

# **MID-YEAR ECONOMIC AND FISCAL OUTLOOK 2000-01**

STATEMENT BY  
THE HONOURABLE PETER COSTELLO, M.P.  
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND  
THE HONOURABLE JOHN FAHEY, M.P.  
MINISTER FOR FINANCE AND ADMINISTRATION.

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## Foreword

The 2000-01 Mid Year Economic and Fiscal Outlook (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that, inter alia, the Government provide a report by the end of January each year which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy.

Consistent with these requirements:

- **Part I** provides an overview of fiscal and economic developments since the 2000-01 Budget.
- **Part II** discusses the economic forecasts that underpin the expenses, capital and revenue estimates.
- **Part III** provides an update of the fiscal outlook.
- **Part IV** provides details of the general government revenue estimates.
- **Part V** provides details of the general government expenses and capital estimates.
  - Parts I to V are presented on a Government Finance Statistics (GFS) basis.
- **Appendix A** provides details of decisions taken since the 2000-01 Budget which affect revenue, expenses and capital estimates.
- **Appendix B** discusses budget concepts and external reporting standards.
- **Appendix C** contains the general government financial statements consistent with the Australian Accounting Standard *Financial Reporting by Government* (AAS31). It also includes expenses by function and sub-function in an attachment.
- **Appendix D** provides the general government and consolidated whole of government financial statements on a Government Finance Statistics basis, consistent with the Accrual *Uniform Presentation Framework*.
- **Appendix E** discusses the sensitivity of the forward estimates to changes in economic and other parameters and provides the statement of risks.
- **Appendix F** provides historical budget and net debt data.

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## Notes

- (a) The following definitions are used in the MYEFO:
- 'real' means adjusted for the effect of inflation;
  - real growth in expenses is measured by the non-farm Gross Domestic Product (GDP) deflator;
  - one billion is equal to one thousand million; and
  - the budget year refers to 2000-01, while the forward years refer to 2001-02, 2002-03 and 2003-04.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
  - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
  - estimates midway between rounding points are rounded up; and
  - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- |         |   |
|---------|---|
| NEC/nec | not elsewhere classified                    |
| AEST    | Australian Eastern Standard Time            |
| -       | nil   |
| ..      | not zero, but rounded to zero               |
| na      | not applicable (unless otherwise specified) |
| nfp     | not for publication                         |
| \$m     | \$ million                                  |
| \$b     | \$ billion                                  |

- (e) References to the 'States' or 'each State' include the Territories, because from 1993-94 onwards, general purpose funding has been on the same basis for all jurisdictions. The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC/Vic	Victoria
QLD/Qld	Queensland
WA	Western Australia
SA	South Australia
TAS/Tas	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

## Part I: Overview

The Commonwealth's fiscal outlook has improved since the 2000-01 Budget, mainly reflecting stronger economic and employment growth and some flow-on impact of a stronger than anticipated revenue outcome for 1999-2000.

Table 1 presents the fiscal and underlying cash balances for 2000-01 and the forward years.

- In cash terms, a surplus of \$4.3 billion is now anticipated for 2000-01, compared with the Budget estimate of \$2.8 billion.
- In accrual terms, the estimated fiscal surplus for 2000-01 has been revised up by \$3.0 billion since the Budget, to \$8.4 billion.

Looking ahead, the cash surplus for 2001-02 is expected to be \$4.7 billion, an increase of \$1.5 billion over the Budget estimate. The fiscal surplus for 2001-02 is now projected to be \$3.3 billion, a \$2.2 billion increase since the Budget.

**Table 1: Summary of budget aggregates**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
<b>Fiscal balance (\$b)</b>	<b>5.4</b>	<b>8.4</b>	<b>1.1</b>	<b>3.3</b>
Per cent of GDP	0.8	1.2	0.2	0.5
<b>Underlying cash balance (\$b)</b>	<b>2.8</b>	<b>4.3</b>	<b>3.2</b>	<b>4.7</b>
Per cent of GDP	0.4	0.6	0.5	0.7
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
<b>Fiscal balance (\$b)</b>	<b>7.6</b>	<b>6.8</b>	<b>13.9</b>	<b>12.8</b>
Per cent of GDP	1.0	0.9	1.7	1.6
<b>Underlying cash balance (\$b)</b>	<b>8.8</b>	<b>7.6</b>	<b>14.4</b>	<b>12.9</b>
Per cent of GDP	1.2	1.0	1.8	1.6

The improved fiscal outlook for 2000-01 and 2001-02 is largely the result of an increase in expected revenue, particularly from individuals and company taxpayers. In addition, transitional factors affecting GST revenues — not previously identified — have reduced the expected amount of budget balancing assistance the States require from the Commonwealth over these two years (see Part III for more information).

These positive effects on the budget surplus have been partly offset by some significant increases in expenses, including higher savings bonuses paid to older Australians and a greater than expected take-up of private health insurance that has led to increases in payments of the Private Health Insurance Rebate.

Economic growth in Australia is forecast to be a robust 4 per cent in 2000-01, following strong growth in excess of 4 per cent in the three previous years. The growth forecast has been revised up slightly from 3¾ per cent at Budget, largely reflecting a stronger world growth outlook and the impact of the lower Australian exchange rate on exports and overall economic activity.

Employment is now expected to increase by a strong 3 per cent in 2000-01, compared with 2¼ per cent at Budget, largely reflecting rapid employment growth in the September quarter 2000 and the upward revision to the overall economic growth forecast. The downward trend in the unemployment rate is expected to continue, while the current account deficit is expected to decline significantly to around 4¼ per cent of GDP in 2000-01, down from 5¼ per cent of GDP in 1999-2000.

Through the year to the June quarter 2001, the headline Consumer Price Index is forecast to increase by around 5½ per cent, with this outcome substantially affected by the impact on consumer prices of *The New Tax System*. Leaving aside these effects, 'ongoing' inflation is forecast to be around 3 per cent through the year to the June quarter 2001, revised up from 2½ per cent at Budget. The upward revision to the forecast for 'ongoing' inflation since Budget reflects the impact of higher world oil prices and the lower exchange rate relative to the levels assumed in the Budget, rather than any significant step up in domestic wage or general inflationary pressures.

The initial forecast for 2001-02 is for economic growth of around 3¾ per cent, in line with Australia's medium term potential growth rate, based on solid growth in employment of around 2 per cent and growth in labour productivity of around 1¾ per cent. The unemployment rate is expected to decline further, to below 6 per cent. The headline CPI is forecast to increase by just 2 per cent through the year to the June quarter 2002, as world oil prices ease and some later elements of *The New Tax System* put downward pressure on consumer prices.

## **DOCUMENT STRUCTURE**

A comprehensive assessment of the economic outlook is provided in Part II, while Part III provides an overview of the fiscal outlook. More detailed information on revenue is provided in Part IV and on expenses and capital in Part V. Appendix A provides detailed information on policy decisions taken since the 2000-01 Budget.



## Part II: Economic Outlook

Following three years of economic growth in excess of 4 per cent, growth is expected to remain robust in 2000-01 at around 4 per cent, slightly above the Budget forecast of 3¾ per cent. Employment growth is expected to be strong at around 3 per cent (up significantly from the Budget forecast of 2¼ per cent), with the unemployment rate continuing its downward trend.

The slight upward revision to the growth forecast since the Budget reflects a further upgrade to the world growth outlook and the lower Australian dollar, which together are expected to provide an additional boost to net exports.

The outlook for world economic growth has strengthened since the Budget, with growth now expected to be around ½ of a percentage point higher than forecast in the Budget. Contributing to the improved world outlook are the sustained growth in the United States, a solid European recovery and steady improvements in Japan so far in 2000. World oil prices are expected to ease over the forecast period but the oil price outlook remains uncertain, with prices likely to remain volatile.

In 2000-01, net exports are expected to make a significant positive contribution to economic growth in Australia for the first time since the Asian downturn of 1997 and 1998. At the same time, overall domestic demand is expected to grow at a moderate rate of around 3 per cent, following several years of very strong growth. This more moderate growth in domestic demand reflects some unwinding of a bring-forward in spending, particularly residential construction and household consumption, ahead of the introduction of *The New Tax System* on 1 July 2000, and the effect of monetary tightening since late 1999 which has lifted short-term interest rates from historical lows. The strong turn-around in net exports is expected to contribute to a significant decline in the current account deficit in 2000-01 to around 4¼ per cent of GDP from 5¼ per cent of GDP in 1999-2000.

The Consumer Price Index (CPI) is forecast to increase by 6 per cent in year-average terms in 2000-01 and by 5½ per cent through the year — ¼ of a percentage point higher than forecast at Budget. The forecast for the headline CPI includes the impact on consumer prices of *The New Tax System*. Leaving aside these effects, 'ongoing' inflation in 2000-01 is forecast to be around 3¾ per cent in year-average terms and 3 per cent through the year. The year-average forecast for 'ongoing' inflation in 2000-01 has been revised up from 2¾ per cent in the Budget, largely reflecting higher world oil prices and a lower exchange rate relative to the levels assumed in the Budget, rather than any significant step up in wage or general inflationary pressures.

The initial forecast for 2001-02 is for economic growth of around 3¾ per cent, in line with Australia's medium term potential growth rate, reflecting solid growth in employment of around 2 per cent and an increase in labour productivity of around 1¾ per cent. The unemployment rate is expected to continue its downward trend, to a little below 6 per cent by the June quarter 2002. The headline CPI is expected to increase by around 2¼ per cent in year-average terms and by 2 per cent through the year. Elements of *The New Tax System* are expected to put downward pressure on

consumer prices in 2001-02, while the CPI forecast also includes an allowance for falling world oil prices, and hence petrol prices, during the year. The rate of increase in wages is expected to be higher than in recent years but to remain moderate, at rates consistent with ongoing inflation trends in line with the target band.

## **International economic outlook**

The outlook for world economic growth has strengthened since the Budget, with growth now expected to be around  $\frac{1}{2}$  of a percentage point higher than previously forecast. Contributing to the improved world outlook are the sustained growth in the United States, a solid European recovery and steady improvements in Japan so far in 2000.

World oil prices are assumed to ease over the forecast period from a world trade-weighted<sup>1</sup> average of \$US 27½ per barrel in 2000 to \$US 24¼ per barrel in 2001 and \$US 22 per barrel in 2002. While this represents a significant upward revision from the oil price assumptions made at Budget (\$US 25 per barrel in 2000, \$US 19½ per barrel in 2001, and \$US 19¼ per barrel in 2002), oil prices are still expected to decline over the forecast period, as world oil production increases in response to higher prices and the rate of growth of world industrial activity moderates somewhat.

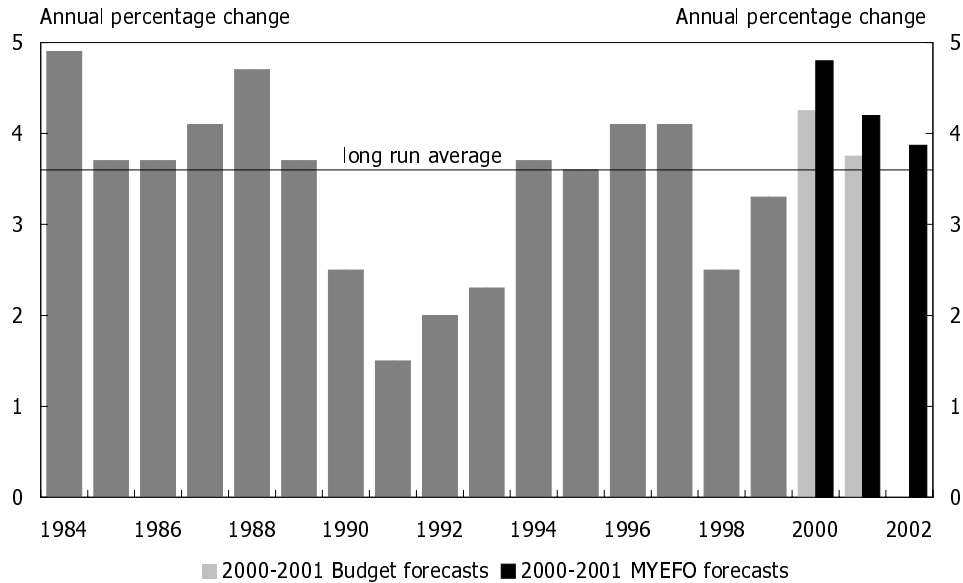
Nevertheless, the outlook for world oil prices is uncertain and prices are likely to remain volatile. Sustained high oil prices, above those assumed, would lead to slightly weaker world growth, other factors unchanged. Countries which are highly dependent on imported oil, such as Japan, would be most affected, although increased revenue to oil producing countries would mute the overall effect on world growth. However, the impact of sustained higher oil prices on world activity would be much less than that felt during the oil price shocks of the 1970s, as oil dependency ratios across many developed countries have fallen sharply. Notably, in the Organisation for Economic Co-operation and Development (OECD) region, oil imports per unit of output have been halved since the early 1970s, and oil use per unit of output has fallen by about 40 per cent.

World growth is now forecast to rise to 4¾ per cent in 2000 before moderating to 4¼ per cent in 2001: in each case, this is about  $\frac{1}{2}$  of a percentage point higher than the Budget estimates. The moderation in world growth in 2001 reflects an expected easing in growth in the United States to rates closer to estimated potential growth, while the expansions in Europe and Japan are anticipated to continue at a solid pace. In 2002, world growth is expected to ease further to 4 per cent, although remaining slightly higher than the long-term average.

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1 The world trade weighted oil price is the average of the contract price of different types of oil, weighted by their share of the world oil trade (that is, between countries).

**Chart 1: World GDP growth<sup>(a)</sup>**



(a) World GDP growth rates are calculated using GDP weights based on purchasing power parity. Source: Various national statistical publications, International Monetary Fund (IMF) and Treasury.

