commonwealth general government sector in the same year. The total surplus is projected to increase to 2.2 per cent of GDP in 2000-01.

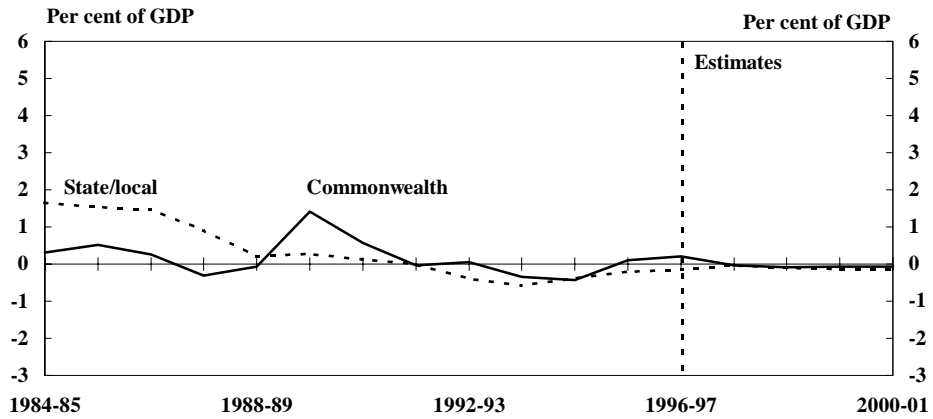
Trends in general government and PTE sector deficits are analysed in more detail in the following sections.

Chart 2: Underlying Deficit by Sector and Level of Government

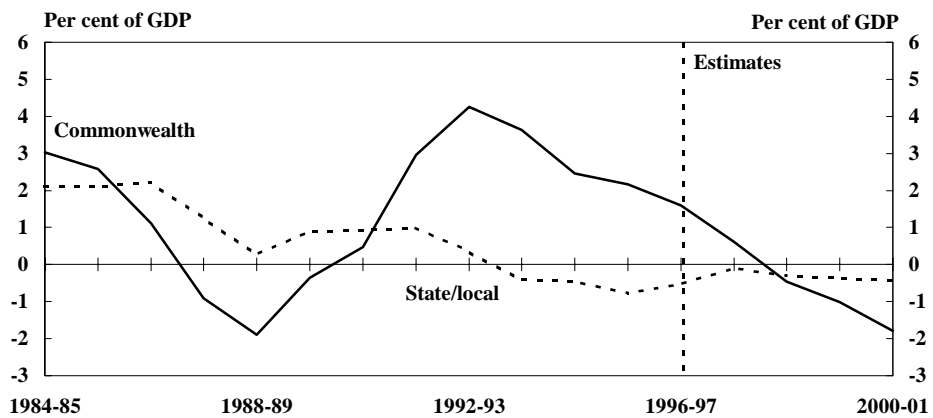
A: General Government



B: Public Trading Enterprises



C: Consolidated



GENERAL GOVERNMENT SECTOR

The general government sector is the appropriate primary focus for any assessment of the public sector's impact on the national economy. It is the sector responsible for taxation and for the provision of government services such as social welfare, public hospitals, schools and police. Where governments intentionally use the impact of expenditure and taxation to affect the level of economic activity in the private sector, they generally do so through the general government sector. The PTE sector has become more and more commercially orientated and thus more akin to the private sector.

Saving of the general government sector depends on the balance between its current expenditure and its revenue. If it is not saving, or if its saving is insufficient to fund its capital expenditure, then it is adding directly to the national saving-investment imbalance. This direct contribution to the national saving-investment imbalance, represented by the difference between underlying outlays and revenue, will vary depending on the stage of the economic cycle and the stance of government policy.

The PTE sector, on the other hand, should be a significant ongoing saver if it operates efficiently, leaving only part of its investment needs to be funded from borrowing. Nevertheless, it is appropriate for the PTE sector to be a consistent borrower to fund capital expenditure that generates an ongoing revenue stream and/or provides services over a considerable period of time. Thus it can be expected to contribute to some degree to the national saving-investment imbalance over the medium term even if its investment and borrowing decisions are commercially based. In fact, Chart 2 indicates that this contribution has been minor, particularly in the period since the late 1980s when PTEs have been set on a more commercial path.

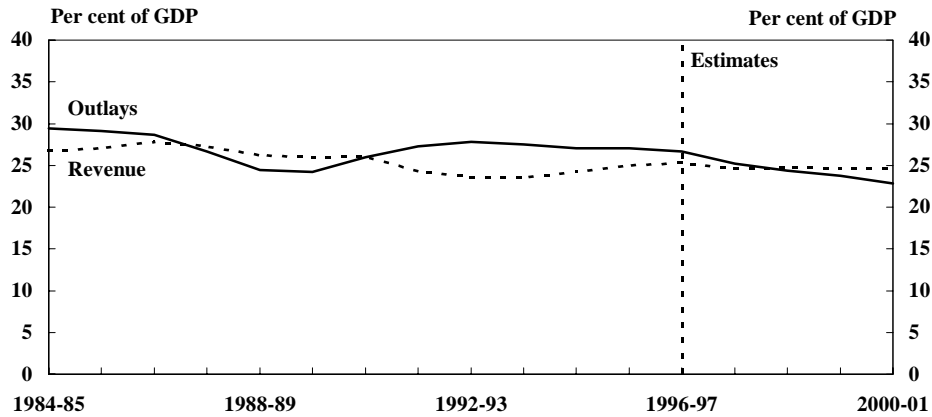
Chart 3 shows trends in general government underlying outlays and revenue and their effect on the general government deficit. Panel A indicates the cyclical nature of Commonwealth outlays and revenue due to the Commonwealth's responsibility for social security and welfare outlays and the sensitivity of revenues to rates of economic growth and price and income pressures.

However, structural factors and policy decisions have also been an influence — the maintenance of high levels of Commonwealth outlays (as a proportion of GDP) during the cyclical upturn; and a flat outlook for revenues as a proportion of GDP at levels below those recorded in the mid-1980s, reflecting the low inflation environment, slower indirect tax growth and lower interest receipts from the States.

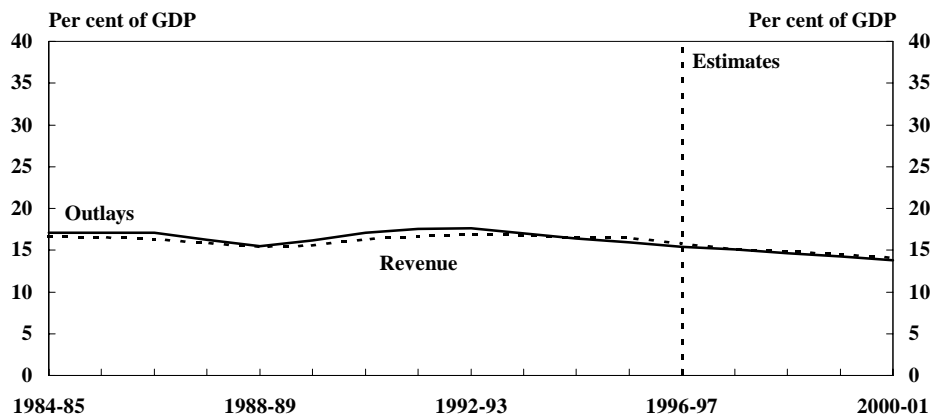
The projections in Chart 3 demonstrate the importance of outlays restraint to achieving the Government's fiscal objectives. Reductions in underlying outlays as a share of GDP will be achieved through lower current outlays across a range of government functions, whereas capital outlays (abstracting from net advances) are expected to remain broadly constant over the projection period.

Chart 3: General Government Underlying Outlays and Revenue by Level of Government

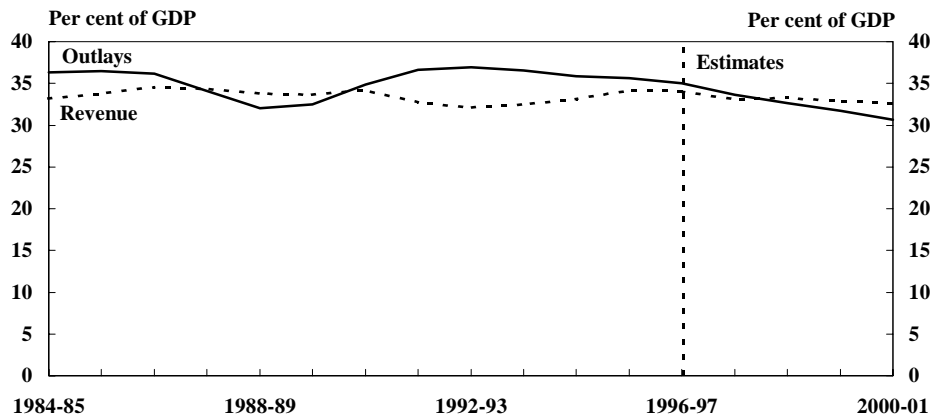
A: Commonwealth



B: State/local



C: Total General Government



The State/local general government sector is less sensitive than the Commonwealth to changes in economic conditions. Panel B of Chart 3 shows the underlying surpluses achieved by the State/local level in 1994-95 and 1995-96. These largely reflected outlays restraint. Total outlays are projected to decline as a share of GDP over the projection period due mainly to restraint in the growth of current outlays, reflecting improvements in public sector efficiency and lower interest costs associated with declining net debt.

Both grants from the Commonwealth and own-source revenue are expected to decline as a share of GDP over the projection period. State/local revenue is expected to grow more slowly than economic activity, with a number of States explicitly seeking to constrain tax levels. Privatisations are also reducing revenue streams through lower dividends from the PTE sector to the general government sector, although this is offset by savings in public debt interest.