**Table 2: International GDP growth forecasts<sup>(a)</sup>**

	1997	1998	1999	2000(b)	2001(b)	2002(b)
	Actual	Actual	Actual	Forecast	Forecast	Projection
World	4.1	2.5	3.3	4 3/4	4 1/4	4
Total OECD(c)	3.5	2.4	3.0	4	3 1/4	3
United States	4.4	4.4	4.2	5 1/4	3 1/4	3
Japan	1.6	-2.5	0.3	1 3/4	2	2
European Union	2.6	2.7	2.3	3 1/4	3	2 3/4
Non-Japan East Asia(d)	6.7	1.0	6.3	7 1/4	6 1/2	6 1/4

- (a) Growth rates for World, total OECD, European Union, and non-Japan East Asia are calculated using GDP weights based on purchasing power parity.
- (b) Treasury estimates for World, total OECD, and European Union growth rates.
- (c) Total OECD comprises the United States, Japan, Germany, France, Italy, the United Kingdom, Canada, Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, Greece, Hungary, Iceland, Ireland, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland and Turkey.
- (d) Non-Japan East Asia consists of Korea, Singapore, Taiwan, Hong Kong, China, Indonesia, Malaysia, Thailand, and the Philippines.

The United States economy continues to be resilient, with low inflation and strong productivity growth, while unemployment remains at historically low levels. The current account deficit is at record levels as a share of GDP, reflecting the very high levels of domestic spending and the strength of the US dollar. Nevertheless, growth in the United States is showing signs of slowing and is expected to ease further in the latter part of 2000 and into 2001 as private demand growth moderates in response to earlier monetary policy tightening and slower growth in household wealth. The very

strong US dollar is also likely to adversely affect activity levels in many exporting industries in the United States, as well as firms and industries competing against imports.

Growth in Europe strengthened considerably in the first half of 2000, and this pace is expected to ease only slightly in 2001. Strong private consumption and net exports (which are being helped by the competitive euro-currency and strong world growth) are supporting the improvement in European growth.

The recovery in the Japanese economy seems to have consolidated in 2000 and is expected to firm in 2001, as private sector spending makes a stronger contribution to growth and fiscal policy continues to be supportive. For non-Japan East Asia, private domestic demand is expected to play an increasing role in the recovery, although the region's activity is still heavily reliant on strong export demand.

### **Domestic forecasts**

In framing the forecasts for the domestic economy, the exchange rate is assumed, as is usual practice, to remain unchanged from the average level reached in recent months, thus abstracting from some of the most recent volatility in foreign exchange markets. These exchange rate assumptions are around 6 per cent below those used at Budget, and contribute to the stronger outlook for net exports and overall economic activity, and the larger increase in the CPI in 2000-01 than forecast at Budget. The farm sector forecasts are based on an assumption of average seasonal conditions for the remainder of 2000-01 and in 2001-02.

The forecasts for activity and inflation in both 2000-01 and 2001-02 take into account the changes to the indirect taxes, and the general reductions in income tax rates and increases in social welfare payments flowing from the introduction of *The New Tax System* on 1 July 2000. These tax changes appear to have caused a bring-forward of some consumption spending into the latter part of 1999-2000, which is likely to have reduced these components of demand in the early part of 2000-01. A similar pattern has occurred with residential construction. On the other hand, plant and equipment investment in 2000-01 should be supported by the beneficial impact of *The New Tax System* on business costs.

Interest rates are also assumed to remain around current levels, with the forecasts taking into account the 150 basis points increase in the cash rate between November 1999 and August 2000, and the increase in longer term interest rates since the historical lows reached in 1998.

### **Domestic economy — 2000-01**

The forecasts for 2000-01 are summarised in Table 3. Economic growth is expected to be around 4 per cent, revised up slightly from the budget forecast of 3¾ per cent. The slight increase largely reflects the upward revision to expected world economic growth and the lower exchange rate since the Budget, which together provide an added boost to net exports and overall economic activity.

**Table 3: Domestic economy forecasts<sup>(a)</sup>**

	Outcomes(b)	2000-01 Budget	Revised 2000-01
	1999-2000 Year average	Forecasts Year average	Forecasts Year average
<b>Panel A - Demand and output(c)</b>			
Household consumption	4.5	3 3/4	3 3/4
Private investment			
Dwellings	12.2	-3	-8
Total business investment(d)	3.2	6	4
Other buildings and structures(d)	-12.1	-6	-7
Machinery and equipment(d)	8.1	9	8
Private final demand(d)	5.0	3 1/2	2 3/4
Public final demand(d)	7.0	2	3 1/2
Total final demand	5.4	3 1/4	3
Change in inventories(e)			
Private non-farm	-0.5	0	0
Farm and public authorities	0.0	- 1/4	0
Gross national expenditure	4.9	3	3
Exports of goods and services	9.4	7	9
Imports of goods and services	12.8	4	3
Net exports(e)	-0.9	3/4	1
Gross domestic product	4.4	3 3/4	4
Non-farm product	4.4	3 3/4	4 1/4
Farm product(f)	5.5	1	-1
<b>Panel B - Expenditure excluding one-off transactions(c)(g)</b>			
Change in inventories(e)	-0.5	0	0
Gross national expenditure	5.0	3	3
Net exports(e)	-1.0	1/2	3/4
Gross domestic product	4.4	3 1/2	3 3/4
<b>Panel C - Other selected economic measures</b>			
Prices and wages			
Consumer Price Index - Headline	2.4	5 3/4	6
Consumer Price Index - 'Ongoing'(h)	2.4	2 3/4	3 1/4
Gross non-farm product deflator	1.8	2 3/4	3
Average earnings(i)	2.8	4 1/4	4 1/4
Labour market			
Employment (Labour Force Survey basis)	2.7	2 1/4	3
Unemployment rate (per cent)	6.9	6 1/2	6 1/4
Unemployment rate (per cent)(j)	6.7	6 1/4	6 1/4
Participation rate (per cent)	63.4	63 1/2	64
External accounts			
Terms of trade	4.0	1/4	1 1/2
Current account balance			
\$billion	-33.7	-31 1/2	-28 1/2
Percentage of GDP	-5.3	-4 3/4	-4 1/4

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

(b) Calculated using original data.

(c) Chain volume measure.

(d) Excluding transfers of net second-hand asset sales from the public sector to the private sector.

(e) Percentage point contribution to growth in GDP.

(f) Calculated at basic prices.

(g) One-off transactions are Olympic ticket sales, the international sale of Olympic broadcasting rights, other direct Olympic-related travel service exports, the change in inventories resulting from transactions by the Sydney Organising Committee for the Olympic Games (SOCOG), imported and re-exported gold, imports and exports of goods for processing and the export of an ANZAC frigate.

(h) The 'ongoing' CPI is the headline measure abstracting from the impact of the introduction of *The New Tax System*.

(i) Average non-farm compensation of employees (national accounts basis).

(j) The level in the June quarter of each year.

### ***Demand and output***

Growth in **private consumption** is expected to moderate slightly to 3¼ per cent in 2000-01, following the very strong increases of around 5 per cent in 1998-99 and 4½ per cent in 1999-2000. The expected moderation in private consumption growth is consistent with an assumed slowing in the rate of growth of real wealth, in part reflecting recent increases in interest rates. Higher interest rates and higher debt levels have also contributed to an increase in the household debt-servicing ratio, although it remains well below its peak reached in 1989. The sharp increase in petrol prices over the past year is also likely to weigh on overall household spending.

Nevertheless, continuing above-trend consumption growth will be supported by strong growth in after-tax labour income, underpinned by strong growth in employment and the income tax cuts and increases in social security payments associated with *The New Tax System*.

The introduction of the GST on 1 July 2000 seems to have resulted in some change to normal consumption habits, as consumers brought forward consumption of items that rose in price, and deferred consumption of items that fell in price. Overall, the net impact is likely to have been a small bring-forward into the latter part of 1999-2000, at the expense of 2000-01.

Following very strong growth over the last three years, **dwelling investment** is expected to decline by around 8 per cent in 2000-01. This decline largely reflects the unwinding of the bring-forward of building activity ahead of *The New Tax System*, which saw dwelling investment rise well ahead of underlying demand. Also expected to contribute to the decline is lower housing affordability, reflecting the combination of rising house prices and higher mortgage interest rates. While housing affordability has declined, it remains well above the levels experienced in the late 1980s and early 1990s.

The impact of lower housing affordability and particularly *The New Tax System* has seen sharply lower forward indicators of dwelling investment (such as building approvals and housing finance) in the latter part of 1999-2000 and in the early part of 2000-01. Partially offsetting these negative factors are the beneficial impact of the First Home Owners Scheme and moderating, but solid, growth in spending on alterations and additions to existing dwellings.

**Business investment** (abstracting from the purchase of second-hand assets by the private sector) is forecast to grow by around 4 per cent in 2000-01, slightly higher than the growth of 3.2 per cent in 1999-2000. The outlook for solid investment growth reflects favourable fundamentals: healthy corporate profitability and balance sheets; relatively high levels of capacity utilisation; strong world growth; and a boost to Australia's international competitiveness flowing from the decline in the exchange rate.

While growth in overall business investment in 2000-01 is expected to be solid, significant differences are expected between the components of business investment. New plant and equipment investment is expected to grow by a strong 8 per cent in

2000-01, reflecting the above-mentioned factors and lower plant and equipment prices following the introduction of *The New Tax System*.

On the other hand, new investment in buildings and structures is expected to decline by 7 per cent in 2000-01, following a decline of around 12 per cent in 1999-2000. Continued falls in non-residential building approvals, engineering construction commencements and in the stock of work-yet-to-be-done, all point to a decline in non-residential construction investment in 2000-01. However, even with these declines, non-residential construction activity is expected to remain close to its historical average as a share of GDP in 2000-01. Further, both building activity and engineering construction are likely to improve over the course of the year, with potential for further growth in power generation and telecommunications facilities, factories and other business premises.

Conditions in the mining sector are also conducive to increased investment spending, with very high profitability supported by higher world commodity prices and the lower exchange rate. Together with the large amount of potential resource projects on the drawing board, a nascent recovery in mining investment is likely to develop over the next year.

Investment in private non-farm **inventories** is expected to be relatively steady in 2000-01 and therefore will not contribute significantly to overall economic growth. This follows a modest run-down of inventories over 1999-2000 and is consistent with a continued gradual decline in the inventories-to-sales ratio as firms continue to manage down stock levels to increase profitability.

After adjusting for second-hand asset sales, real **public final demand** is expected to grow by 3½ per cent in 2000-01, down from growth of 7 per cent in 1999-2000. (Expenditure in 1999-2000 was boosted by defence related expenditure on East Timor and strong Public Trading Enterprise (PTE) investment, especially by Telstra.) Growth in public final demand in 2000-01 is expected to be underpinned by continued strong Commonwealth expenditure on administrative costs associated with defence, immigration and telecommunications. At the State/local level, growth in consumption is expected to moderate to around 2 per cent in 2000-01.

**Net exports** are forecast to make a substantial 1 percentage point contribution to GDP growth in 2000-01 (up from ¾ of a percentage point forecast at Budget), the first positive contribution since the Asian downturn. This reflects stronger activity in the world economy, some moderation in domestic demand growth, a temporary boost from the Olympics and the lower exchange rate.

In 2000-01, export volume growth is expected to be around 9 per cent, similar to 1999-2000 and around the longer-term trend, but well above the very low growth rate recorded in 1998-99. This export volume growth is expected to be underpinned by strong growth in exports of services and elaborately transformed manufactures (ETMs). Services exports were given a significant boost from the Olympics, particularly in the September quarter, with further strength coming from increased tourist arrivals from East Asia. The volume of ETM export growth in 2000-01

(abstracting from the export of an ANZAC frigate in 1999-2000) is expected to be above the pre-Asian crisis trend rate.

More moderate increases are expected in commodity export volumes. Below average seasonal conditions experienced in some areas over recent months (particularly in sugar growing regions), point to a fall in rural commodity export volumes, following strong growth in 1999-2000. On the other hand, resource exports are expected to grow solidly in 2000-01, above the growth rate in 1999-2000. The continued pick-up in the volume of resource exports primarily reflects additional supply capacity coming on stream, coupled with stronger growth in traditional export markets in East Asia and higher commodity prices, particularly in Australian dollar terms.

Import volume growth in 2000-01 is expected to decline significantly to around 3 per cent, from almost 13 per cent in 1999-2000, in response to more moderate growth in domestic demand than in recent years and a fall in one-off imports (with significant falls in non-monetary gold and civil aircraft more than offsetting a rise in imports of defence-related equipment). Import volume growth in 2000-01 will also be affected by higher import prices, reflecting an increase in world producer prices and the lower exchange rate. However, experience over the past decade or so indicates that the relationship between world producer prices, the exchange rate and domestic retail prices of imported items is imprecise and difficult to predict. Competitive pressures, both at home and abroad, can have a strong influence on the outcome.

The terms of trade increased by around 4 per cent in 1999-2000 and are expected to increase by a further 1½ per cent in 2000-01, returning to around the level experienced prior to the Asian downturn.

In Special Drawing Rights (SDR) terms, commodity prices — as measured by the Reserve Bank of Australia Commodity Price Index — increased during 1999-2000, driven by stronger world demand. Although the outlook for the world economy remains positive, growth in world demand for commodities is expected to be partly offset by increased world supply of several of Australia's key commodities. As a result, commodity prices expressed in SDR terms are expected to remain below their pre-Asian crisis levels over the forecast horizon. On the other hand, in Australian dollar terms, aggregate commodity prices are well above pre-Asian crisis levels, reflecting the lower Australian dollar.

### ***Labour market***

In 2000-01, employment is expected to grow by around 3 per cent in year-average terms, around ¼ of a percentage point above actual employment growth in 1999-2000 and ¾ of a percentage point higher than forecast at Budget. Upward revisions to forecast employment growth in 2000-01 largely reflect stronger than expected employment growth in the September quarter. It is possible that some of the strong increase in employment growth over recent quarters reflected temporary effects associated with the introduction of *The New Tax System* and the Olympics. Employment growth is expected to moderate over the remainder of 2000-01, consistent with the recent slowing growth in job vacancies.



In 2000-01, the unemployment rate is expected to continue the general downward trend experienced over recent years, falling to around 6¼ per cent by the June quarter 2001. This outlook is largely unchanged from the Budget, with stronger growth in employment matched by a higher labour force participation rate.

### ***Wages***

Wages have continued to increase at a moderate pace, with average earnings on a national accounts basis (AENA) increasing by just 2.8 per cent in 1999-2000, a little lower than estimated at Budget. Wages growth is expected to increase in the period immediately ahead, growing by 4¼ per cent in 2000-01, reflecting the continued strength in the labour market and the downward trend in the unemployment rate. Abstracting from the increase in the superannuation guarantee charge on 1 July 2000, wages are expected to increase by 3¾ per cent.

It is assumed that the one-off increase in the CPI resulting from the introduction of *The New Tax System* does not feed into wages growth, given that households have been generously compensated for these price increases with income tax cuts and higher welfare payments.

### ***Prices***

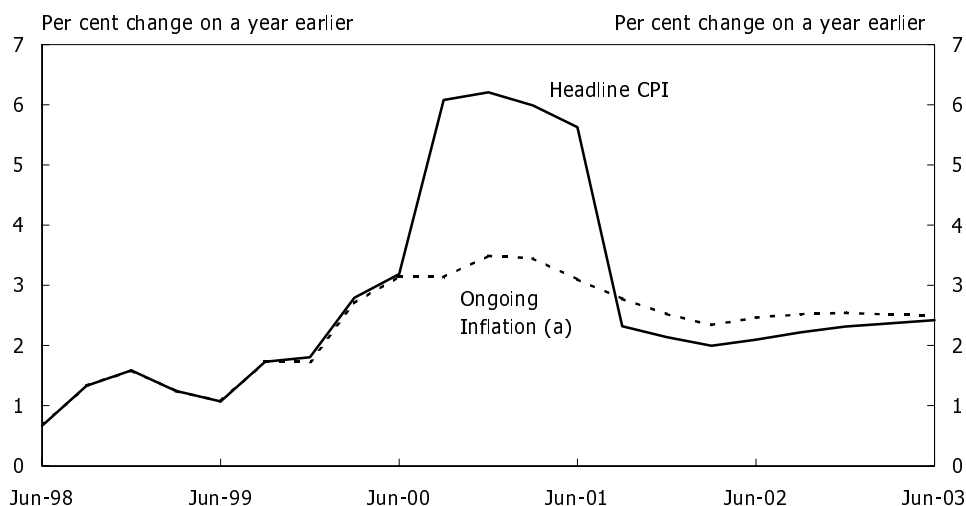
In year-average terms, the CPI increased by 2.4 per cent in 1999-2000, in line with the Budget forecast of 2½ per cent. In the year to the June quarter 2000, the CPI increased by 3.2 per cent partly reflecting a range of temporary and one-off factors. For example, world oil prices rose by over 60 per cent in the year to the June quarter, which, combined with the decline in the Australian dollar over that period, increased petrol prices by around 22 per cent. Some aspects of *The New Tax System* also affected the price of several items in the CPI basket over the year to the June quarter, ahead of the major tax changes. For example, insurance charges, tobacco prices and the prices of some electrical and electronic equipment were affected directly by some early elements of the tax changes. Project home prices are also likely to have been boosted by the strength of activity in the residential construction sector ahead of the tax changes. On the other hand, car prices are likely to have been reduced by discounting ahead of the tax changes.

These special factors make it difficult to readily assess the inflation 'pulse'. Abstracting from petrol prices and those items which seem to have been significantly affected by and ahead of *The New Tax System*, price increases among the remaining 80 per cent of items in the CPI basket averaged a little under 2 per cent in the year to the June quarter 2000.

The headline CPI is forecast to increase by 6 per cent in 2000-01 in year-average terms and by 5½ per cent through the year to the June quarter 2001 (see Chart 2). Leaving aside the direct effects of *The New Tax System* on consumer prices, 'ongoing' inflation is expected to be around 3¼ per cent in year-average terms in 2000-01 and around 3 per cent in the year to the June quarter 2001. The forecast for 'ongoing' inflation in 2000-01 has been revised up from 2¾ per cent in year-average terms in the Budget,

reflecting higher world oil prices and the decline in the exchange rate from the levels assumed in the Budget.

**Chart 2: CPI forecasts and projections —  
the impact of *The New Tax System***



(a) Excludes the impact of *The New Tax System* on prices.

Source: ABS Cat. No. 6401.0 and Treasury.

In the September quarter 2000, the CPI rose by 3.7 per cent, significantly lower than the 4½ per cent expected at Budget. With recent quarterly increases in the CPI (excluding petrol) averaging around ½ per cent and with petrol contributing 0.4 of a percentage point to the increase in the CPI in the September quarter, it seems likely that the remaining increase of a little less than 3 per cent in the quarter largely reflected the impact of *The New Tax System*. This compares with the budget estimate of an increase in prices flowing from *The New Tax System* of around ¾ per cent in the September quarter. At Budget, some of the embedded cost reductions flowing from the tax changes were expected to be reflected in consumer prices in later quarters, bringing the impact of *The New Tax System* back to 2¾ per cent through the year to the June quarter 2001.

In the event, intense competition in the Australian economy and effective monitoring by the Australian Competition and Consumer Commission appear to have resulted in some of the tax increases being absorbed by sellers in the September quarter and cost savings flowing from the tax changes may have been passed into final retail prices more quickly than anticipated. As a result, the lower than expected September quarter CPI outcome may be slightly offset by outcomes over the next few quarters.

The move to the 14th series CPI in the September quarter 2000 also had the effect of slightly reducing the estimated impact of *The New Tax System* on the CPI in the first year by around ¼ of a percentage point. Some items which declined in price as a result of the tax changes, such as motor vehicles, receive a higher weight in the 14th series,

while others, such as cigarettes and clothing, receive a lower weight. These weighting changes in the 14th series more accurately reflect current household spending patterns. *The New Tax System* is now expected to increase the CPI by 2½ per cent through the year to the June quarter 2001 compared with 2¾ per cent as expected at Budget.

There are several key uncertainties around the inflation outlook in 2000-01. The increase in the CPI could be affected if world oil prices stabilise at a substantially higher level than assumed, or the exchange rate settles significantly below the assumed rate incorporated into the current forecasts. The CPI forecasts also assume that there will be no flow on into wages from price increases arising from *The New Tax System*.

## **Domestic economy — 2001-02**

Economic growth in 2001-02 is expected to be around 3¾ per cent in year-average terms, in line with Australia's medium term potential growth rate, reflecting solid growth in employment of around 2 per cent and growth in productivity of around 1¾ per cent. The unemployment rate is expected to decline further, to below 6 per cent by the June quarter 2002.

The outlook for world economic growth in 2001 remains relatively strong and is about ½ of a percentage point higher than the Budget estimates, but is expected to moderate from 4¾ per cent in 2000 to 4¼ per cent in 2001 and to 4 per cent in 2002. The moderation in world growth reflects an expected easing in growth in the United States to rates closer to estimated potential growth, while the expansions in Europe and Japan are anticipated to continue at a solid pace.

In Australia, private consumption growth in 2001-02 is forecast to remain above trend, supported by the lagged effects of the income tax cuts and increased welfare payments in the previous year. Continued solid employment growth and further reductions of the unemployment rate will also support continued consumption growth. A further but more modest decline in dwelling investment is expected in 2001-02 as the excess supply of new houses is unwound.

New plant and equipment investment is expected to continue to grow strongly in 2001-02, reflecting ongoing positive business conditions. In addition, the decline in non-residential construction investment is expected to abate in 2001-02, establishing a base for stronger investment growth in the following year. Overall investment spending in 2001-02 should be assisted by more conducive conditions in the mining sector.

Growth in public final demand is expected to ease further in 2001-02 as both Commonwealth consumption and investment expenditure moderates. Net exports are expected to make a small contribution to growth in 2001-02, contributing to a further small decline in the current account deficit.

Wage increases in 2001-02 are expected to be slightly higher than forecast in 2000-01 (abstracting from the rise in the superannuation guarantee charge), but to remain

modest at around 4 per cent, consistent with ongoing inflation trends remaining within the target band.

'Ongoing' inflation is expected to ease to 2½ per cent in both year-average terms and through-the-year terms (see Chart 2). The lower 'ongoing' inflation relative to 2000-01 largely reflects the effect of an assumed fall in international crude oil prices and subdued price pressures in the residential construction sector.

*The New Tax System* will act to reduce the headline CPI slightly, by a little over ¼ of a percentage point in year-average and through-the-year terms in 2001-02, reflecting the phased introduction of input tax credits for motor vehicles and the removal of Financial Institutions Duty and stamp duty on marketable securities. The downward pressure on the CPI from *The New Tax System* in 2001-02 is slightly more than expected at Budget, reflecting the move to the 14th series weights.

Taking together the estimates for 'ongoing' inflation and the impact of *The New Tax System* on prices in 2001-02, the headline CPI is expected to increase by around 2¼ per cent in year-average terms and 2 per cent in the year to the June quarter 2002.

The longer-term impact of *The New Tax System* on the CPI will also be a little less than previously published due to the move to the 14th series CPI. *The New Tax System* is now expected to add between 1¾ per cent and 2 per cent to the CPI in the long run. Excluding tobacco, *The New Tax System* will add a little over 1½ per cent to the CPI. The lower estimate of the impact of *The New Tax System* in the long run relative to the impact in 2000-01 and 2001-02 reflects the phased introduction of input tax credits for motor vehicles and the phased abolition of various State taxes.

The significant uncertainties around the inflation outlook in 2000-01 also apply to 2001-02. These uncertainties relate primarily to world oil prices and the exchange rate being substantially different from the assumed levels used to prepare the forecasts.

## **Medium-term projections**

Table 4 below sets out the major economic parameters used in preparing the revised budget estimates. The parameters comprise the forecasts for 2000-01 and 2001-02, and medium-term projections for the following two financial years. The projections for economic growth in the outyears are based on analysis of underlying trends, while the projections for inflation are consistent with the mid-point of the medium-term inflation target band.

**Table 4: Major economic parameters (percentage change from previous year)**

	Forecasts		Projections	
	2000-01	2001-02	2002-03	2003-04
Real GDP	4	3 3/4	3 1/2	3 1/2
Employment(a)	3	2	2	2
Wages(b)	4 1/4	4	3 1/2	3 1/2
CPI	6	2 1/4	2 1/2	2 1/2

(a) Labour Force Survey basis.

(b) Average earnings (national accounts basis).



## Part III: Fiscal Outlook

### OVERVIEW

The Commonwealth's fiscal outlook has strengthened since the 2000-01 Budget. The expected underlying cash surplus for 2000-01 has increased by \$1.5 billion to \$4.3 billion, with a revised fiscal surplus of \$8.4 billion.

As shown in Table 5, the budget is expected to remain in surplus throughout the forward estimates period.

**Table 5: Commonwealth general government budget aggregates<sup>(a)</sup>**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>153.5</b>	<b>157.6</b>	<b>158.6</b>	<b>161.1</b>
Per cent of GDP	22.6	23.2	22.3	22.6
<b>Expenses (\$b)</b>	<b>150.3</b>	<b>152.9</b>	<b>156.5</b>	<b>158.1</b>
Per cent of GDP	22.1	22.5	22.0	22.2
Net operating balance (\$b)	3.2	4.8	2.1	2.9
Net capital investment (\$b)(b)	-2.2	-3.6	1.0	-0.3
<b>Fiscal balance (\$b)</b>	<b>5.4</b>	<b>8.4</b>	<b>1.1</b>	<b>3.3</b>
Per cent of GDP	0.8	1.2	0.2	0.5
<b>Underlying cash balance (\$b)</b>	<b>2.8</b>	<b>4.3</b>	<b>3.2</b>	<b>4.7</b>
Per cent of GDP	0.4	0.6	0.5	0.7
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>168.3</b>	<b>169.5</b>	<b>180.5</b>	<b>181.7</b>
Per cent of GDP	22.3	22.5	22.6	22.7
<b>Expenses (\$b)</b>	<b>160.1</b>	<b>163.0</b>	<b>165.5</b>	<b>168.6</b>
Per cent of GDP	21.2	21.6	20.7	21.1
Net operating balance (\$b)	8.2	6.5	15.0	13.1
Net capital investment (\$b)(b)	0.6	-0.3	1.1	0.3
<b>Fiscal balance (\$b)</b>	<b>7.6</b>	<b>6.8</b>	<b>13.9</b>	<b>12.8</b>
Per cent of GDP	1.0	0.9	1.7	1.6
<b>Underlying cash balance (\$b)</b>	<b>8.8</b>	<b>7.6</b>	<b>14.4</b>	<b>12.9</b>
Per cent of GDP	1.2	1.0	1.8	1.6

(a) All estimates are based on Government Finance Statistics (GFS) standards, but with Goods and Services Tax (GST) revenue collected on behalf of the States and Territories netted off revenue and expenses.

(b) Net capital investment is defined as net acquisition of non-financial assets.

Table 6 provides a reconciliation of the fiscal balance estimates between the 2000-01 Budget and the 2000-01 MYEFO. It shows that the fiscal surplus projected for 2000-01 has been revised upwards by \$3.0 billion since Budget. This improvement is partly due to parameter variations — with an increase in expected revenue from stronger economic and employment growth only partly offset by increased expenses. Total new policy decisions since Budget have reduced the expected surplus in 2000-01 by \$509 million.

**Table 6: Reconciliation of 2000-01 Budget and MYEFO fiscal balance estimates**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>2000-01 Budget fiscal balance</b>	<b>5436</b>	<b>1072</b>	<b>7610</b>	<b>13884</b>
Per cent of GDP	0.8	0.2	1.0	1.7
<i>Changes between 2000-01 Budget and MYEFO</i>				
Effect of policy decisions(a)				
Revenue	88	-66	-294	-276
Expenses	596	321	254	297
Net capital investment	1	6	0	0
Total policy decisions	-509	-393	-548	-573
Effect of parameter and other variations				
Revenue	4066	2579	1512	1540
Expenses(b)	970	166	1709	2100
Net capital investment(b)	-384	-192	95	-78
Total parameter and other variations	3480	2606	-292	-482
<b>2000-01 MYEFO fiscal balance</b>	<b>8407</b>	<b>3285</b>	<b>6769</b>	<b>12829</b>
Per cent of GDP	1.2	0.5	0.9	1.6

(a) Excluding the public debt net interest effect of policy measures.

(b) Excludes the impact of a reclassification of expenditure on defence weapons platforms, which has no effect on the budget balances (see Box 2 in Part V). The reclassification results in net capital investment being reduced by around \$1 billion in each year, which is fully offset by an equivalent increase in expenses.