Although fiscal and economic performance continues to differ between States, the extent of these differences has decreased since the early 1990s. All States and Territories have announced medium term fiscal strategies which aim to improve their fiscal positions over the medium term. These strategies are expected to underpin a continuation of combined State/local surpluses, although faster than anticipated growth in wages and demand for health services could pose some risk to this outlook. Any deterioration in State/local fiscal performance would offset the contribution of Commonwealth fiscal consolidation to the savings task.

Fiscal consolidation in Australia is being driven by outlays restraint across the general government sector. In contrast, OECD projections suggest that the significant consolidation being undertaken in other industrialised countries places greater emphasis on the revenue side. The IMF and OECD have found that fiscal consolidation is more likely to be durable and encourage sustained economic growth if it is achieved through outlays restraint.

Own-Purpose Outlays

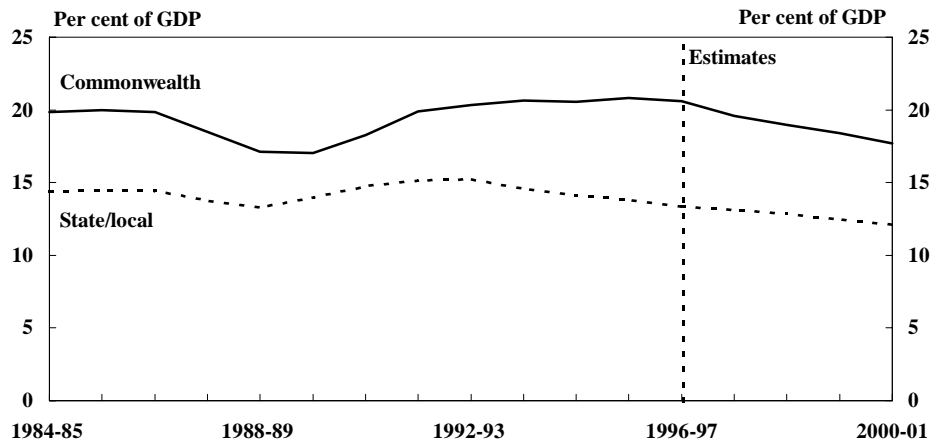
Trends in general government own-purpose outlays are illustrated in Chart 4. Commonwealth own-purpose outlays are defined here as outlays excluding net advances, adjusted mainly to exclude Commonwealth payments to the States other than specific purpose payments made 'through' the States. This differs from the published ABS measure which does not remove all net advances and excludes all payments to the States, including payments 'through'. (The methodology is explained in more detail in Appendix B.) While conceptual difficulties remain, the adjusted measure used here provides a better basis for comparison of relative outlays restraint by the Commonwealth and State/local levels of government.

As shown in Panel A of Chart 4, Commonwealth general government own-purpose outlays increased as a proportion of GDP in the six year period to 1995-96, in contrast to a declining trend for the State/local level from 1992-93. Panel B shows that, in real terms, State/local own-purpose outlays increased over the six year period but at a substantially slower rate than the Commonwealth's.

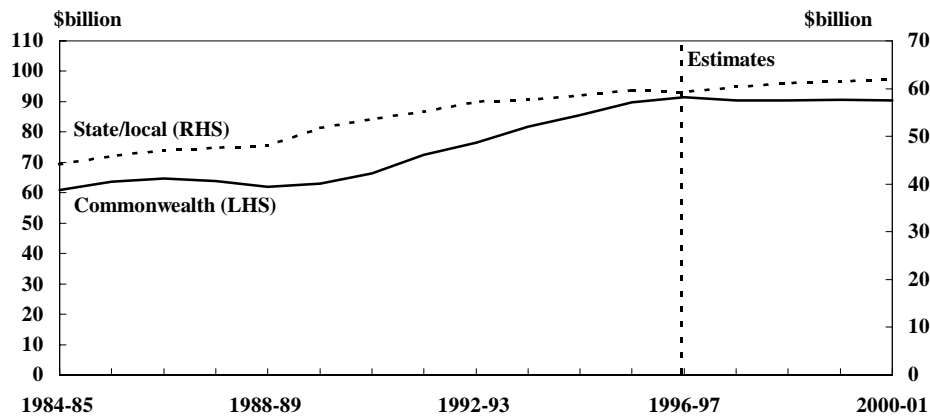
The projections for the Commonwealth show an expected substantial decline in own-purpose outlays as a share of GDP over the period to 2000-01 as a result of the Government's budget measures. A smaller decline is expected for the State/local level.

**Chart 4: General Government Underlying Own-purpose Outlays
by Level of Government**

A: Per cent of GDP



B: Real (1989-90 base)



Source: *Government Finance Statistics*, unpublished ABS data. Estimates for State/local own-purpose outlays are based on information supplied by the States for the 1997 *National Fiscal Outlook*, supplemented by recent State budgets.

PUBLIC TRADING ENTERPRISE SECTOR

The PTE sector is an important provider of economic infrastructure and contributes significant revenue to general government, mainly in the form of dividends. Whereas the Commonwealth is dominant within the general government sector, the State/local level is more significant within the PTE sector (accounting for around 65 per cent of total PTE revenue and outlays). This reflects State responsibility for infrastructure and service provision in areas such as electricity, gas and water and public transport.

The PTE sector has undergone significant changes in recent years, involving privatisations, an increased emphasis on operating efficiency—particularly in loss-making enterprises—and improvements in profit performance and market orientation. Governments are continuing to assess whether it is appropriate for the public sector to own businesses and the conditions under which they operate. The Competition Principles Agreement between the Commonwealth and the States provides a framework in which these changes can be considered.

Recent major PTE privatisations have included those in the Victorian electricity industry, which have generated proceeds of \$17.8 billion in 1995-96 and 1996-97 (mainly used to repay State debt), and the Commonwealth's sale of Qantas. Other major sales have occurred in the public financial enterprise sector (at the Commonwealth level, the Commonwealth Bank and Commonwealth Funds Management Limited, while the sale of AIDC Limited is also proposed).

The Commonwealth is proceeding with the sale by public float of one-third of its equity in Telstra Corporation Limited (which will, however, remain classified to the Commonwealth PTE sector) and has announced an intention to sell the Australian National Railways Commission, ANL Limited, and long-term leases over Federal airports. Victoria has announced the restructuring of its gas utility, GASCOR, with a view to privatisation of individual units from mid-1998, and Western Australia has indicated that it intends to privatise (at least partially) the Dampier to Bunbury Natural Gas Pipeline in 1997-98.

The PTE sector has typically been in underlying deficit, reflecting a business need to borrow on a net basis to finance capital investment. As shown in Chart 1, the deficit has declined gradually, moving into surplus in 1991-92. Much of the improvement since the late 1980s was due to an increase in commercial focus under corporatisation policies and increased efficiency. These influences have also contributed to a decline in PTE sector capital outlays as a share of GDP from a peak in the early 1980s and (as discussed in Part III) to reduced PTE sector net debt levels.

The PTE sector projections indicate that small surpluses will continue over the projection period in line with economic growth and continued PTE reform.

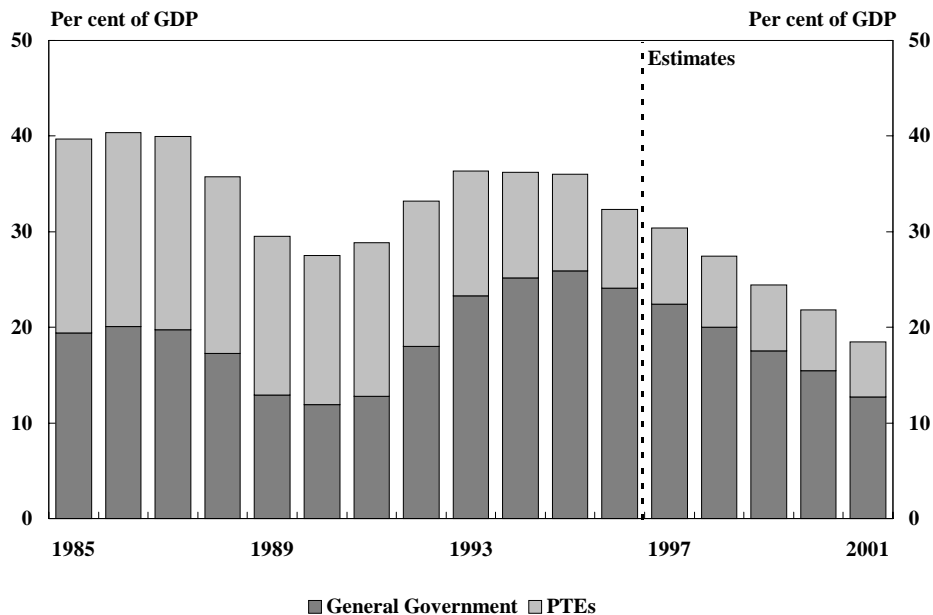
PART III: PUBLIC SECTOR LIABILITIES

The level of public sector financial assets and liabilities, in particular net debt, is an important indicator of a government's overall financial position. High or rapidly increasing net debt levels may raise questions about vulnerability to economic shocks and the sustainability of policy settings, and may limit policy flexibility, including (for the Commonwealth) the scope to use fiscal policy for stabilisation purposes.

TRENDS IN PUBLIC SECTOR NET DEBT

Net debt comprises the stock of selected gross financial liabilities less financial assets. The change in net debt does not correspond to the underlying deficit as the proceeds of equity transactions, such as equity asset sales, which reduce the borrowing task, are not included in the underlying balance. The derivation of the net debt estimates used in this Statement is discussed in Appendix B.