## REVENUE

Estimated total general government revenue has increased in 2000-01 and all forward years since Budget. In 2000-01, total revenue is expected to be \$4.2 billion (2.7 per cent) higher than estimated at the time of the 2000-01 Budget, with less substantial revenue gains in the forward years.

The increase in estimated revenue in 2000-01 is largely due to upward revisions to forecast nominal GDP and employment growth, and some ongoing base effects of a



stronger than expected revenue outcome for 1999-2000<sup>1</sup>. Policy decisions taken since the 2000-01 Budget are also expected to increase revenue in 2000-01, but reduce revenue in the forward years.

The major revisions to expected revenue in 2000-01 include:

- a \$2.3 billion increase in company tax revenue (mainly reflecting stronger than anticipated growth in company profits);
- an increase of almost \$760 million in other individuals taxation revenue (due to a stronger than expected outcome for 1999-2000 and a stronger outlook for small business income);
- stronger PAYG Withholding revenue (a positive revision of around \$520 million since Budget, consistent with stronger anticipated employment growth in 2000-01); and
- a \$480 million increase in Petroleum Resource Rent Tax, as a result of sustained strength in the world price of crude oil.

These expected increases in revenue are partially offset by:

- a decrease in estimated other excise revenue of \$320 million (mainly reflecting lower tobacco volumes); and
- a \$245 million reduction in expected Fringe Benefits Tax (FBT) revenue (this reduction is primarily due to some 1999-2000 FBT returns being lodged later than expected with the ATO, causing some refunds on assessment to slip into 2000-01).

Further detail on the revised revenue estimates is provided in Part IV.

## **EXPENSES**

As noted above, the impact on the projected fiscal surplus of higher than anticipated revenue in 2000-01 is partially offset by an upward revision to estimated expenses. The upward revision to expenses is primarily due to programme specific parameter variations, with policy decisions since Budget adding around \$596 million to expenses in 2000-01.

The major parameter driven increases in expected expenses for 2000-01 include:

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<sup>1</sup> The final outcome for total revenue in 1999-2000 was around \$2 billion higher than estimated at the 2000-01 Budget. While much of this better than anticipated outcome was due to one-off events or shifts in the timing of revenue, some growth in the ongoing tax base also contributed to the higher outcome (see *1999-2000 Final Budget Outcome* for further details).

- higher than expected payments (\$550 million in 2000-01) under the Aged Persons Savings and Self Funded Retirees Supplementary Bonuses (largely due to higher than anticipated investment income among eligible recipients); and
- increased expenses (around \$520 million in 2000-01) associated with a higher than expected take up of private health insurance following the introduction of the Government's Lifetime Health Cover.

These upward variations are partially offset by an anticipated reduction in budget balancing assistance payments to the States and Territories as a result of higher than expected GST collections in 2000-01. As described in Box 1, previously unidentified transitional factors are expected to produce a one-off increase in net GST revenue of \$2.25 billion in 2000-01. This additional GST revenue is expected to reduce budget balancing assistance grants to the States and Territories in 2000-01 and 2001-02.

An additional offsetting reduction in expenses of around \$96 million in 2000-01 (increasing to around \$145 million in 2003-04) is due to a downward revision in the estimated number of unemployment benefit recipients.

Pending finalisation of the Government's Defence White Paper, provision has been made in the Contingency Reserve for a change in defence expenses in 2001-02 and the forward years.

More detailed information on expenses and net capital investment can be found in Part V. Expense policy measures are individually described in Appendix A.

### **Box 1: The revised outlook for GST collections and budget balancing assistance payments to the States**

With the introduction of *The New Tax System*, the Commonwealth has provided an undertaking to ensure that the States and Territories are not financially disadvantaged relative to previous funding arrangements. During the transition period, this undertaking is met by the Commonwealth providing budget balancing assistance (BBA) payments to the States.

The amount of BBA to be paid by the Commonwealth is determined by the difference between GST revenue received by the States and a guaranteed minimum amount (GMA). In turn, the GMA includes estimated revenues forgone by the States as well as additional expenses incurred by the States.

Because GST revenue is paid to the States, a change in GST revenue does not directly affect the Commonwealth's budget surplus. However, during the transition period, it indirectly affects the Commonwealth budget through variations to BBA.

At this stage, the first quarterly GST return has not been fully completed and future projections are subject to much greater uncertainty than is the case with other revenue collections. However, early GST collections have revealed some previously unidentified transitional factors that will tend to boost net GST revenue in 2000-01 only. These factors include:

- a short lag between when businesses report GST receipts on sales and when they claim input tax credits relating to those sales. A short invoice processing lag in claiming input tax credits means slower than expected initial claims sufficient to produce a one-off significant boost to net GST collections in 2000-01; and
- the time between the receipt of GST revenue and the processing of net refunds by the ATO means that some refunds are expected to slip from 2000-01 to early 2001-02 — boosting net GST collections in the current year.

Transitional effects are expected to produce a one-off increase in net GST revenue of \$2.25 billion in 2000-01. Estimated GST revenue is unchanged in the forward years.

Table 7 summarises the expected impact of higher anticipated GST collections and revised GMA estimates on the Commonwealth's budget surplus. The dominant influence is the increase in GST revenue in 2000-01. Together with expected revisions to the GMA (as a result of parameter changes and increased ATO administration costs), the increase in GST is expected to reduce BBA grants to the States by \$360 million in 2000-01 and by \$1,339 million in 2001-02.

*continued*

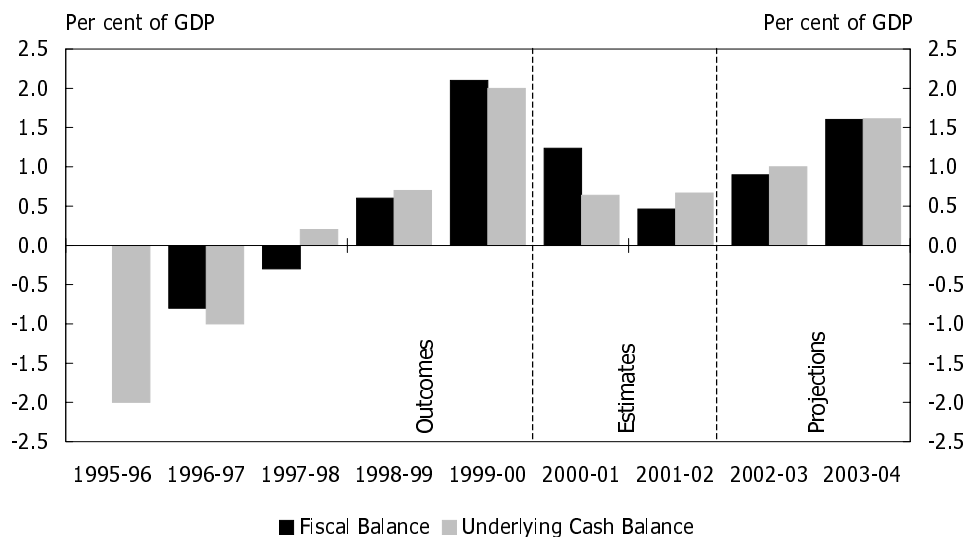
**Table 7: Changes in expected GST revenue and BBA payments**

	2000-01			2001-02		
	Budget \$m	MYEFO \$m	Variation \$m	Budget \$m	MYEFO \$m	Variation \$m
GMA	26745	26979	234	31142	29803	-1339
GST	24053	26303	2250	28029	28029	-
BBA	2693	677	-2016	3112	1774	-1339
<i>of which:</i>						
<i>Grant</i>	1037	677	-360	3112	1774	-1339
<i>Loan</i>	1656	-	-1656	-	-	-
<b>Change in fiscal and underlying cash balances</b>			360			1339

**What is the budget effect in 2000-01 and 2001-02?**

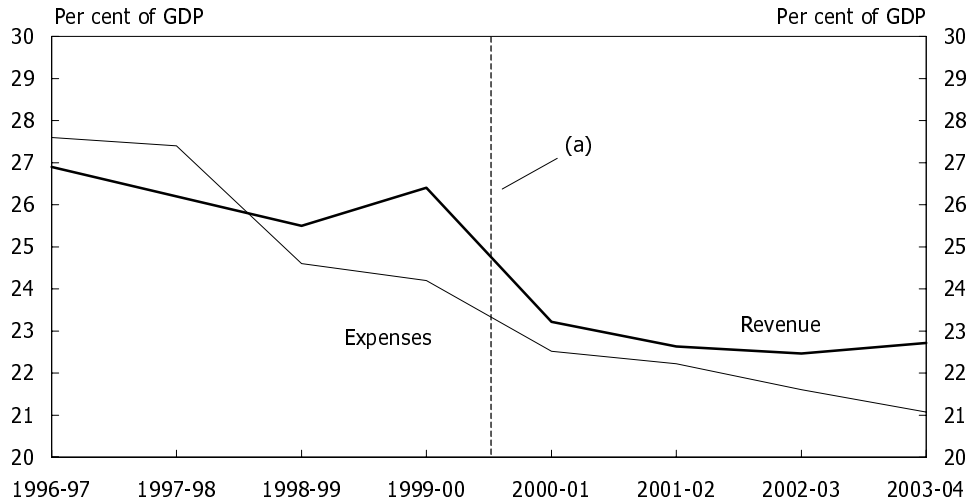
Table 7 shows that the expected increase in GST revenue in 2000-01 means the States are not expected to require a loan or as much by way of grants under BBA. Because loan repayment is a cost component built into the GMA in 2001-02, the GMA is reduced and BBA is reduced accordingly with positive implications for both the fiscal and underlying cash balances in that year.

**Chart 2: Fiscal and underlying cash balances<sup>(a)</sup>**



(a) Fiscal balance figures are available only from 1996-97 onwards.

**Chart 3: Commonwealth general government revenue and expenses**



(a) There is an effective break in the series in 2000-01 as a result of the introduction of *The New Tax System*.

## NET DEBT AND NET WORTH

In 2000-01, Commonwealth general government net debt is estimated to fall to its lowest level as a percentage of GDP since 1990-91. Net debt is forecast to continue falling through the forward estimates period and is projected to be eliminated by 2003-04. Net debt has fallen from a high of almost 20 per cent of GDP in 1995-96 to an expected 6.4 per cent in 2000-01 — a net reduction of over \$50 billion.

- As a percentage of GDP, Commonwealth general government net debt in 2000-01 is expected to fall to 6.4 per cent, compared with the Budget estimate of 7.0 per cent. This improvement in the outlook for net debt is the result of the stronger than anticipated budget outcome in 1999-2000 and the improvement in the forecast surplus in 2000-01.

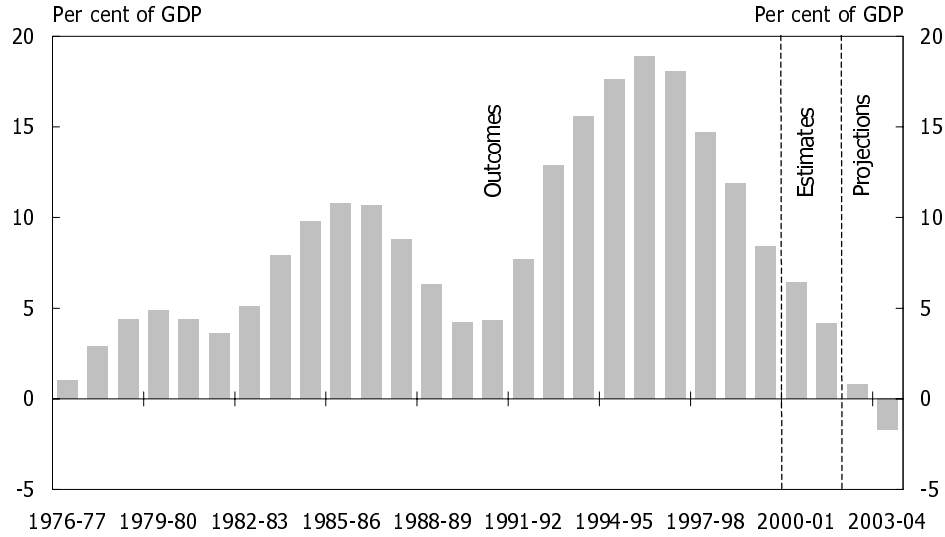
**Table 8: Commonwealth general government net worth and net debt (\$b)**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
Financial assets	56.0	94.7	57.5	86.7
Non-financial assets	55.8	29.7	56.6	30.0
<b>Total assets</b>	<b>111.8</b>	<b>124.4</b>	<b>114.1</b>	<b>116.7</b>
<b>Total liabilities</b>	<b>162.5</b>	<b>165.3</b>	<b>148.4</b>	<b>151.9</b>
<b>Net worth</b>	<b>-50.7</b>	<b>-40.9</b>	<b>-34.3</b>	<b>-35.2</b>
<b>Net debt(a)(b)</b>	<b>47.4</b>	<b>43.6</b>	<b>34.7</b>	<b>29.5</b>
Per cent of GDP	7.0	6.4	4.9	4.2
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
Financial assets	55.1	71.9	48.2	63.9
Non-financial assets	57.2	30.9	58.1	32.8
<b>Total assets</b>	<b>112.3</b>	<b>102.8</b>	<b>106.3</b>	<b>96.6</b>
<b>Total liabilities</b>	<b>124.0</b>	<b>128.1</b>	<b>103.5</b>	<b>108.1</b>
<b>Net worth</b>	<b>-11.7</b>	<b>-25.4</b>	<b>2.8</b>	<b>-11.5</b>
<b>Net debt(a)(b)</b>	<b>9.2</b>	<b>5.9</b>	<b>-11.9</b>	<b>-13.7</b>
Per cent of GDP	1.2	0.8	-1.5	-1.7

- (a) Net debt comprises a sub-set of liabilities (deposits held, advances received and borrowing) less a sub-set of financial assets (cash and deposits; advances paid; and investments, loans and placements).
- (b) Includes the impact of further sales of the Government's shareholding in Telstra.

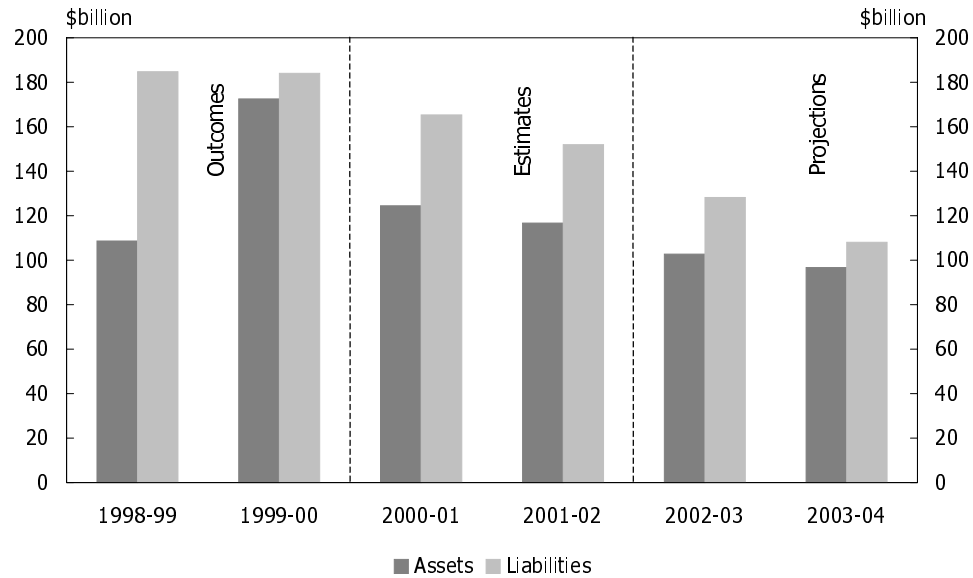
In 2000-01, Commonwealth general government GFS net worth is estimated to improve by a further \$9.8 billion compared with the 2000-01 Budget estimate. The changes in estimated net worth since Budget are primarily due to two partially offsetting classification changes: the removal of defence weapons platforms from the balance sheet (see Box 2 in Part V) and the move to value Commonwealth investments in public corporations at market value instead of historic cost (see Box 1 of the *1999-2000 Final Budget Outcome*).

**Chart 4: Commonwealth general government net debt<sup>(a)</sup>**



(a) Includes the impact of further sales of the Government's shareholding in Telstra.

**Chart 5: Commonwealth general government assets and liabilities<sup>(a)</sup>**



(a) The revaluation of Telstra at market value from 1999-2000 and the reclassification of expenditure on defence weapons platforms from 2000-01 lead to breaks in the asset series in those years.

## CASH FLOWS

In 2000-01, the underlying cash balance is expected to be in surplus by \$4.3 billion, around \$1.5 billion higher than the corresponding estimate at the 2000-01 Budget.

**Table 9: Summary of Commonwealth general government cash flows (\$b)**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
Cash receipts from operating activities	149.5	154.6	159.4	163.7
Cash payments for operating activities	146.1	152.6	152.4	158.1
<b>Net cash flows from operating activities</b>	<b>3.4</b>	<b>2.0</b>	<b>7.0</b>	<b>5.6</b>
<b>Net cash flows from investments in non-financial assets</b>	<b>-0.6</b>	<b>2.3</b>	<b>-3.8</b>	<b>-0.9</b>
<b>Underlying cash balance</b>	<b>2.8</b>	<b>4.3</b>	<b>3.2</b>	<b>4.7</b>
Per cent of GDP	0.4	0.6	0.5	0.7
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(a)	5.2	6.5	10.7	8.9
<b>Headline cash balance</b>	<b>8.0</b>	<b>10.9</b>	<b>14.0</b>	<b>13.6</b>
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
Cash receipts from operating activities	168.8	171.7	179.6	183.2
Cash payments for operating activities	156.3	163.1	161.1	168.9
<b>Net cash flows from operating activities</b>	<b>12.6</b>	<b>8.6</b>	<b>18.5</b>	<b>14.3</b>
<b>Net cash flows from investments in non-financial assets</b>	<b>-3.8</b>	<b>-1.0</b>	<b>-4.1</b>	<b>-1.4</b>
<b>Underlying cash balance</b>	<b>8.8</b>	<b>7.6</b>	<b>14.4</b>	<b>12.9</b>
Per cent of GDP	1.2	1.0	1.8	1.6
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(a)	15.9	15.6	6.5	6.2
<b>Headline cash balance</b>	<b>24.7</b>	<b>23.2</b>	<b>21.0</b>	<b>19.1</b>

(a) Under the cash budgeting framework, these cash flows were referred to as 'net advances'.



Many of the variations to accrual revenue, expenses and net capital investment since the 2000-01 Budget (described earlier in this Part) also explain the changes in the underlying cash balance. However, some variations have different impacts on the cash and accrual budget aggregates. This accounts for the different magnitude of changes in the underlying cash balance and the fiscal balance since the 2000-01 Budget.

Major variations that contribute to this difference include:

- a carryover from 1999-2000 into 2000-01 of \$260 million in cash payments associated with GST start-up assistance certificates for small business (with no impact on accrual expenses);
- a changed accounting treatment of superannuation that has the effect of increasing aggregate estimated operating cash payments by around \$500 million in each year but with no impact on accrual expenses; and
- a smaller increase in estimated cash taxation receipts than the increase in accrual taxation revenue (of around \$350 million). This is due to an increase in the expected number of taxation assessments recorded in 2000-01 with the corresponding cash flows not occurring until 2001-02 or later years.



## Part IV: Revenue

Compared with the 2000-01 Budget, the MYEFO estimates of total revenue are higher in all years. The revised outlook for total revenue primarily reflects stronger forecast growth in the economy and the effect of a stronger than anticipated revenue outcome in 1999-2000. Table 10 provides estimates of Commonwealth general government tax, non-tax and total revenue from 2000-01 to 2003-04<sup>1</sup>.

**Table 10: Estimates of Commonwealth general government revenue**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
<b>Total tax (\$b)</b>	<b>143.8</b>	<b>147.3</b>	<b>148.1</b>	<b>150.2</b>
<i>Real growth on previous year (%)</i>	-8.6	-6.3	1.9	0.9
Per cent of GDP	21.2	21.7	20.8	21.1
<b>Non-tax (\$b)</b>	<b>9.7</b>	<b>10.3</b>	<b>10.5</b>	<b>10.8</b>
<i>Real growth on previous year (%)</i>	-32.9	-28.9	7.1	4.4
Per cent of GDP	1.4	1.5	1.5	1.5
<b>Total revenue (\$b)</b>	<b>153.5</b>	<b>157.6</b>	<b>158.6</b>	<b>161.1</b>
<i>Real growth on previous year (%)</i>	-10.7	-8.2	2.2	1.1
Per cent of GDP	22.6	23.2	22.3	22.6
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
<b>Total tax (\$b)</b>	<b>156.8</b>	<b>158.0</b>	<b>168.1</b>	<b>169.8</b>
<i>Real growth on previous year (%)</i>	3.3	2.7	4.6	4.8
Per cent of GDP	20.8	20.9	21.0	21.2
<b>Non-tax (\$b)</b>	<b>11.5</b>	<b>11.4</b>	<b>12.4</b>	<b>12.0</b>
<i>Real growth on previous year (%)</i>	6.7	2.9	4.9	2.0
Per cent of GDP	1.5	1.5	1.5	1.5
<b>Total revenue (\$b)</b>	<b>168.3</b>	<b>169.5</b>	<b>180.5</b>	<b>181.7</b>
<i>Real growth on previous year (%)</i>	3.6	2.7	4.7	4.6
Per cent of GDP	22.3	22.5	22.6	22.7

Table 11 provides a reconciliation of the MYEFO revenue estimates with those published at the 2000-01 Budget. The revised estimates incorporate policy decisions taken since the Budget, an updated assessment of the economic outlook and revenue outcomes up to end-October 2000.

<sup>1</sup> Unless otherwise stated, all estimates in this Part are on a Government Finance Statistics (GFS) consistent basis.

**Table 11: Reconciliation of Commonwealth general government revenue estimates**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Revenue at 2000-01 Budget</b>	<b>153475</b>	<b>158570</b>	<b>168272</b>	<b>180464</b>
<b>Changes from 2000-01 Budget to MYEFO</b>				
Effect of policy decisions	88	-66	-294	-276
Effect of economic parameter and other variations	4066	2579	1512	1540
Total variations	4154	2513	1217	1264
<b>Revenue at 2000-01 MYEFO</b>	<b>157630</b>	<b>161083</b>	<b>169490</b>	<b>181728</b>

The most important influence on the stronger revenue outlook is the expectation that the economy is more buoyant than anticipated at Budget. Upward revisions to forecast nominal GDP growth and employment growth in 2000-01 have boosted revenue in all years, but the effect is concentrated in 2000-01.

The base effect from a stronger than expected revenue outcome in 1999-2000 has also boosted the revenue estimates. This effect is predominantly felt in 2000-01, although a positive effect does persist through the forward years.

Policy decisions taken since the 2000-01 Budget are estimated to increase revenue slightly in 2000-01, with revenue reductions in the forward years. The most significant measures announced since the 2000-01 Budget include:

- a greater reduction in excise on 1 July 2000 to ensure petrol and diesel prices need not rise as a result of the introduction of the GST (with an estimated cost to revenue of around \$100 million per annum);
- the removal of capital gains tax changes for life insurers and superannuation funds (with an estimated cost to revenue of around \$30 million in 2000-01, rising to \$90 million in 2003-04); and
- additional revenue from the States and Territories for the administration of the GST (with a revenue gain of \$183 million to the Commonwealth in 2000-01); this amount is fully offset by an equivalent increase in Commonwealth expenses incurred by the Australian Taxation Office.

All revenue policy decisions announced since the 2000-01 Budget are listed in Table 15 and described in detail in Appendix A.

Table 12 presents a breakdown of Commonwealth general government revenue estimates into individual revenue heads for the 2000-01 MYEFO and compares these with those published at the 2000-01 Budget.

**Table 12: Revised 2000-01 general government revenue estimates**

	2000-01			
	Budget Estimate	MYEFO Estimate	Change on Budget (\$m)	Change on Budget (%)
<b>Taxation revenue</b>				
Income Tax				
Individuals -				
Gross PAYG withholding	68109	68631	522	0.8
Gross other individuals	12024	12783	759	6.3
Medicare levy	4580	4590	10	0.2
/ess: Refunds	10590	10650	60	0.6
<b>Total individuals</b>	<b>74123</b>	<b>75354</b>	<b>1231</b>	<b>1.7</b>
Companies	30857	33197	2340	7.6
Superannuation funds(a)	5175	5087	-88	-1.7
Other withholding tax(b)	1346	1426	79	5.9
Petroleum resource rent tax	1280	1760	480	37.5
<b>Total income tax</b>	<b>112781</b>	<b>116824</b>	<b>4043</b>	<b>3.6</b>
Indirect tax(c)				
Excise duty -				
Petroleum products and crude oil	12968	12892	-76	-0.6
Other excise	6810	6491	-320	-4.7
Total excise duty	19779	19383	-396	-2.0
Customs duty	4413	4541	128	2.9
Other indirect taxes(d)	1976	1956	-20	-1.0
<b>Total indirect tax</b>	<b>26168</b>	<b>25880</b>	<b>-287</b>	<b>-1.1</b>
Fringe benefits tax(e)	3650	3405	-245	-6.7
Agricultural levies(f)	585	644	59	10.1
Other taxes	579	589	11	1.8
<b>Total tax revenue</b>	<b>143763</b>	<b>147343</b>	<b>3580</b>	<b>2.5</b>
Non-tax revenue	9712	10287	574	5.9
<b>Total revenue</b>	<b>153475</b>	<b>157630</b>	<b>4154</b>	<b>2.7</b>

(a) Includes the superannuation contributions surcharge.

(b) This item includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number.

(c) Indirect taxes exclude surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments.

(d) This item comprises the Wine Equalisation Tax, Luxury Car Tax and final payments of Wholesale Sales Tax.

(e) Excludes Fringe Benefits Tax (FBT) collected from Commonwealth government agencies.

(f) Consistent with GFS reporting standards, agricultural levies have been separately identified.

Relative to Budget, total revenue is expected to increase by \$4.2 billion in 2000-01. This is primarily driven by stronger income tax revenue in 2000-01.

Expected taxation revenue from individuals in 2000-01 has increased by \$1.2 billion since Budget. This largely reflects:

- a \$759 million upward revision to other individuals taxation revenue, reflecting a stronger than expected outcome for 1999-2000, and a stronger outlook for small business income growth; and
- a \$522 million increase in estimated PAYG Withholding tax revenue, primarily as a result of stronger forecast employment growth and the flow-on effect of a stronger than expected PAYE outcome for 1999-2000.

Forecast company tax revenue for 2000-01 has increased by \$2.3 billion. This mainly reflects the effect on the base of a stronger than expected revenue outcome for 1999-2000, upward revisions to expected company profits growth and some one-off factors.

- The final company tax outcome for 1999-2000 was around \$1.1 billion higher than forecast in the 2000-01 Budget. However, a significant proportion of this stronger than expected outcome was accounted for by one-off factors. Nevertheless, it is estimated that the outcome reflected an ongoing increase in the company tax base, with a revenue impact of around \$½ billion per annum.
- In addition, stronger forecast company profit growth, relative to Budget expectations, is anticipated to add around \$1¼ billion to company tax revenue in 2000-01.
- The remaining \$½ billion increase in estimated company tax is accounted for by taxpayer specific effects.

Estimates of Petroleum Resource Rent Tax (PRRT) are higher in all years, as a result of continued strength in oil prices and a lower \$A/\$US exchange rate. As outlined in Part II, world oil prices are assumed to average US\$27½ per barrel in 2000, US\$24¼ per barrel in 2001 and US\$22 per barrel in 2002. Oil prices are expected to decline over the forecast period, as world oil production increases in response to higher prices and the rate of growth of world industrial activity moderates somewhat. PRRT is therefore forecast to decline over the forward years.