Chart 5: Public Sector Net Debt by Sector
Outstanding Stock as at 30 June



Net debt trends for the total public sector, and the contributions of the general government and PTE sectors, are shown in Chart 5. Two major trends are evident — the increase in general government net debt as a share of GDP following the recession of the early 1990s, to a level higher than the previous peak in the mid-1980s, reflecting the financing of Commonwealth budget deficits that continued into the cyclical upturn; and the decline in PTE sector net debt as a share of GDP since the late 1980s, reflecting lower levels of capital expenditure, improved efficiency and privatisations.

The net result has been high but relatively stable levels of net debt to GDP for the total public sector in the four years to 1995-96. The improvement evident since then reflects

lower net borrowing requirements for the Commonwealth and the application of privatisation proceeds to debt retirement at the State/local level. Following privatisations in its electricity industry, Victoria has repaid substantial amounts of outstanding debt in both the general government and PTE sectors.

Through the projection period, general government net debt as a share of GDP is expected to decline further — mainly due to Commonwealth fiscal consolidation, but also Commonwealth asset sales and continuing fiscal restraint at the State/local level. For the PTE sector, net debt as a share of GDP is expected to decline slowly, consistent with a profile of small surpluses. These trends would result in total public sector net debt of around 18 per cent of GDP in 2000-01, compared with the most recent peak of 36 per cent in 1994-95.

The distribution of debt across institutional sectors differs between levels of government, making comparisons difficult. Most Commonwealth net debt is owed by the general government sector whereas more than half of State/local net debt is owed by the PTE sector. This is demonstrated in Chart 6, which shows movements in net debt by sector and level of government since 1972.

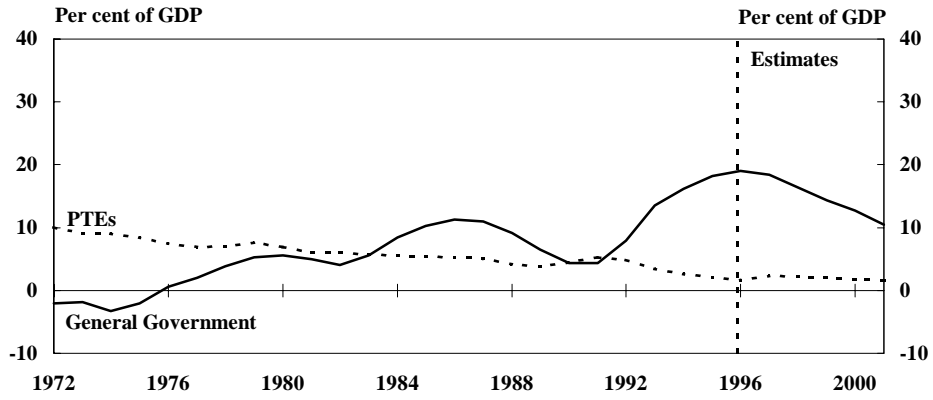
Panel A of Chart 6 shows that Commonwealth general government sector net debt as a share of GDP ratcheted up from low levels in the 1970s to a peak of 19 per cent in 1995-96, with a sharp acceleration in the current decade. In contrast, general government sector net debt at the State/local level has declined from 32 per cent of GDP in 1971-72 to around 4 per cent in 1996-97, as shown in Panel B. The recent trend for the State/local general government sector reflects the impact of relatively large deficits between 1988-89 and 1991-92, followed by fiscal consolidation and the achievement of consolidated surpluses, and asset sales.

The projections for the Commonwealth include the expected impact of measures announced in this Budget. They indicate that Commonwealth general government sector net debt will decline from 19 per cent of GDP in 1995-96 to around 10 per cent in 2000-01. State/local general government net debt as a share of GDP should continue to decline gradually in line with explicit or implicit debt reduction programmes which form part of States' medium-term fiscal strategies.

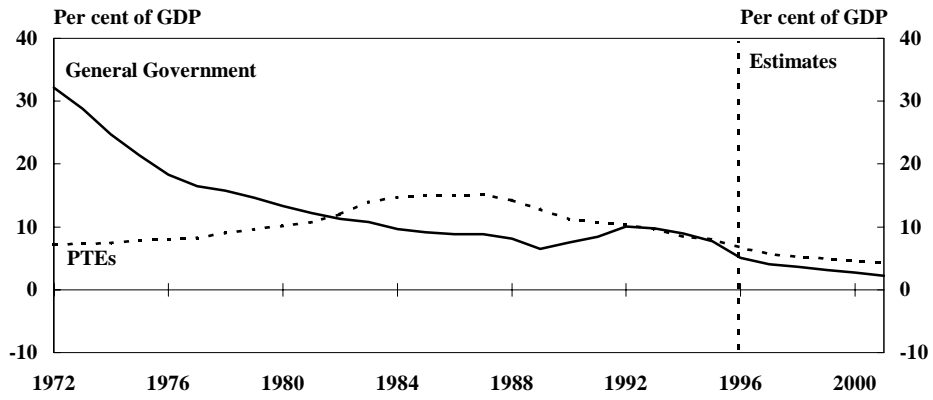
Panel C indicates the importance of the Commonwealth reduction for the projected decline in the total public sector figure from 32 per cent of GDP in 1995-96 to around 18 per cent in 2000-01. This also incorporates an expected further small decline in total PTE sector net debt as a share of GDP, reflecting a continued reduction at the State/local level with the Commonwealth figure expected to remain flat at around 2 per cent of GDP.

Chart 6: Public Sector Net Debt by Level of Government and Sector

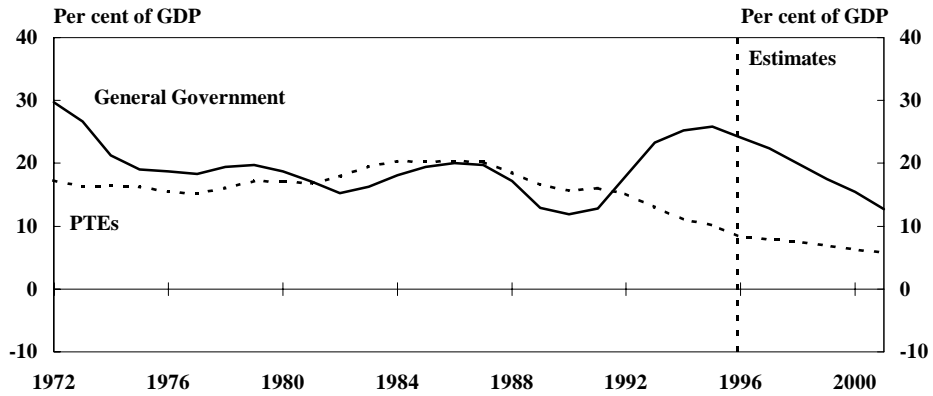
A: Commonwealth



B: State/local



C: Total public sector



BROADER MEASURES OF PUBLIC SECTOR LIABILITIES

As noted, net debt is an important indicator of a government's financial position. However, changes in holdings of other financial assets and liabilities are also relevant. A broader measure, published under the Uniform Presentation Agreement, is the excess of total liabilities over financial assets. In addition to net debt, this measure includes items such as unfunded employee entitlements, equity holdings and accounts receivable and payable. (The broader measure of net liabilities still gives only a partial picture in that it does not reflect accumulated physical assets which also affect a government's net asset position.)

In particular, unfunded employer contributions to public sector superannuation schemes, accrued long service leave and other employee entitlements are a significant liability for governments. For the Commonwealth general government sector, these unfunded entitlements amounted to \$68.7 billion at 30 June 1996, or 14.1 per cent of GDP, while those of the States and Territories totalled \$53.8 billion or 11 per cent of GDP — although the position varies considerably between individual States and Territories, ranging from 8.9 per cent to 19.9 per cent of gross state product.

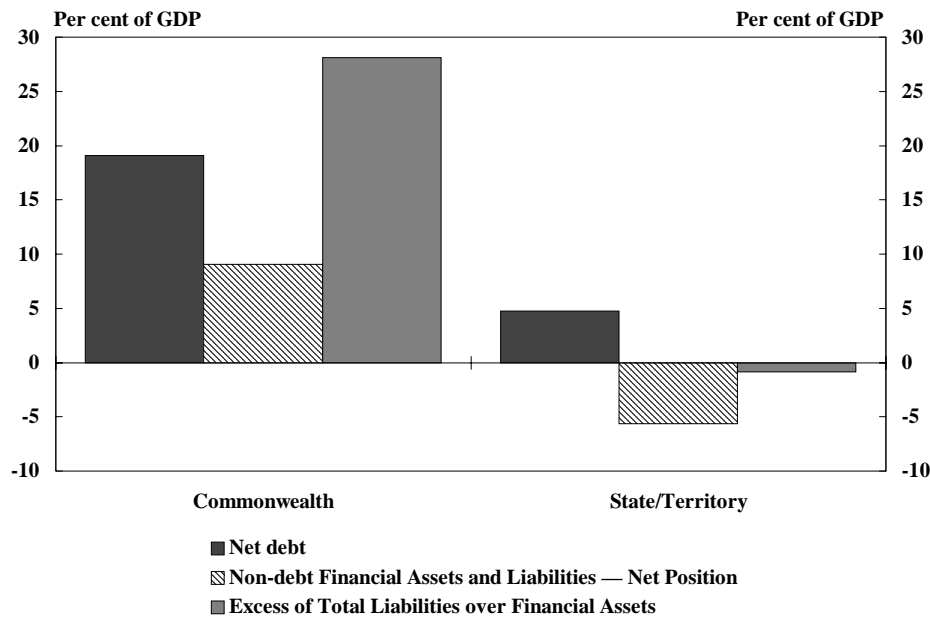
The future growth of these unfunded entitlements is expected to be limited by moves by most States toward funding accruing superannuation liabilities and the introduction of less expensive public sector superannuation schemes. The Commonwealth has reduced its future superannuation costs by closing entry to the Commonwealth Superannuation Scheme and Defence Force Retirement and Death Benefits Scheme in 1990 and 1991 respectively, and replacing them with two lower cost schemes (the Public Sector Superannuation Scheme and the Military Superannuation and Benefits Scheme).