Estimated total indirect taxation and FBT revenue in 2000-01 has fallen by \$532 million since Budget. The major factors contributing to this overall net variation include:

- downward revisions to petroleum excise estimates, as a result of a reduction in expected demand for diesel and petrol relative to Budget, partly offset by an increase in crude oil excise. This reduction in petrol and diesel excise revenue includes the effects of lower consumption growth as a result of higher world oil prices;

- lower other excise estimates, reflecting lower than anticipated tobacco volumes since Budget. Tobacco volumes have remained weak since the introduction of per-stick taxation in November 1999, and have weakened further in recent months;
- downward revisions to FBT estimates reflecting higher than expected late lodgements for refunds in 1999-2000, and a consequential reduction in expected FBT instalments in 2000-01; partly offset by a \$128 million upward revision to estimated customs duty revenue.

Non-tax revenue has been revised up since Budget by \$574 million, largely due to:

- increased petroleum royalties, as a result of higher world oil prices and increased production from improved North-West Shelf facilities (around \$256 million in 2000-01); and
- an increase in revenue from the States to fund the administration of the GST by the Australian Taxation Office (\$183 million in 2000-01).

Table 13 provides an outline of the changes to the forward estimates of Commonwealth general government revenue.

**Table 13: Forward estimates of general government revenue**

	2000-01			2001-02			2002-03			2003-04		
	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Individuals tax	74123	75354	1.7	82205	83391	1.4	87633	88978	1.5	95772	97183	1.5
<i>Per cent of GDP</i>	<i>10.9</i>	<i>11.1</i>		<i>11.5</i>	<i>11.7</i>		<i>11.6</i>	<i>11.8</i>		<i>12.0</i>	<i>12.1</i>	
Other income tax	38658	41470	7.3	34266	36030	5.1	36120	36878	2.1	37822	38709	2.3
<i>Per cent of GDP</i>	<i>5.7</i>	<i>6.1</i>		<i>4.8</i>	<i>5.1</i>		<i>4.8</i>	<i>4.9</i>		<i>4.7</i>	<i>4.8</i>	
<b>Total income tax</b>	<b>112781</b>	<b>116824</b>	<b>3.6</b>	<b>116471</b>	<b>119421</b>	<b>2.5</b>	<b>123753</b>	<b>125856</b>	<b>1.7</b>	<b>133594</b>	<b>135892</b>	<b>1.7</b>
<i>Per cent of GDP</i>	<i>16.6</i>	<i>17.2</i>		<i>16.4</i>	<i>16.8</i>		<i>16.4</i>	<i>16.7</i>		<i>16.7</i>	<i>17.0</i>	
Total indirect tax	26168	25880	-1.1	26462	25948	-1.9	27786	27196	-2.1	29121	28740	-1.3
<i>Per cent of GDP</i>	<i>3.9</i>	<i>3.8</i>		<i>3.7</i>	<i>3.6</i>		<i>3.7</i>	<i>3.6</i>		<i>3.6</i>	<i>3.6</i>	
<b>Total tax(a)</b>	<b>143763</b>	<b>147343</b>	<b>2.5</b>	<b>148056</b>	<b>150233</b>	<b>1.5</b>	<b>156781</b>	<b>158046</b>	<b>0.8</b>	<b>168109</b>	<b>169772</b>	<b>1.0</b>
<i>Per cent of GDP</i>	<i>21.2</i>	<i>21.7</i>		<i>20.8</i>	<i>21.1</i>		<i>20.8</i>	<i>20.9</i>		<i>21.0</i>	<i>21.2</i>	
Non-tax revenue	9712	10287	5.9	10514	10850	3.2	11491	11444	-0.4	12355	11956	-3.2
<i>Per cent of GDP</i>	<i>1.4</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>	
<b>Total revenue</b>	<b>153475</b>	<b>157630</b>	<b>2.7</b>	<b>158570</b>	<b>161083</b>	<b>1.6</b>	<b>168272</b>	<b>169490</b>	<b>0.7</b>	<b>180464</b>	<b>181728</b>	<b>0.7</b>
<i>Per cent of GDP</i>	<i>22.6</i>	<i>23.2</i>		<i>22.3</i>	<i>22.6</i>		<i>22.3</i>	<i>22.5</i>		<i>22.6</i>	<i>22.7</i>	

(a) Includes FBT and other taxes.



## Tax expenditures

Individuals and businesses derive financial benefits from various tax concessions. These concessions can be delivered in a variety of ways: by a tax exemption, tax deduction, tax rebate, reduced tax rate or by deferring a tax liability. Tax concessions can either reduce or delay the collection of tax revenue.

The benefits of most tax concessions could be delivered equally by direct expenditures. Hence tax concessions are an alternative to direct expenditure as a method of delivering government assistance or meeting government objectives. Accordingly, tax expenditures have an impact on the budget surplus or deficit, as do direct expenditures.

Table 14 provides aggregate tax expenditure estimates for the period from 1996-97 to 2003-04.

**Table 14: Aggregate tax expenditures 1996-97 to 2003-04<sup>(a)</sup>**

	Superannuation \$m	Other Tax Expenditures \$m	Total \$m	Tax Expenditures as a Proportion of GDP (%)
1996-97	8650	15032	23682	4.5
1997-98	9915	15540	25455	4.5
1998-99	9420	16368	25788	4.3
1999-2000	9530	17781	27311	4.3
<b>2000-01</b>	<b>8845</b>	<b>20079</b>	<b>28924</b>	<b>4.3</b>
2001-02	9595	19345	28940	4.1
2002-03	10495	19552	30047	4.0
2003-04	11495	19769	31264	3.9

(a) Preliminary estimates — final estimates will be contained in the *2000 Tax Expenditures Statement* which, in accordance with past practice, will be released separately.

Between 1996-97 and 2003-04, the underlying growth in aggregate tax expenditures is relatively modest. Total tax expenditures are estimated to decline as a proportion of GDP from 4.5 per cent in 1996-97 to 3.9 per cent in 2003-04.

## Revenue measures since the 2000-01 Budget

**Table 15: Revenue measures since the 2000-01 Budget<sup>(a)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
Wool Industry - Changes in wool levy arrangements	-1.8	-32.2	-33.0	-32.1
<b>Portfolio Total</b>	<b>-1.8</b>	<b>-32.2</b>	<b>-33.0</b>	<b>-32.1</b>
<b>ATTORNEY-GENERAL'S</b>				
Extension of the Import Credit Scheme	-1.0	-	-	-
<b>Portfolio Total</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TREASURY</b>				
<b>Income tax</b>				
Amendment to transitional measures for the merging of share premium and share capital accounts	-	-	-	-
Amendments to Pay As You Go Instalments for certain beneficiaries of trusts	60.0	5.0	5.0	5.0
Change in the status of constitutionally protected superannuation funds	nfp	nfp	nfp	nfp
Changes to the Simplified Tax System	-	2.0	-2.0	-1.0
Deductibility of certain gifts	*	*	*	*
Double taxation agreements	*	*	*	*
Eligibility for immediate deductibility for GST-related expenditure	-	-	-	-
Entity taxation	-	10.0	-60.0	-25.0
Exemption for artists from the non-commercial losses measures	-	-7.0	-7.0	-3.0
Income tax exemption for local government businesses	-	-	-	-
Medicare levy surcharge - treatment of high front end deductibles	*	*	*	*
No Australian Business Number withholding on input taxed supplies	-	-	-	-
Removal of capital gains tax changes for life insurers and superannuation funds	-30.0	-60.0	-70.0	-90.0
Rollover relief for merger of companies under Part 9 of the <i>Life Insurance Act 1995</i>	-	-	-	-
Taxation aspects of the restructure of the Australian Wool Research and Promotion Organisation	-	-	-	-
Tax benefits for organisations promoting prevention or control of disease or illness in people	*	*	*	*

**Table 15: Revenue measures since the 2000-01 Budget (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>TREASURY (continued)</b>				
<b>Indirect tax</b>				
Excise concession for micro-breweries	-0.3	-0.3	-0.3	-0.3
Petrol and diesel excise reduction - increase in reduction to 6.7 cents per litre	-98.0	-100.0	-102.0	-105.0
Removing campervans, motor homes and commercial vehicles from luxury car tax	-5.0	-5.0	-5.0	-5.0
Removing the excise-free status of methanol blended with petrol	-	-	-	-
<b>Fringe benefits tax</b>				
Converting rebates to a fringe benefits tax exemption for non-profit hospitals	-15.0	-15.0	-15.0	-15.0
Fringe benefits reporting - exclusion for emergency vehicles	*	*	*	*
Fringe benefits tax exemption for police housing in regional areas	*	*	*	*
Fringe benefits tax exemption for free travel on public transport by police officers	-5.0	-5.0	-5.0	-5.0
<b>Non-tax revenue</b>				
Additional payments from the States and Territories for GST administration	183.0	141.0	-	-
Superannuation Complaints Tribunal	1.0	-	-	-
<b>Portfolio Total</b>	<b>90.7</b>	<b>-34.3</b>	<b>-261.3</b>	<b>-244.3</b>
Decisions taken but not yet announced	nfp	nfp	nfp	nfp
<b>Total impact of revenue measures</b>	<b>87.9</b>	<b>-66.5</b>	<b>-294.3</b>	<b>-276.4</b>

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

\* Reliable estimate not available.



## Part V: Expenses and Capital

Relative to the 2000-01 Budget, estimated expenses have increased in 2000-01 and the forward years<sup>1</sup>. The increase in estimated expenses reflects a number of revisions, including higher than expected claims for savings bonuses by older Australians, an increased take-up of private health insurance (with flow-on effects to the Private Health Insurance Rebate and Medicare expenses), and revised superannuation interest expenses. Stronger forecast employment growth in 2000-01 is expected to result in lower expenses on unemployment benefits.

In addition to these variations, around \$1 billion of Defence expenditure has been reclassified from net capital investment to expenses. This reclassification of expenditure on defence weapons platforms is required to maintain consistency with Australian Bureau of Statistics (ABS) standards (see Box 2 for further information). It has no effect on the fiscal or underlying cash balances.

### EXPENSES

Table 16 shows estimates of general government expenses for 2000-01 and the forward years.

**Table 16: Estimates of general government expenses**

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
<b>Expenses (\$m)</b>	<b>150279</b>	<b>152869</b>	<b>156485</b>	<b>158144</b>
<i>Real growth on previous year (%)</i>	<i>-4.9</i>	<i>-3.2</i>	<i>3.0</i>	<i>2.4</i>
Per cent of GDP	22.1	22.5	22.0	22.2
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
<b>Expenses (\$m)</b>	<b>160089</b>	<b>163001</b>	<b>165455</b>	<b>168579</b>
<i>Real growth on previous year (%)</i>	<i>-0.2</i>	<i>0.6</i>	<i>0.9</i>	<i>0.9</i>
Per cent of GDP	21.2	21.6	20.7	21.1

As presented in Table 17, the increase in expenses since the 2000-01 Budget is largely due to the effect of programme specific parameter variations and the reclassification of defence weapons platforms. Policy decisions and other variations have also contributed to the increase in expenses.

<sup>1</sup> Unless otherwise stated, all estimates in this Part are on a Government Finance Statistics (GFS) consistent basis.

**Table 17: Reconciliation of general government expenses estimates**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Expenses at 2000-01 Budget</b>	<b>150279</b>	<b>156485</b>	<b>160089</b>	<b>165455</b>
Effect of policy decisions(a)	596	321	254	297
Effect of economic parameter variations				
Unemployment benefits	-96	-129	-141	-145
Prices and wages	1	279	282	296
Interest and exchange rates	97	85	86	86
Public debt interest	-290	-292	-513	-772
Total economic parameter variations	-289	-57	-287	-535
Programme specific parameter variations	1127	725	691	735
Slippage	-8	5	7	2
Other variations	139	-507	1298	1898
<b>Variations in expenses excluding reclassifications</b>	<b>1566</b>	<b>487</b>	<b>1963</b>	<b>2397</b>
Defence weapons platforms reclassification(b)	1023	1172	949	727
<b>Total variations in expenses</b>	<b>2589</b>	<b>1659</b>	<b>2912</b>	<b>3124</b>
<b>Expenses at 2000-01 MYEFO</b>	<b>152869</b>	<b>158144</b>	<b>163001</b>	<b>168579</b>

(a) Excludes the public debt net interest effect of policy decisions.

(b) This variation is matched by an offsetting reduction in net capital investment. It has no effect on the fiscal or underlying cash balances.

Major policy decisions since the 2000-01 Budget include:

- additional expenses of \$36.5 million per annum following an increase in the maximum rate of rent assistance (to a total of 10 per cent of the pre-1 July 2000 maximum rate for social security beneficiaries), further increasing compensation under *The New Tax System*;
- additional expenses of \$37 million in 2000-01 (rising to \$66 million in 2003-04) on the Pharmaceutical Benefits Scheme (PBS) for the listing of Celecoxib, a new anti-arthritis drug;
- additional expenses of \$183 million in 2000-01 and \$141 million in 2001-02 for the Australian Taxation Office to cover the increased cost of administering the GST. This arises largely from a higher than expected number of GST registrations. These expenses are fully offset by equivalent revenue received from the States;
- the provision of \$66 million in 2000-01 and \$17 million in 2001-02 to implement a comprehensive package of assistance for sugar cane growers;
- the provision of up to \$50 million in 2000-01 to the Sydney Organising Committee for the Olympic Games, the Sydney Paralympic Organising Committee, and the Australian Olympic Committee for the payment of GST liabilities on all non-premium Games ticket sales by these organisations; and

- increased expenses of around \$80 million in 2000-01 as a result of the Commonwealth divesting its interest in the Australian Wool Research and Promotion Organisation, and establishing a new commercial wool service company, Australian Wool Services Ltd, from 1 January 2001.

A full list of expense measures since the 2000-01 Budget is provided at Attachment A and are discussed at Appendix A.