The broader measure of financial assets and liabilities also takes into account changes in equity holdings. It thus recognises, for example, that where the proceeds of sale of a PTE business reduce general government sector net debt, there will also be an offsetting reduction in the general government sector's holdings of PTE equity.

Chart 7 shows the relative size of total liabilities and financial assets by component parts for the Commonwealth and State/Territory general government sectors at 30 June 1996.²

² Analysis of the broader measure of public sector financial assets and liabilities is hampered by data limitations. The general government data used in Chart 7 are in some cases unpublished estimates. From 1996-97, all jurisdictions are obliged under the uniform presentation agreement to publish full format financial assets and liabilities statements, including information on non-debt financial assets and liabilities.

**Chart 7: General Government Net Liabilities Position
As at 30 June 1996**



The State/Territory general government sector is in a small net asset position overall, with net debt more than offset by an excess of non-debt financial assets over non-debt liabilities.³ This excess mainly reflects the fact that equity holdings are larger than unfunded employee entitlements. In contrast, the Commonwealth has a high level of unfunded employee entitlements and a low level of equity holdings.

FLOWS ARISING FROM HOLDINGS OF FINANCIAL ASSETS AND LIABILITIES

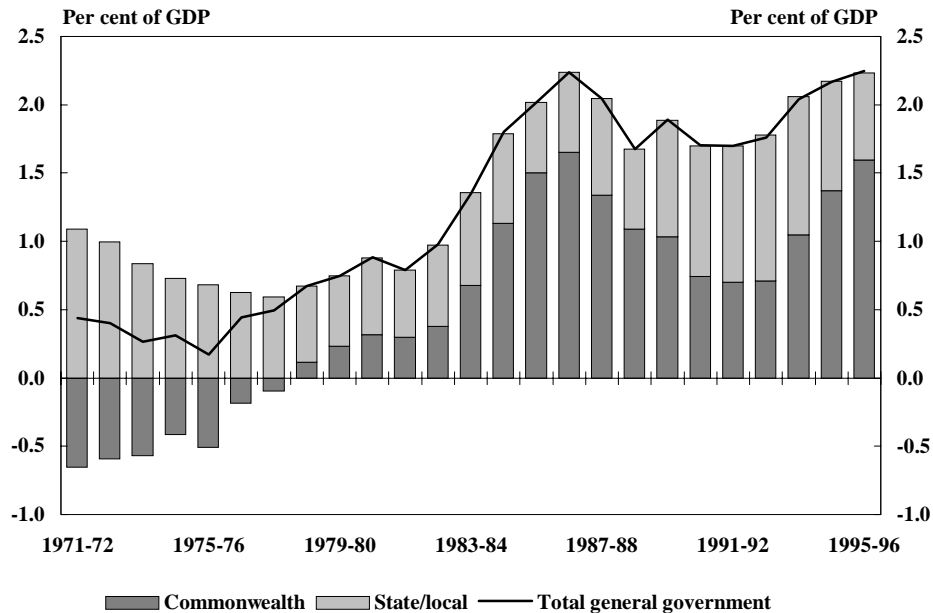
Net interest outlays arise from net debt holdings, and dividends are a return on general government sector equity holdings in PTEs. Each represents the fiscal impact of holding particular financial assets and liabilities.

Net interest outlays are defined as interest payments on gross debt less interest received on loans and advances, and are affected by the volume of net debt on issue and interest rates. As shown in Chart 8, the Commonwealth general government sector moved in the late 1970s from being a net interest recipient to a net payer. Net interest outlays of the total general government sector peaked in the mid 1980s at around 2.2 per cent of GDP, reflecting the cyclical increase in general government sector (particularly Commonwealth) net debt and prevailing high interest rates. The total fell to about 1.8 per cent in 1992-93 mainly due to the lagged effect of falling interest rates.

³ The combined State/Territory general government position is significantly influenced by Queensland which has a large excess of total financial assets over liabilities.

Since then, the persistence of Commonwealth budget deficits into the expansionary phase of the cycle has put upward pressure on net interest outlays as a share of GDP, more than offsetting recent improvements at the State/local level in line with reduced levels of net debt to GDP.

Chart 8: General Government Net Interest Outlays by Level of Government



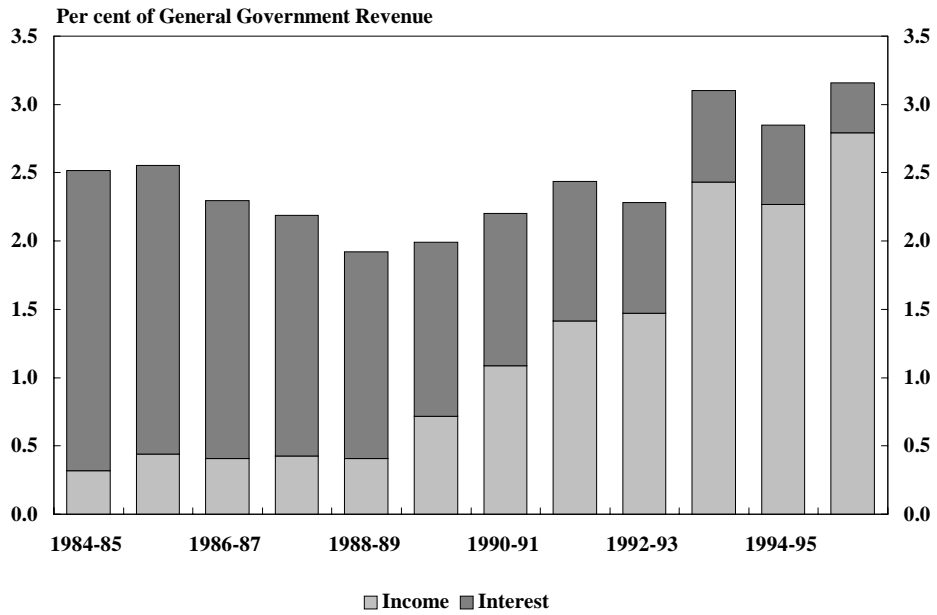
In contrast, the PTE sector has been able to reduce its net interest outlays as a share of GDP over the longer term. This is particularly evident at the State/local level and is consistent with lower levels of net debt to GDP stemming from reduced capital outlays and improvements in PTE performance. It also reflects a reduction in the size of the PTE sector through privatisation. As a result, the contribution of the PTE sector to total net interest outlays is now significantly lower than in the mid 1980s.

The PTE sector is an important source of revenue to the general government sector, particularly at the State/local level, with dividend streams corresponding to equity holdings and interest payments reflecting the stock of general government sector loans to the PTE sector.

Since the early 1980s, the financial relationship between the general government and PTE sectors at all levels has changed considerably, and is now at arm's length in most cases. Advances from general government to PTEs have largely been repaid and new borrowings undertaken from financial markets, either directly or through State central borrowing authorities. Capital structures and dividend policies are now more comparable with those applying in the private sector. Privatisations have the effect of reducing both dividend and interest payments to the general government sector.

The net effect of these changes has been an increasing trend in income transferred to general government by PTEs, as shown in Chart 9, with growth in dividends (despite privatisations) more than offsetting a decline in interest paid.

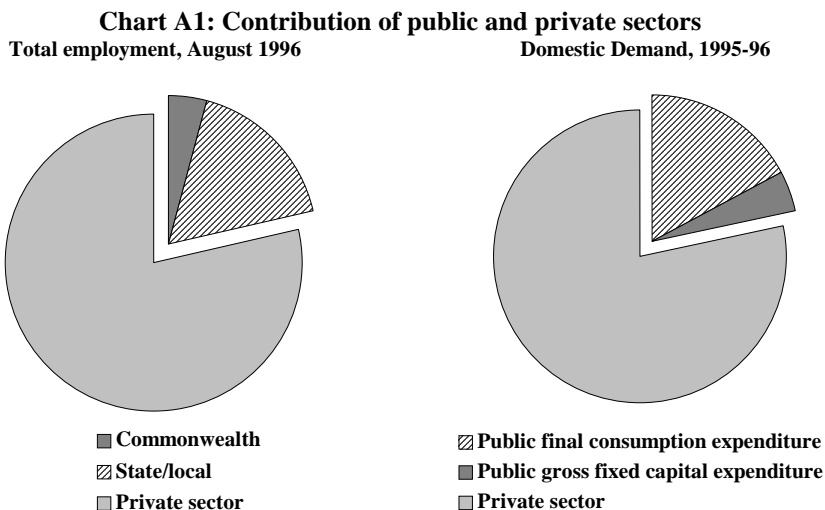
Chart 9: Income and Interest Transferred from PTEs to General Government Sector



APPENDIX A: SIZE AND STRUCTURE OF THE PUBLIC SECTOR

This Appendix provides an overview of the size and structure of the Australian non-financial public sector to assist in interpreting the trends discussed in Parts II and III of the Statement.