Revisions to parameters have increased estimated expenses in all years, primarily due to:

- higher than expected payments (\$550 million in 2000-01) under the Aged Persons Savings and Self Funded Retirees Supplementary Bonuses, mainly due to recipients having higher investment income, increasing the amount of bonus payable;
- an increase in expenses of approximately \$390 million in 2000-01 (reducing to around \$250 million in 2003-04), due to the impact on the 30 per cent rebate of an increased take-up of private health insurance following the introduction of the Government's Lifetime Health Cover;
- higher expenses of around \$130 million in 2000-01 (increasing to around \$240 million in 2003-04), due to expected flow-on effects of increased participation in private health insurance on Medicare expenses. This increase arises because the Commonwealth pays 75 per cent of the Medicare Schedule Fee for privately insured patients;
- increased pension and personal benefit expenses of around \$52 million in 2000-01 (increasing to around \$265 million in 2003-04), reflecting an upward revision to forecast growth in average weekly earnings (MTAWE); and
- increased expenses of around \$149 million in 2000-01 (increasing to around \$220 million in 2003-04), due to an increase in the expected average rate of payment for some social security payments, including the Age Pension, Newstart Allowance and Carer Allowance. This is partially offset by a decrease in expenses of \$80 million in 2000-01 due to lower than anticipated growth in the number of aged pension recipients.

These increases are partially offset by a reduction in expenses of around \$96 million in 2000-01 (increasing to around \$145 million in 2003-04), due to a downward revision in the estimated number of unemployment benefit recipients.

Public debt interest has also reduced expense estimates in 2000-01 by \$290 million, reflecting the better than expected 1999-2000 Budget outcome and the increase in the estimated 2000-01 cash surplus.

Other variations to expense estimates since the 2000-01 Budget include:

- increased superannuation interest expenses of around \$190 million in 2000-01 (rising slightly over the forward estimates), resulting from an actuarial review of the Commonwealth and Public Sector superannuation schemes. The review modified assumptions to increase the level of preserved benefits and the ratio of pensions to lump sum payments on retirement;
- higher expenses of around \$230 million in 2000-01 due to a shift in expenses from 1999-2000. The bulk of the expense (\$133 million) is for a range of annual programmes administered by the Department of Health and Aged Care;
- additional petroleum royalty grant expenses of around \$120 million in 2000-01. These expenses reflect the payment of royalties collected by the Commonwealth and shared with the associated States. These royalties have increased as a result of the recent rise in world crude oil prices; and
- higher expenses of around \$90 million in 2000-01 for the Fuel Sales Grants Scheme reflecting higher than anticipated claims by non-metropolitan and remote fuel retailers and distributors.

The increase in expenses from other variations is partly offset by:

- a reduction in estimated budget balancing assistance grants to the States of \$360 million in 2000-01 and \$1,339 million in 2001-02, following a revision in estimated GST revenue collections in 2000-01. More information on this variation is provided in Box 1 of Part III;
- a reduction in Contingency Reserve expenses estimates to reflect changes in the conservative bias allowance<sup>2</sup> and provision for underspends<sup>3</sup>; and
- reduced expenses of around \$92 million in 2000-01 for the Diesel Fuel Rebate Scheme, reflecting lower than anticipated claims, especially in mining.

Further information on the breakdown of general government expenditure is provided in Tables 18 and 19. Table 18 presents Commonwealth General Government expenses by function, while Table 19 shows Commonwealth general government expenses by economic type.

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<sup>2</sup> The forward estimates include an allowance for the established tendency for spending on existing government policy (particularly demand driven programmes) to be higher than estimated in the forward years. This allowance, known as the conservative bias allowance, is gradually reduced so that the budget year conservative bias allowance is zero.

<sup>3</sup> Each year an allowance for underspends is included in the contingency reserve for the established tendency of departments and agencies to underspend their budgets in the current financial year.



## **Box 2: Reclassification of expenditure on defence weapons platforms**

The Australian Bureau of Statistics (ABS) GFS framework is based on the international statistical standards determined by the International Monetary Fund and United Nations. Under these statistical standards, destructive weapons (such as missiles) are considered to be single-use goods and are not classified as fixed assets. By extension, vehicles and equipment designed to release such weapons are not treated as fixed assets.

Commencing with the 2000-01 edition of the *Government Financial Estimates* publication (Cat. No. 5501.0), the ABS will align the GFS framework with international statistical standards by classifying purchases of defence weapons platforms (for example, ships, tanks, fighter aircraft) as current expenses rather than as investments in fixed assets. Consistent with the *Charter of Budget Honesty Act 1998* the Commonwealth is also now adopting this treatment and the impact on the GFS financial statements is summarised below.

In the *cash flow statement*, the underlying cash balance will remain unchanged. Operating cash payments will increase and cash spent on purchases of non-financial assets will decrease by an equal amount.

In the *operating statement*, the fiscal balance will remain unchanged, but there will be a redistribution between expenses and net capital investment, resulting in a fall in the GFS net operating balance.

Over the forward estimates, current expenses will increase in net terms by approximately \$1 billion each year. The reclassification of purchases from capital to current expenditure is partially offset by a corresponding reduction in depreciation expenses.

Net capital investment (net acquisition of non-financial assets) will decrease by an amount equivalent to the increase in current expenses.

In the *balance sheet*, defence weapons platforms will be removed from assets, resulting in a reduction in net worth of approximately \$30 billion.

The AAS31 financial statements (in Appendix C) will continue to treat defence weapons platforms as assets.

**Table 18: GFS general government expenses by function**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
<b>General public services</b>												
Legislative and executive affairs	480	502	5	551	564	2	450	466	4	440	458	4
Financial and fiscal affairs(a)	6241	3888	-38	6390	3642	-43	6401	3345	-48	6522	3321	-49
Foreign economic aid	2338	2315	-1	2412	2317	-4	2147	2057	-4	2230	2143	-4
General research	1555	1567	1	1559	1577	1	1569	1590	1	1577	1605	2
General services	439	457	4	446	455	2	448	458	2	459	467	2
Government superannuation benefits(b)	1509	1418	-6	1187	739	-38	1298	661	-49	1274	748	-41
<b>Defence(c)</b>	10606	11738	11	10657	11767	10	11075	11877	7	11533	12104	5
<b>Public order and safety</b>	1168	1215	4	1133	1196	6	1112	1193	7	1116	1197	7
<b>Education</b>	10660	10804	1	11086	11115	0	11548	11595	0	12050	12112	1
<b>Health</b>	25035	25485	2	26131	26596	2	27434	28051	2	28800	29390	2
<b>Social security and welfare</b>	65138	66257	2	65981	66959	1	68446	68961	1	70721	71479	1
<b>Housing and community amenities</b>	2050	1942	-5	1958	1982	1	1759	1688	-4	1661	1568	-6
<b>Recreation and culture</b>	1493	1748	17	1356	1473	9	1321	1419	7	1329	1417	7
<b>Fuel and energy(a)</b>	52	2900	5477	38	3187	8287	36	3377	9281	37	3532	9446
<b>Agriculture, fisheries and forestry</b>	1694	2027	20	1729	1731	0	1510	1474	-2	1518	1466	-3
<b>Mining and mineral resources (other than fuels), manufacturing and construction</b>	849	948	12	947	1040	10	753	849	13	684	784	15
<b>Transport and communications</b>	2072	2155	4	2294	2372	3	1939	1991	3	1804	1857	3
<b>Other economic affairs</b>												
Tourism and area promotion	138	129	-7	139	130	-6	124	117	-6	126	119	-6
Labour and employment affairs	3044	2995	-2	3024	2962	-2	3126	3077	-2	3130	3067	-2
Other economic affairs	555	403	-27	548	393	-28	542	387	-29	539	386	-28

**Table 18: GFS general government expenses by function (continued)**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
<b>Other purposes</b>												
Public debt interest	5996	5755	-4	5488	5199	-5	5530	5019	-9	5340	4570	-14
Nominal superannuation interest(b)	3695	3879	5	3706	3896	5	3669	4001	9	3718	3873	4
General purpose inter-govt transactions	3119	2783	-11	5481	4114	-25	3971	4112	4	3453	3613	5
Natural disaster relief	64	64	0	64	64	0	64	64	0	64	64	0
Contingency reserve	274	-551	-301	1960	2455	25	3596	4953	38	5330	7237	36
Asset sales	15	48	220	218	218	0	218	218	0	0	0	0
<b>Total GFS expenses</b>	<b>150279</b>	<b>152869</b>	<b>2</b>	<b>156485</b>	<b>158144</b>	<b>1</b>	<b>160089</b>	<b>163001</b>	<b>2</b>	<b>165455</b>	<b>168579</b>	<b>2</b>

- (a) The Diesel Fuel Rebate Scheme (DFRS) has been reclassified from Financial and Fiscal Affairs in General Public Services, to Fuel and Energy. At the 2000-01 Budget, the DFRS was reclassified from an offset to revenue to an expense. Following this change, the ABS advised that the functional classification should be Fuel and Energy as the DFRS reduces the cost of fuel to the commercial non-transport sector.
- (b) Nominal Superannuation Interest has been reclassified from Government Superannuation Benefits in General Public Services, to Other Purposes (following advice from the ABS) as interest expenses are recorded in Other Purposes.
- (c) The change in the GFS classification of defence weapons platforms (as described in Box 2) is primarily responsible for the increase in the Defence function expenses since the 2000-01 Budget.

**Table 19: Changes to general government expenses by economic type since the 2000-01 Budget**

	2000-01 \$m		2001-02 \$m		2002-03 \$m		2003-04 \$m	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
<b>GFS expenses</b>								
Gross operating expenses								
Depreciation	2823	1392	3160	1374	3475	1437	3654	1501
Superannuation	1476	1443	1263	1217	1289	1185	1282	1117
Other operating expenses	42225	44342	42620	46187	43417	47283	44701	49001
<b>Total gross operating expenses</b>	<b>46523</b>	<b>47177</b>	<b>47043</b>	<b>48778</b>	<b>48181</b>	<b>49905</b>	<b>49637</b>	<b>51619</b>
Other expenses								
Nominal superannuation interest expense	3695	3879	3706	3896	3669	4001	3718	3873
Other interest expenses	6332	6074	5780	5496	5820	5317	5623	4869
Other property expenses	0	0	0	0	0	0	0	0
<b>Total other expenses</b>	<b>10027</b>	<b>9953</b>	<b>9486</b>	<b>9391</b>	<b>9489</b>	<b>9318</b>	<b>9341</b>	<b>8742</b>
Current transfers								
Grant expenses	29713	31936	33422	34314	31836	34248	32056	34593
Subsidy expenses	7000	3813	7614	4237	8001	4389	8247	4481
Other current transfers	56815	59790	58720	61223	62383	64941	65974	68946
<b>Total current transfers</b>	<b>93528</b>	<b>95539</b>	<b>99755</b>	<b>99774</b>	<b>102220</b>	<b>103578</b>	<b>106277</b>	<b>108019</b>
Capital transfers	200	200	200	200	200	200	200	200
<b>Total GFS expenses</b>	<b>150279</b>	<b>152869</b>	<b>156485</b>	<b>158144</b>	<b>160089</b>	<b>163001</b>	<b>165455</b>	<b>168579</b>

## CAPITAL

Excluding the reclassification of defence weapons platforms (described in Box 2), estimated net capital investment has fallen by \$383 million in 2000-01 and \$187 million in 2001-02.

Table 20 provides a reconciliation of the MYEFO net capital investment estimates with those at the 2000-01 Budget, showing the effect of policy decisions and parameter and other variations. A full list of capital measures is at Attachment B.

**Table 20: Reconciliation of general government net capital investment estimates<sup>(a)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>GFS net capital investment at 2000-01 Budget</b>	<b>-2240</b>	<b>1013</b>	<b>574</b>	<b>1125</b>
Effect of policy decisions	1	6	0	0
Effect of economic parameter and other variations	-384	-192	95	-78
<i>Variations in net capital investment excl. reclassifications</i>	<b>-383</b>	<b>-187</b>	<b>95</b>	<b>-78</b>
Defence weapons platforms reclassification(b)	-1023	-1172	-949	-727
<i>Total variations in net capital investment</i>	<b>-1406</b>	<b>-1359</b>	<b>-854</b>	<b>-805</b>
<b>GFS net capital investment at MYEFO</b>	<b>-3646</b>	<b>-346</b>	<b>-280</b>	<b>320</b>

- (a) Net capital investment is defined as the net acquisition of non-financial assets. Capital policy decisions as shown above do not include capital measures that fall outside this definition, for example, equity injections to reduce an agency's balance sheet liabilities.
- (b) This variation is matched by an offsetting increase in expenses. It has no effect on the fiscal or underlying cash balances.

New capital decisions since Budget include the provision of around \$5 million over two years to support the construction of Reconciliation Place and related initiatives in the Parliamentary Zone in Canberra. Other revisions to the Budget estimates of net capital investment include:

- higher than anticipated proceeds from the sale of FM radio licenses in the Sydney area<sup>4</sup>;

<sup>4</sup> In the calculation of net capital investment, proceeds from the sale of non-financial assets are subtracted from purchases of non-financial assets. Consequently, an increase in the proceeds from the sale of non-financial assets reduces net capital investment and increases the fiscal balance.

- higher than expected depreciation (around \$200m in 2000-01)<sup>5</sup>; and
- a change in the capital conservative bias allowance<sup>6</sup>.

## **CONTINGENCY RESERVE**

The Contingency Reserve is the means of ensuring that the aggregate estimates are robust and based on the best information available at the time of publication. The Contingency Reserve includes the following:

- an allowance for the tendency for expense estimates of existing government policy to be revised upwards in the forward years;
- an allowance for the tendency for estimates of some expenses to be overstated in the budget year;
- commercial-in-confidence and national security-in-confidence items which cannot be disclosed separately;
- decisions made too late for inclusion against individual agency estimates; and
- the effect of economic parameter revisions on the budget and forward estimates received late in the process and hence not able to be allocated to individual agencies.

The Contingency Reserve also includes a provision for possible future funding increases for the Defence portfolio, pending the outcome of the Government's final consideration of the forthcoming Defence White Paper.

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5 In the calculation of net capital investment, depreciation is subtracted from purchases of non-financial assets. Consequently, an increase in depreciation reduces net capital investment. However, higher than expected depreciation is also reflected in higher expenses such that changes in depreciation have no net effect on fiscal balance.