As shown in Chart A1, the public sector directly accounts for around 26 per cent of total employment (excluding the armed forces) and 22 per cent of final domestic demand⁴. The State/local level accounts for about 77 per cent of total public sector civilian employment and 72 per cent of public final demand — reflecting its major responsibilities for service delivery, for example in the areas of education and health, and for infrastructure.



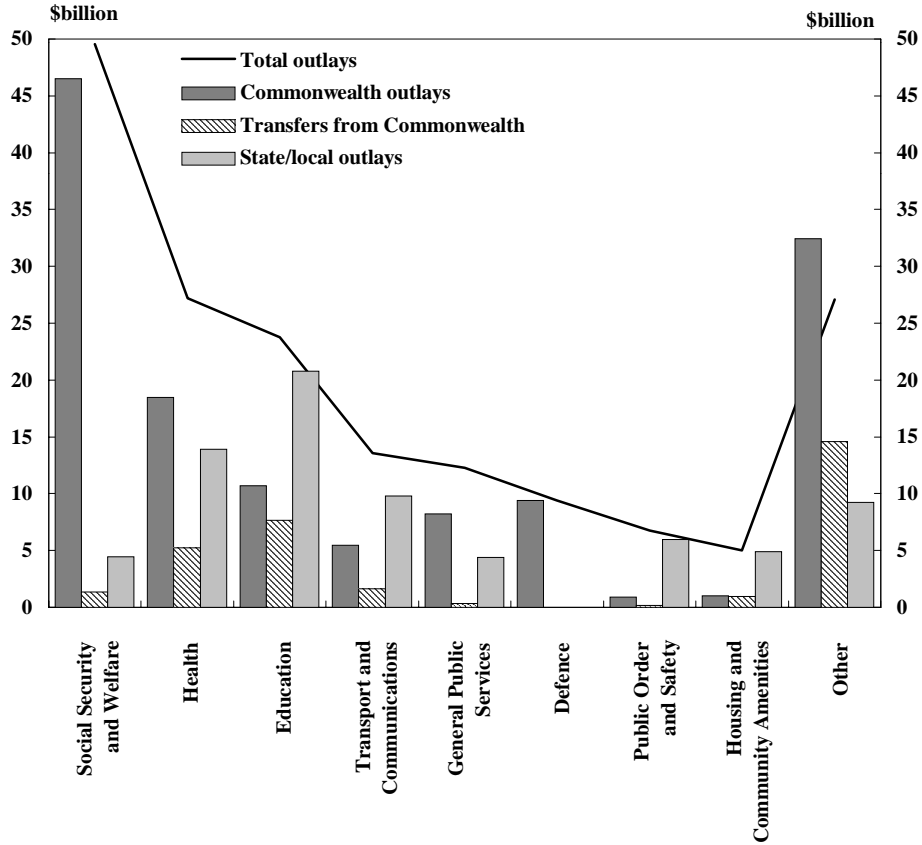
Source: ABS 5206.0 and unpublished ABS data

Within the total public sector, the general government sector is substantially larger than the PTE sector, accounting for 61 per cent of public sector output and 80 per cent of public sector civilian employment. The PTE sector is nevertheless an important provider of economic infrastructure. In terms of assets, the largest Commonwealth PTEs are Telstra and Australia Post. Major State PTEs include authorities responsible for electricity, gas and water services.

There are significant differences in the roles and responsibilities of the levels of government, as shown in Chart A2. Major outlays functions performed by the Commonwealth include defence expenditure and transfer payments in relation to social security and welfare and health. The Commonwealth also has a major role in funding education and health services provided by the States and the private sector. Major State/local functions include the delivery of education, health, and public order and safety services.

⁴ Transfer payments by the Commonwealth — for example, income support — are not included in public final demand.

Chart A2: Commonwealth and State/local Outlays by Major Function, 1995-96



In 1995-96, the Commonwealth raised 73 per cent of total general government revenue. However, adjusted Commonwealth own purpose outlays only directly accounted for 62 per cent of total general government outlays. A significant share of Commonwealth revenue is passed on to the State/local level in the form of grants, which account for 42 per cent of State/local general government revenue. Further information on inter-governmental transfers is provided in *Budget Paper No. 3*.

APPENDIX B: STATISTICAL NOTES

MEASURES OF THE UNDERLYING DEFICIT

The underlying deficit used throughout this Statement is the headline deficit adjusted for net advances. The latter comprise transactions in financial assets undertaken for policy purposes — ie net policy lending (new policy loans and advances less repayments) and net equity transactions (injections/purchases of equity less equity sales). The underlying deficit is broadly consistent with the net lending concept in the national accounts and thus closely approximates the relevant sector's direct contribution to the national saving/investment imbalance (current account deficit).

To maintain consistency with the net lending concept in the national accounts, the measure of the general government sector underlying deficit used in the Budget Papers is not adjusted for increases in provisions. This is the only source of difference between the measure used here and the ABS general government deficit adjusted for net advances (as published in the GFS and GFE). It mainly affects the data for the Commonwealth, which makes significant provisions for superannuation payments to the PTE sector.

A GFS table for the Commonwealth general government sector, incorporating an adjustment for the increase in provisions, is included at Appendix D.

OWN-PURPOSE OUTLAYS

The adjusted measure of Commonwealth general government own-purpose outlays used in this Statement comprises outlays excluding net advances, adjusted mainly to exclude Commonwealth payments to the States other than specific purpose payments made 'through' the States. This differs from the published ABS measure (Cat. No. 5501.0) which does not remove all net advances and excludes all payments to the States.

More specifically, the ABS measure excludes all payments to other levels of government and PTEs, such as general revenue assistance, specific purpose payments and advances and subsidies, together with interest payments on borrowings undertaken on their behalf. The adjusted measure adds back in to Commonwealth outlays specific purpose payments 'through' the States (other than those for local government purposes) as these payments — for example in the area of higher education — are generally not for State-like purposes. A corresponding adjustment is made to the State/local series. The adjusted measure also removes State fiscal contributions from the data on grants to the States.

The adjusted measures for both the Commonwealth and the State/local levels abstract from all net advances. They are thus consistent with measures of the underlying deficit in, for example, removing the impact of equity asset sales which would otherwise be included as offsets to outlays.

NET DEBT

The net debt series used in this Statement incorporates:

- Treasury estimates for the period 1972 to 1987;
- Published ABS data for the period 1988 to 1996 (*Public Sector Financial Assets and Liabilities*, Cat. No. 5513.0); and
- Treasury estimates for the period 1997 to 2001.

Treasury estimates for the period 1972 to 1987 were first incorporated in last year's Budget Statement 6. As discussed in Appendix B to that Statement, comparable data on net debt have been collected by the ABS only since 1988. The earlier series was constructed by deducting estimated annual net borrowing — defined as the ABS headline deficit less net advances — from the ABS measure of the stock of net debt at end June 1988. Net advances include both equity and policy lending transactions. Ideally, the estimates should only abstract from policy lending transactions, since they represent an asset for the lender government. Total net advances were used because separate data on equity transactions were not available. This data limitation is not considered significant, however, as asset sales were relatively small until the late 1980s and are reflected in the ABS net debt series from end June 1988 and in the Treasury projections.

The derivation of the historical net debt series is discussed in more detail in the Spring 1996 edition of the Commonwealth Treasury's *Economic Round-up*.

APPENDIX C: SUPPLEMENTARY TABLES

Table C1: Public Sector Outlays, Revenue and Underlying Deficit by Institutional Sector as a Percentage of GDP

	General government			Public trading enterprises			Consolidated		
	Outlays(a)	Revenue	Underlying deficit(a)	Outlays(a)	Revenue	Underlying deficit(a)	Outlays (a)(b)	Revenue(b)	Underlying deficit(a)
1984-85	36.4	33.2	3.2	6.7	3.4	2.0	41.8	35.3	5.2
1985-86	36.5	33.8	2.7	7.0	3.6	2.0	42.2	36.1	4.7
1986-87	36.2	34.6	1.6	6.8	3.7	1.7	41.8	37.0	3.3
1987-88	34.1	34.3	-0.2	6.1	4.1	0.6	39.0	37.3	0.4
1988-89	32.0	33.8	-1.8	5.6	4.0	0.1	36.6	36.7	-1.6
1989-90	32.5	33.7	-1.1	7.0	3.8	1.7	38.3	36.3	0.6
1990-91	34.8	34.2	0.7	6.2	4.0	0.7	39.7	36.9	1.4
1991-92	36.7	32.7	4.0	5.7	3.8	0.0	40.8	34.9	3.9
1992-93	36.9	32.1	4.8	5.2	3.7	-0.4	40.6	34.3	4.5
1993-94	36.6	32.5	4.1	4.5	3.9	-0.9	39.3	34.6	3.1
1994-95	35.8	33.1	2.7	4.6	3.5	-0.8	38.8	35.0	1.9
1995-96	35.6	34.1	1.5	4.5	3.1	-0.1	38.3	35.4	1.4
1996-97(e)	na	na	1.0	na	na	0.1	na	na	1.1
1997-98(e)	na	na	0.6	na	na	-0.1	na	na	0.5
1998-99(e)	na	na	-0.6	na	na	-0.2	na	na	-0.8
1999-00(e)	na	na	-1.2	na	na	-0.2	na	na	-1.4
2000-01(e)	na	na	-2.0	na	na	-0.2	na	na	-2.2

(a) The deficit in this table is the underlying deficit outlined in Appendix B. The outlays and underlying deficit measures abstract from net advances.

(b) Components do not sum to totals due to consolidation of transfers between sectors.

(c) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

Table C2: Public Sector Outlays, Revenue and Underlying Deficit by Level of Government as a Percentage of GDP

	Commonwealth			State/local				Total public sector			
	Outlays(a)	Revenue	Underlying deficit(a)	Outlays(a)	Own-source revenue	Grants received	Total revenue	Underlying deficit(a)	Outlays (a)(b)	Revenue(b)	Underlying deficit(a)
1984-85	30.7	27.3	3.0	21.3	9.1	9.1	18.2	2.1	42.1	35.3	5.2
1985-86	30.7	27.6	2.6	21.3	9.5	8.8	18.3	2.1	42.5	36.1	4.7
1986-87	30.0	28.4	1.1	21.3	9.6	8.6	18.2	2.2	42.0	37.0	3.3
1987-88	28.0	28.3	-0.9	19.9	9.8	8.0	17.8	1.3	39.0	37.3	0.4
1988-89	25.9	27.2	-1.9	18.6	10.3	7.2	17.4	0.3	36.6	36.7	-1.6
1989-90	27.0	26.8	-0.4	19.2	10.2	7.1	17.4	0.9	38.2	36.3	0.6
1990-91	28.1	27.0	0.5	19.9	10.5	7.5	18.1	0.9	39.8	36.9	1.4
1991-92	28.8	24.8	3.0	20.2	10.7	7.6	18.3	1.0	41.3	34.9	3.9
1992-93	29.3	24.3	4.3	19.8	10.5	8.0	18.5	0.4	40.4	34.3	4.5
1993-94	28.5	24.2	3.6	18.8	10.8	7.5	18.3	-0.4	38.4	34.6	3.1
1994-95	28.3	24.9	2.5	18.2	10.4	7.3	17.7	-0.5	38.6	35.0	1.9
1995-96	28.1	25.4	2.2	17.5	10.3	7.1	17.4	-0.8	35.7	35.4	1.4
1996-97(e)	na	na	1.6	na	na	na	na	-0.5	na	na	1.1
1997-98(e)	na	na	0.6	na	na	na	na	-0.1	na	na	0.5
1998-99(e)	na	na	-0.5	na	na	na	na	-0.3	na	na	-0.8
1999-00(e)	na	na	-1.0	na	na	na	na	-0.4	na	na	-1.4
2000-01(e)	na	na	-1.8	na	na	na	na	-0.4	na	na	-2.2

(a) The deficit in this table is the underlying deficit outlined in Appendix B. The outlays and underlying deficit measures abstract from net advances.

(b) Components do not sum to totals due to consolidation of transfers between sectors.

(e) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

Table C3: General Government Underlying Own-purpose Outlays

	Commonwealth		State/local	
	\$ m	Per cent of GDP	\$ m	Per cent of GDP
1971-72	5040	12.8	4559	11.6
1972-73	5790	12.9	5216	11.6
1973-74	6994	13.0	6204	11.6
1974-75	9920	15.3	8426	13.0
1975-76	12469	16.3	10609	13.8
1976-77	14688	16.8	11984	13.7
1977-78	16300	17.1	13600	14.3
1978-79	17827	16.4	14884	13.7
1979-80	19884	16.1	16579	13.4
1980-81	22770	16.2	19071	13.6
1981-82	26747	16.9	21332	13.4
1982-83	31945	18.5	24431	14.2
1983-84	37388	19.1	27638	14.1
1984-85	43067	19.8	31204	14.4
1985-86	48130	20.0	34753	14.4
1986-87	52492	19.8	38151	14.4
1987-88	55355	18.5	41243	13.8
1988-89	58128	17.1	45023	13.3
1989-90	63023	17.0	51697	14.0
1990-91	69257	18.3	55885	14.8
1991-92	77022	19.9	58545	15.1
1992-93	82226	20.3	61583	15.2
1993-94	88773	20.7	62669	14.6
1994-95	94089	20.6	64583	14.1
1995-96	101728	20.8	67621	13.8
1996-97(e)	105818	20.6	68613	13.3
1997-98(e)	na	19.6	na	13.1
1998-99(e)	na	19.0	na	12.8
1999-00(e)	na	18.4	na	12.5
2000-01(e)	na	17.7	na	12.1

(e) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

Table C4: General Government Net Interest Outlays

	Commonwealth		State/local	
	\$ m	Per cent of GDP	\$ m	Per cent of GDP
1971-72	-257	-0.7	428	1.1
1972-73	-266	-0.6	447	1.0
1973-74	-306	-0.6	449	0.8
1974-75	-267	-0.4	471	0.7
1975-76	-389	-0.5	521	0.7
1976-77	-162	-0.2	550	0.6
1977-78	-92	-0.1	564	0.6
1978-79	124	0.1	605	0.6
1979-80	289	0.2	631	0.5
1980-81	442	0.3	795	0.6
1981-82	472	0.3	778	0.5
1982-83	649	0.4	1027	0.6
1983-84	1322	0.7	1335	0.7
1984-85	2455	1.1	1426	0.7
1985-86	3617	1.5	1240	0.5
1986-87	4376	1.7	1546	0.6
1987-88	3999	1.3	2120	0.7
1988-89	3704	1.1	1978	0.6
1989-90	3826	1.0	3161	0.9
1990-91	2809	0.7	3630	1.0
1991-92	2710	0.7	3858	1.0
1992-93	2878	0.7	4317	1.1
1993-94	4512	1.0	4342	1.0
1994-95	6284	1.4	3667	0.8
1995-96	7802	1.6	3125	0.6

APPENDIX D: COMMONWEALTH GOVERNMENT FINANCE STATISTICS

This Appendix discusses the conceptual differences between Commonwealth budget statistics and GFS, and presents Commonwealth GFS data for the general government, PTE and consolidated non-financial public sectors. These data are consistent with the revised uniform presentation framework (UPF) between the Commonwealth and State and Territory Governments agreed at the March 1997 Loan Council meeting.⁵

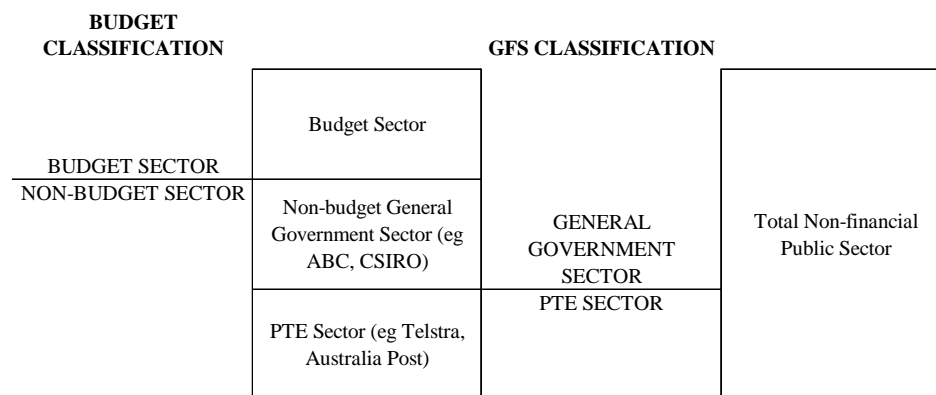
In presenting statistics the Government adopts the standards established by the ABS in its *Government Finance Statistics: Concepts, Sources and Methods* (Cat. No. 5514.0). This standard integrates the 1968 United Nations publication *A System of National Accounts* (SNA) and the 1986 IMF publication *A Manual on Government Finance Statistics*, drawing on features of both. A revised version of the SNA standard was issued in 1993 but this has not yet been incorporated into ABS Government Finance or National Accounts statistics. The IMF standard is currently being revised.

SECTORAL COVERAGE

There are two ways to view the Commonwealth non-financial sector as shown in the following diagram:

- budget/non-budget sectors; and
- general government/public trading enterprise sectors.

Diagram D1: Commonwealth Non-financial Public Sector



Commonwealth financial enterprises, such as the AIDC and Reserve Bank, are currently excluded from Commonwealth government statistics in line with ABS practice.

⁵ A full set of financial assets and liabilities data, in the format required by the uniform presentation framework, will be published as a supplement to the Statement of Commonwealth Financial Transactions and will also be incorporated in the ABS publication, *Public Sector Financial Assets and Liabilities, Australia*, scheduled for release in November 1997.

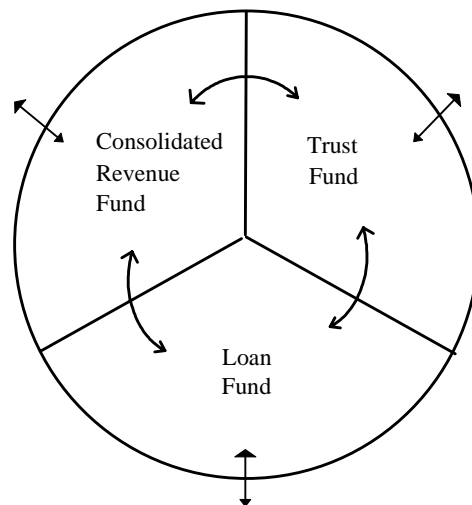
The term government business enterprise (GBE) is not an ABS concept but is used by the Commonwealth to describe a group of companies and authorities, located mainly in the PTE and PFE sectors, which trade goods and/or services in the market with a prime objective of earning a commercial return. Government trading enterprises (GTEs) is a term used in the Council of Australian Governments context and refers to the commercial activities of the Commonwealth, States and Territories.

Commonwealth Budget Sector

Traditionally, the budget and mid-year statements have mainly presented transactions between the Commonwealth budget sector and other sectors of the economy, including transactions with non-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, 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. Only transactions into and out of the Commonwealth Public Account impact on budget outlays and revenue. These treatments of transactions are shown in the following diagram.

Diagram D2: Commonwealth Budget Sector



Excluded from the budget sector are many Commonwealth government authorities, such as CSIRO and Telstra, that operate outside the Commonwealth Public Account through their own bank accounts. Although they may depend on appropriations from the Commonwealth budget in some cases, they are classified as part of the non-budget sector. Budget payments to them are classified as transfers to the non-budget sector. The ABS refers to this budget/non-budget distinction as the administrative sector classification.

ABS Government Sectors

The ABS GFS provides an alternative classification which allocates government units according to their role in providing market or non-market services. This approach recognises the different organisational focus of market oriented units by separating general government units that supply mainly non-market services from PTEs and PFEs which provide market goods and services.

This standardised classification system facilitates direct comparisons between governments in Australia and allows the impact of total government activity to be measured relative to other sectors of the economy.

PFEs are currently regarded as outside the scope of ABS GFS. However, under the revised uniform presentation framework, historical financial enterprise statistics will be phased in by all jurisdictions once the ABS has included PFE information in GFS (currently proposed from 1998-99). This will provide a more complete coverage of the public sector associated with a proposal to reclassify State central borrowing authorities to the PFE sector.

The ABS has decided to reclassify universities from the general government sector of the relevant jurisdiction to a new multi-jurisdictional general government category. It is expected that this change will first be reflected in the *1997-98 Government Financial Estimates* to be published in November 1997. The data in these Budget Papers retain the classification of universities to the relevant jurisdiction as a consistent historical series reflecting the new classification was not available at the time the data were prepared. Accordingly, the two universities within the Commonwealth's responsibility are included in the data for the Commonwealth general government sector.

In practice, the Commonwealth budget and general government sectors are very similar. Since 1989-90 effectively all budget sector activity has been classified to general government. The general government sector also includes non-commercial government agencies that operate through private sector bank accounts, such as the ABC and CSIRO (referred to as general government non-budget).

To present GFS data, Commonwealth budget statistics are supplemented by ABS data on general government non-budget and PTE sector activity. Adjustments made to Commonwealth budget statistics to derive general government data include:

- Budget data are adjusted for the treatment of finance leases consistent with *Australian Accounting Standard 17*. Under that standard the asset and liability associated with a finance lease are brought to account in the financial records of the lessee. A finance lease is recognised where substantially all of the risks and benefits of ownership pass to the lessee;
- Receipts by the Commonwealth of FBT payments by State governments have been reclassified from tax to non-tax revenue. This is because the ABS views such payments as transfers within the Commonwealth and State general government sectors;

- \$190 million of taxation revenue has been removed from 1996-97 and recorded in 1995-96 as a result of it being receipted at the Australian Taxation Office on 30 June 1996 but not officially recorded in the CPA until early July 1996; and
- Transfers of repatriation hospitals from the Commonwealth to the States have been recorded as Commonwealth capital grants to the States (a purchase of a capital asset has been recorded by the ABS in relevant State statistics).

CLASSIFICATION OF BUDGET AND GENERAL GOVERNMENT SECTOR TRANSACTIONS

Outlays, Revenue and Financing Transactions

Government sector transactions can also be viewed from an economic perspective and categorised into outlays, revenue and financing transactions. The difference between outlays and revenue contributes to the level of the reported headline balance. Outlays and revenue transactions are therefore referred to as above-the-line transactions. Financing transactions do not affect the balance and are referred to as below-the-line transactions.

In the general government context, outlays measure the economic activity of government. In particular, they measure the net cost of providing general government goods and services generally allocated through collective political choice rather than through the operation of the market. They also quantify transfers and advances (loans and equity injections) made for public policy reasons.

User charges are offset against relevant payments in calculating outlays. The alternative treatment of classifying user charges 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 to align with international standards. Advances (including loans to government enterprises, provision of equity to enterprises and, for the Commonwealth, loans to the States) are classified as outlays to reflect their public policy importance. Repayments of these advances, including the purchase of equity in enterprises by the private sector, are offset against payments to determine the net impact of advances. Consistent with the United Nations 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.

For the Commonwealth, outlays transactions under the asset sales program, involving sales of 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.

To determine the underlying deficit, however, outlays are adjusted to exclude net advances — ie net policy lending and net equity transactions.

Revenue is the primary means of funding government, with any shortfall funded through borrowings or a rundown of financial assets (financing 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) which are classified as outlays. Revenue therefore measures the value of the resources, other than borrowings, raised by a government to fund outlays.

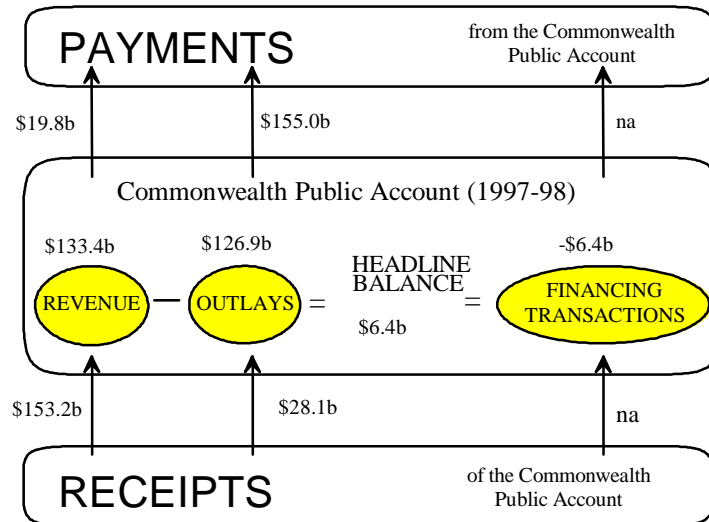
Financing transactions are undertaken to finance the deficit or invest the surplus. They consist of borrowings and changes in holdings of financial assets such as cash or investments (excluding advances).

Payments and Receipts

In the Commonwealth Budget Papers, the terms payments and receipts indicate money flows out of and into the Commonwealth Public Account. These are essentially accounting concepts used to present the Appropriation Bills and tax and non-tax moneys paid to the Budget (see *Budget Paper No. 4, The Commonwealth Public Account*).

The relationship between accounting and economic concepts is shown in the following diagram for the Commonwealth.

Diagram D3: Commonwealth Budget Transactions



COMMONWEALTH GFS TABLES

Five statistical tables are presented below, showing:

- transactions by economic type for Commonwealth general government, PTE and consolidated non-financial sectors;
- Commonwealth consolidated current and capital outlays by function; and
- the taxes, fees and fines received by the Commonwealth consolidated public sector.

The tables were produced by the ABS under contract with, and in consultation with, the Department of Finance. They fulfil reporting requirements under the revised uniform presentation framework. The ABS sign convention is adopted, where a negative balance represents a surplus. This is in contrast to the presentation of the budget surplus elsewhere in Budget Papers where a negative balance represents a deficit.

Consistent with ABS practice, the current and capital deficits, in relation to the headline deficit, are separated in Tables D1 to D3. Transactions between the Commonwealth general government and PTE sectors are included in Tables D1 and D2 but are removed from Tables D3 to D5 as they are internal transactions within the Commonwealth non-financial sector. Table D3 records net operating surplus of the PTE sector as part of the revenue of the Commonwealth government sector. This is irrespective of whether that net operating surplus is actually remitted to the parent government.

Transactions between the Commonwealth non-financial and PFE sectors are included in all tables. These transactions include income transfers such as dividends paid to general government, net advances paid by general government to PFEs, and taxes paid by PFEs. Any unremitted elements of PFE net operating surplus are not included in Table D3.

The ABS general government deficit adjusted for net advances shown in Table D1 differs from the general government sector underlying deficit used elsewhere in the Budget Papers in the treatment of provisions. The ABS measure is adjusted for the increase in provisions (for superannuation payments to the PTE sector). However, in order to maintain consistency with the national accounts concept of net lending, no such adjustment is made in the general government underlying deficit measure.

Table D1: Economic Transactions of Commonwealth Government (\$million)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	General Government(a)					
Outlays						
Current Outlays						
Final consumption expenditure(b)	25650	26144	27158	27885	29017	29937
Interest payments	9293	9537	9115	9164	8268	7477
Subsidies paid to public trading enterprises	528	409	377	389	397	245
Personal benefit payments	54104	57134	58872	60156	62429	64325
Current grants	36105	36809	36839	37637	39291	40502
To private sector	4399	4074	3948	3912	4072	4170
To State governments	31494	32511	32660	33489	34965	36062
To local governments	211	224	231	236	253	269
Other transfer payments	2489	2791	2586	2447	2369	2288
<i>Total current outlays</i>	<i>128168</i>	<i>132825</i>	<i>134947</i>	<i>137678</i>	<i>141770</i>	<i>144774</i>
Capital outlays						
Expenditure on new fixed assets	1359	1309	1295	1167	1196	1326
Plus Expenditure on secondhand assets (net)	-399	-556	-1024	-792	-502	-449
<i>Equals</i> Gross fixed capital expenditure	<i>960</i>	<i>753</i>	<i>271</i>	<i>376</i>	<i>694</i>	<i>877</i>
Expenditure on land and intangible assets (net)	-30	34	-666	74	58	-12
Capital grants	3194	3629	2703	2577	2519	2526
To other sectors	164	180	147	104	100	94
To other levels of government	3025	3108	2520	2472	2419	2432
To public trading enterprises	6	341	37	0	0	0
Advances paid (net)	-5189	-7404	-10146	-5089	-273	-257
To public trading enterprises	-629	-3088	102	-844	0	0
Abroad	266	158	177	268	252	247
To other levels of government	-4128	-1038	-885	-195	-1251	-1112
Other	-698	-3436	-9540	-4318	725	608
Other capital outlays	4	-8	16	25	9	23
<i>Total capital outlays</i>	<i>-1061</i>	<i>-2996</i>	<i>-7822</i>	<i>-2038</i>	<i>3007</i>	<i>3158</i>
Total outlays	127107	129829	127125	135640	144777	147932
Revenue						
Taxes, fees and fines	116766	124682	129780	138598	146536	155147
Interest received from public trading enterprises	129	85	79	11	11	11
Interest received from other enterprises	1367	1120	969	875	849	722
Other revenue	4033	4219	3033	3412	3429	3562
Total revenue	122296	130106	133861	142896	150825	159441
Financing and deficit measures						
Borrowing (net)	4174	-226	-5331	-6060	-4847	-10053
Increase in provisions (net)	-1050	-1028	-1206	-982	-996	-971
Other financing transactions (net)	1687	977	-199	-214	-206	-485
Total financing	4811	-277	-6736	-7256	-6048	-11509
<i>Less</i> Increase in provisions (net)	<i>-1050</i>	<i>-1028</i>	<i>-1206</i>	<i>-982</i>	<i>-996</i>	<i>-971</i>
<i>Equals</i> Deficit	<i>5861</i>	<i>751</i>	<i>-5530</i>	<i>-6274</i>	<i>-5052</i>	<i>-10538</i>
Of which						
Current deficit	6922	3747	2292	-4236	-8059	-13696
Capital deficit	-1061	-2996	-7822	-2038	3007	3158
<i>Less</i> Advances paid (net)	<i>-5189</i>	<i>-7404</i>	<i>-10146</i>	<i>-5089</i>	<i>-273</i>	<i>-257</i>
<i>Equals</i> Deficit adjusted for net advances	<i>11050</i>	<i>8155</i>	<i>4616</i>	<i>-1185</i>	<i>-4779</i>	<i>-10282</i>

(a) The general government sector is the combination of the budget and non-budget sectors after elimination of transactions internal to that sector and adjustments to the budget sector outlined earlier in this Appendix.

(b) The budget sector contingency reserve is included in final consumption in this table.

Table D2: Economic Transactions of Commonwealth Government (\$million)^(a)

	1995-96	1996-97	1997-98
	Public Trading Enterprises		
Outlays			
Current outlays			
Interest payments	1066	1050	1329
To general government	129	85	79
To other enterprises	937	965	1250
Income transferred to general government	1371	1452	1219
Other transfer payments	1350	1304	1410
<i>Total current outlays</i>	<i>3787</i>	<i>3805</i>	<i>3957</i>
Capital outlays			
Expenditure on new fixed assets	4387	5090	4966
Plus Expenditure on secondhand assets (net)	-149	-293	-233
<i>Equals</i> Gross fixed capital expenditure	<i>4238</i>	<i>4797</i>	<i>4733</i>
Expenditure on land and intangible assets (net)	60	-92	-7
Capital grants to other levels of government	15	0	0
Advances paid (net)	0	0	0
Other capital outlays	-43	-99	-607
<i>Total capital outlays</i>	<i>4269</i>	<i>4606</i>	<i>4119</i>
Total outlays	8056	8411	8077
Revenue			
Sales of goods and services	24767	26931	26574
<i>Plus</i> Subsidies received	<i>503</i>	<i>363</i>	<i>319</i>
<i>Less</i> Operating expenditure	<i>20743</i>	<i>23194</i>	<i>22300</i>
<i>Equals</i> Net operating surplus	<i>4527</i>	<i>4099</i>	<i>4593</i>
Interest received	292	221	158
Capital grants received	6	341	37
Other revenue	33	0	0
Total revenue	4857	4662	4789
Financing and deficit measures			
Advances received (net)	-593	-3050	102
Borrowing (net)	-328	2058	-691
Increase in provisions (net)	2672	2691	3433
For depreciation	2578	2870	3287
Other	94	-179	147
Other financing transactions (net)	1448	2051	443
Total financing	3199	3749	3288
<i>Less</i> Increase in provisions (net)	<i>2672</i>	<i>2691</i>	<i>3433</i>
<i>Equals</i> Deficit	<i>527</i>	<i>1059</i>	<i>-146</i>
Of which			
Current deficit	-3737	-3207	-4228
Capital deficit	4264	4265	4083
<i>Less</i> Advances paid (net)	<i>0</i>	<i>0</i>	<i>0</i>
<i>Equals</i> Deficit adjusted for net advances	<i>527</i>	<i>1059</i>	<i>-146</i>

(a) Data in this table do not go beyond the budget year consistent with reporting requirements under the UPF.

Table D3: Economic Transactions of Commonwealth Government (\$million)

	1995-96	1996-97	1997-98
	Consolidated Government(a)		
Outlays			
Current outlays			
Final consumption expenditure	25650	26144	27158
Interest payments	10230	10502	10364
Subsidies paid to public trading enterprises	528	409	377
Personal benefit payments	54104	57134	58872
Current grants	36105	36809	36839
To private sector	4399	4074	3948
To State governments	31494	32511	32660
To local governments	211	224	231
Other transfer payments	2627	2765	2860
<i>Total current outlays</i>	<i>129243</i>	<i>133764</i>	<i>136471</i>
Capital outlays			
Expenditure on new fixed assets	5745	6399	6261
<i>Plus</i> Expenditure on secondhand assets (net)	-548	-849	-1257
<i>Equals</i> Gross fixed capital expenditure	5198	5550	5004
Expenditure on land and intangible assets (net)	30	-59	-673
Capital grants	3203	3288	2666
To other sectors	164	180	147
To other levels of government	3040	3108	2520
Advances paid (net)	-4560	-4315	-10247
Other capital outlays	-39	-106	-591
<i>Total capital outlays</i>	<i>3832</i>	<i>4358</i>	<i>-3841</i>
Total outlays	133075	138122	132630
Revenue			
Taxes, fees and fines	115555	123352	128645
Net operating surplus of public trading enterprises	4527	4099	4593
Interest received	1659	1341	1127
Other revenue	2695	2738	1776
Total revenue	124436	131531	136142
Financing and Deficit measures			
Borrowing (net)	3846	1833	-6022
Increase in provisions (net)	1622	1663	2227
For depreciation	2578	2870	3287
Other	-956	-1206	-1059
Other financing transactions (net)	3171	3096	282
Total financing	8639	6591	-3512
<i>Less</i> Increase in provisions (net)	<i>1622</i>	<i>1663</i>	<i>2227</i>
<i>Equals</i> Deficit	<i>7017</i>	<i>4928</i>	<i>-5740</i>
Of which			
Current deficit	3185	570	-1899
Capital deficit	3832	4358	-3841
<i>Less</i> Advances paid (net)	<i>-4560</i>	<i>-4315</i>	<i>-10247</i>
<i>Equals</i> Deficit adjusted for net advances	11577	9244	4508

(a) The Consolidated Commonwealth sector is the combination of the general government and PTE sectors after elimination of transactions internal to that sector.

Table D4: Outlays By Purpose of Commonwealth Government (\$million)^(a)

	1995-96	1996-97	1997-98
	Consolidated Government		
Current Outlays			
General public services	7526	8263	9878
Defence	9392	9274	9678
Public order and safety	883	1125	994
Education	9521	9970	9999
Health	18442	19223	20688
Social security and welfare	46269	49292	48909
Housing and community amenities	75	32	35
Recreation and culture	1127	1172	1068
Fuel and energy	888	957	948
Agriculture forestry and fishing	1823	1734	1842
Mining manufacturing and construction	400	372	407
Transport and communications	1499	1388	1430
Other economic affairs	4042	3228	2827
Other purposes	27356	27735	27769
Total Current Outlays	129243	133764	136471
Capital Outlays			
General public services	660	347	78
Defence	1	86	6
Public order and safety	30	42	40
Education	1158	1204	1120
Health	43	54	49
Social security and welfare	213	227	105
Housing and community amenities	973	466	749
Recreation and culture	223	127	54
Fuel and energy	38	81	69
Agriculture forestry and fishing	-58	-157	-593
Mining manufacturing and construction	5	30	-34
Transport and communications	3943	5573	-3214
Other economic affairs	144	125	144
Other purposes	-3540	-3845	-2413
Total Capital Outlays	3832	4358	-3841

(a) The ABS application of the Government Purpose Classification (GPC) is used in this table. There are some differences in the application of the GPC to the budget sector component compared to the functional presentation of budget outlays elsewhere in budget statements. These differences are currently being examined and where possible will be eliminated.

Table D5: Taxes, Fees and Fines of Commonwealth Government^(a)

	1995-96	1996-97	1997-98
	Consolidated		
Taxes on income Profits and Capital Gains			
Income and Capital Gains Levied on Individuals	60602	66141	69921
Income and Capital Gains Levied on Enterprises	19287	20433	20453
Other	1489	1286	1411
Total	81378	87860	91785
Taxes on Employers' Payroll and Labour Force	2978	3150	3150
Taxes on Provision of Goods and Services			
Sales Tax	12970	13410	14170
Excises and Levies(b)	13505	13787	14095
Taxes on International Trade	3129	3280	3410
Total	29604	30477	31675
Taxes on Use of Goods and Performance of Activities	397	417	432
Other taxes	18	0	0
Fees	1155	1414	1563
Fines	27	34	40
Taxes Fees and Fines	115555	123352	128645

(a) Data in this table do not go beyond the budget year as the elimination of PTE taxes paid to general government is not possible.

(b) Primary production taxes are treated as excises in this table while they are treated as other taxes, fees and fines in budget tables.