6 An adjustment is made in the contingency reserve to reflect the conservative bias in agencies' net capital investment.

**EXPENSE MEASURES SINCE THE 2000-01 BUDGET****Table 21: Expense measures since the 2000-01 Budget**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
Creation of a single pork industry company	8.7	-	-	-
Exceptional Circumstances assistance for farmers in Tasmania - Central Highlands	1.1	1.0	-	-
Exceptional Circumstances assistance in Monaro B and C, and East Gippsland	-	-	-	-
Forest and Wood Products Industry Action Agenda	-	-	-	-
Inland Marketing Corporation	-	-	-	-
National Action Plan for dryland salinity and water quality(a)	5.0	65.0	150.0	190.0
Sugar Industry Assistance Package	27.0	17.0	-	-
West 2000 Plus	-	-	-	-
Wool Industry - Changes in wool levy arrangements	-1.8	-32.2	-33.0	-32.1
Wool Industry - Establishment of Australian Wool Services Ltd	80.2	-	-	-
<b>Portfolio total</b>	<b>120.2</b>	<b>50.8</b>	<b>117.0</b>	<b>157.9</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Attorney-General's Department</i>				
Protective security for Diplomatic and Consular missions	8.5	-	-	-
<i>Australian Customs Service</i>				
Storage of imported handguns prior to sale	0.4	0.4	0.4	0.4
<i>Department of the House of Representatives</i>				
Citizenship Visits Programme	0.1	-	-	-
<i>Department of the Senate</i>				
Citizenship Visits Programme	0.1	-	-	-
<i>High Court of Australia</i>				
Additional funding for the High Court	0.2	0.1	0.1	0.1
<i>National Native Title Tribunal</i>				
Increased National Native Title Tribunal workload in the Northern Territory and Queensland	3.7	-	-	-
<b>Portfolio total</b>	<b>12.9</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

**Table 21: Expense measures since the 2000-01 Budget (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Broadcasting Corporation</i>				
Strengthening Radio Australia's shortwave and Internet services to the Asia-Pacific region	1.9	2.8	2.9	0.2
<i>Australian Communications Authority</i>				
Advice and promotion of the third generation mobile phone and datacasting spectrum auctions	3.8	-	-	-
<i>Department of Communications, Information Technology and the Arts</i>				
Additional funding for the Centre for Quantum Computer Technology	-	-	-	-
St John's Cathedral Completion Fund	2.0	-	-	-
<b>Portfolio total</b>	<b>7.7</b>	<b>2.8</b>	<b>2.9</b>	<b>0.2</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
Acquisition of the Australian Submarine Corporation Pty Limited	-	-	-	-
Additional funding for the Centre for Quantum Computer Technology	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EDUCATION, TRAINING AND YOUTH AFFAIRS</b>				
<i>Department of Education, Training and Youth Affairs</i>				
Additional funding for the Centre for Quantum Computer Technology	-	-	-	-
Education Services for Overseas Students Assurance Fund	-	-	-	-
Eligibility of distance education students at non-government schools for General Recurrent Grant Funding	-	-	-	-
Establishment grants for new non-government schools	0.9	1.4	1.5	1.6
Funding for students with disabilities attending non-government schools	3.9	4.1	4.3	4.6
<b>Portfolio total</b>	<b>4.8</b>	<b>5.5</b>	<b>5.8</b>	<b>6.2</b>
<b>EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS</b>				
<i>Department of Employment, Workplace Relations and Small Business</i>				
Regional Solutions Programme	-5.0	-10.0	-12.0	-
<b>Portfolio total</b>	<b>-5.0</b>	<b>-10.0</b>	<b>-12.0</b>	<b>-</b>



**Table 21: Expense measures since the 2000-01 Budget (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>FAMILY AND COMMUNITY SERVICES</b>				
<i>Department of Family and Community Services</i>				
A ceiling on the rate of Australian pension paid under International Social Security Agreements	0.1	-0.3	-0.4	-0.4
Administration of Aged Persons Savings Bonus 'Top-Up'	-	-	-	-
Ex Gratia payments and savings provision for Department of Veterans' Affairs pensioners receiving Family Tax Benefit A and Child Care Benefit	0.5	0.5	0.5	0.5
Exceptional Circumstances assistance for farmers in Tasmania - Central Highlands	0.1	0.1	-	-
Exceptional Circumstances assistance in Monaro B and C, and East Gippsland	-	-	-	-
Increase the maximum rate of Rent Assistance to 10% Social Security Agreement with Germany	36.5	33.5	34.0	34.7
	-	0.4	1.4	0.3
<b>Portfolio total</b>	<b>37.1</b>	<b>34.1</b>	<b>35.5</b>	<b>35.1</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Department of Finance and Administration</i>				
Commonwealth Property Strategic Alliance	-	-	-	-
Contribution to Childers Memorial Fund	0.1	-	-	-
Sugar Industry Assistance Package	38.8	0.1	-	-
<i>Office of Asset Sales and Information Technology Outsourcing</i>				
Australian Submarine Corporation Pty Ltd - acquisition, restructuring and sale	13.5	-	-	-
Extension of Information Technology Outsourcing Initiative	4.6	-	-	-
Sale costs - Divestment of Commonwealth interest in Australian Technology Group Limited	0.9	-	-	-
Sale costs - Essendon Airport Limited	2.8	-	-	-
Wool Industry - Establishment of Australian Wool Services Ltd	1.4	-	-	-
<b>Portfolio total</b>	<b>62.0</b>	<b>0.1</b>	<b>-</b>	<b>-</b>
<b>FOREIGN AFFAIRS AND TRADE</b>				
<i>Australian Agency for International Development</i>				
Increase the contribution to the United Nations Relief and Works Agency	1.0	1.0	1.0	1.0
<i>Department of Foreign Affairs and Trade</i>				
Continuation of Export Market Development Grants scheme	-	-	nfp	nfp
Solomon Islands - International peace monitoring team	2.8	-	-	-
<b>Portfolio total</b>	<b>3.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

**Table 21: Expense measures since the 2000-01 Budget (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>HEALTH AND AGED CARE</b>				
<i>Department of Health and Aged Care</i>				
Establishment of the Office of the Commissioner for Complaints	-	-	-	-
Exceptional Circumstances assistance for farmers in Tasmania - Central Highlands	..	..	-	-
Exceptional Circumstances assistance in Monaro B and C, and East Gippsland	-	-	-	-
Increased Medicare Rebate for Other Medical Practitioners	3.8	8.5	9.3	9.9
Introduction of parity pricing in the hearing services programme	8.4	8.5	8.9	8.9
List celecoxib on the Pharmaceutical Benefits Scheme	36.8	49.6	63.0	65.5
Measles, mumps and rubella vaccine for young adults	19.8	-	-	-
Modified clawback arrangements under the Australian Health Care Agreements	-	-	-	-
New Community Pharmacy Agreement	9.9	-3.0	-3.3	-12.3
Prevention of Q Fever in meat and agricultural workers	1.1	3.0	0.5	-
Research Bio 21	-	-	-	-
Subsidy of medical foods	-	2.7	2.7	2.8
<b>Portfolio total</b>	<b>79.8</b>	<b>69.3</b>	<b>81.0</b>	<b>74.9</b>
<b>INDUSTRY, SCIENCE AND RESOURCES</b>				
<i>Australian Sports Drug Agency</i>				
Tough on drugs in sport - blood tests as part of our anti-doping programme	1.0	-	-	-
<i>Department of Industry, Science and Resources</i>				
Additional funding for the Centre for Quantum Computer Technology	-	-	-	-
Assistance for the Sydney Paralympic Organising Committee	10.0	-	-	-
Commonwealth Contribution to Olympic Aid	1.5	-	-	-
Investment incentive for IBM Australia	3.2	-	-	-
Olympic and Paralympic Games GST liability payments	50.0	-	-	-
Paralympic Games entry fees	-	-	-	-
Payment of gas royalty commitment to Western Australia	-16.5	-18.5	-21.3	-21.6
Reduction in funding for the Textiles, Clothing and Footwear Strategic Investment Programme	-1.0	-	-	-
School children attending the Paralympic Games	0.2	-	-	-
<b>Portfolio total</b>	<b>48.4</b>	<b>-18.5</b>	<b>-21.3</b>	<b>-21.6</b>

**Table 21: Expense measures since the 2000-01 Budget (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Inland Marketing Corporation	-	-	-	-
Regional Solutions Programme	15.0	25.0	25.0	25.1
Special Structural Adjustment Package for the South West forests region of Western Australia	5.0	-	-	-
<b>Portfolio total</b>	<b>20.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.1</b>
<b>TREASURY</b>				
<i>Australian Securities and Investments Commission</i>				
Superannuation Complaints Tribunal	1.0	-	-	-
<i>Australian Taxation Office</i>				
Additional fuels sales grants in remote areas	5.0	5.0	5.0	5.0
Additional funding for the ATO to cover the increased cost of administering the GST	183.0	141.0	-	-
Extension of Diesel and Alternative Fuels Grants Scheme	17.0	17.3	17.7	18.0
<i>Department of the Treasury</i>				
Inquiry into charitable and related organisations	0.3	-	-	-
<b>Portfolio total</b>	<b>206.3</b>	<b>163.3</b>	<b>22.7</b>	<b>23.0</b>
<b>VETERANS' AFFAIRS</b>				
<i>Department of Veterans' Affairs</i>				
New Community Pharmacy Agreement	-1.8	-2.9	-4.1	-5.2
<b>Portfolio total</b>	<b>-1.8</b>	<b>-2.9</b>	<b>-4.1</b>	<b>-5.2</b>
<b>Total expense measures</b>	<b>596.1</b>	<b>321.1</b>	<b>254.1</b>	<b>297.1</b>

(a) All funding for this measure, including funding for the Environment and Heritage portfolio, is listed under the Agriculture, Fisheries and Forestry portfolio.

## CAPITAL MEASURES SINCE THE 2000-01 BUDGET

**Table 22: Capital measures since the 2000-01 Budget**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>ATTORNEY-GENERAL'S</b>				
<i>High Court of Australia</i>				
Additional funding for the High Court	0.6	-	-	-
<b>Portfolio total</b>	<b>0.6</b>	-	-	-
<b>DEFENCE</b>				
<i>Defence Housing Authority</i>				
Loan to the Defence Housing Authority	-	-	-	-
<b>Portfolio total</b>	-	-	-	-
<b>FINANCE AND ADMINISTRATION</b>				
<i>Office of Asset Sales and Information Technology</i>				
<i>Outsourcing</i>				
Sale of shares in Essendon Airport Limited	-	-	-	-
<b>Portfolio total</b>	-	-	-	-
<b>INDUSTRY, SCIENCE AND RESOURCES</b>				
<i>Department of Industry, Science and Resources</i>				
Divestment of Commonwealth interest in Australian Technology Group Limited	-	-	-	-
<b>Portfolio total</b>	-	-	-	-
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>National Capital Authority</i>				
National Emergency Services Memorial	0.1	0.9	-	-
Reconciliation Place	0.3	4.8	-	-
<b>Portfolio total</b>	<b>0.4</b>	<b>5.7</b>	-	-
<b>Total capital measures</b>	<b>0.9</b>	<b>5.7</b>	-	-

## Appendix A: Policy Decisions taken since the 2000-01 Budget

### REVENUE

#### Agriculture, Fisheries and Forestry

##### *Wool Industry — Changes in wool levy arrangements*

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-1.8	-32.2	-33.0	-32.1

##### *Explanation*

The Government is reducing the wool tax rate from 4 per cent to 2 per cent in response to the outcome of Woolpoll 2000. The wool tax is a levy charged to fund the marketing, promotion and research activities of the Australian Wool Research and Promotion Organisation.

An interim tax rate of 3 per cent from 1 July 2000 for around twelve months is in place to fund the replacement of the Australian Wool Research and Promotion Organisation with a new company, Australian Wool Services (AWS) Ltd.

Revenue raised from the wool tax is distributed by the Department of Agriculture, Fisheries and Forestry to the Australian Wool Research and Promotion Organisation. After 1 January 2001, funds will be distributed to AWS Ltd.

##### *Further information*

See also the related expense measures titled *Wool Industry — Changes in wool levy arrangements* and *Wool Industry — Establishment of Australian Wool Services Ltd* in the Agriculture, Fisheries and Forestry portfolio.

## Attorney-General's

### ***Extension of the Import Credit Scheme***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Customs Service:	-1.0	-	-	-

#### *Explanation*

The Government has extended the Import Credit Scheme (ICS) to Fiji for three months, to 30 September 2000. The revenue foregone from the ICS extension will be met from a reduction in funding for the Textile, Clothing and Footwear Strategic Investment Programme.

#### *Further information*

The ICS was introduced in 1991 as a restructuring mechanism for the Australian textiles, clothing and footwear (TCF) industries. Eligible TCF exporters earned import credits on the value of their exports which could be used to offset duty payments on their imports of other TCF goods. Credits could also be traded. The ICS terminated on 30 June 2000.

See also the related expense measure titled *Reduction in funding for the Textiles, Clothing and Footwear Strategic Investment Programme* in the Industry, Science and Resources portfolio.

## Treasury

### ***Income tax***

#### ***Amendment to transitional measures for the merging of share premium and share capital accounts***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

#### *Explanation*

On 15 September 2000 the Assistant Treasurer announced amendments to the transitional taxation measures contained in *Company Laws Amendment (Company Law Review) Act 1998* (the Act) concerning the merger of share premium and share capital accounts as an exception to the tainting rules.

The Act amended the tax laws as a result of changes to the Corporations Law made by the *Company Law Review Act 1998* which abolished the concept of par value for shares and required affected companies to merge their share premium and share capital accounts. The Act also introduced tainting rules to prevent companies transferring profits and other amounts to their share capital accounts and distributing these profits as preferentially taxed share capital.

As an exception to the tainting rules, a transitional measure allows companies to merge their share premium accounts and share capital accounts. The amendment will ensure that the transitional measure applies to all resident companies and not just companies incorporated under the Corporations Law. The amendments will clarify the original intent of the law.

The amendments will apply from 1 July 1998, the time the Act first applied.

*Further information*

Further information can be found in the Assistant Treasurer's Press Release No. 47 of 15 September 2000.

***Amendments to Pay As You Go Instalments for certain beneficiaries of trusts***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	60.0	5.0	5.0	5.0

*Explanation*

The Government decided to amend the Pay As You Go (PAYG) Instalments arrangement in order to reduce compliance costs for widely held investment vehicles. The amendments will also allow beneficiaries of those vehicles to calculate their quarterly PAYG instalments based on distributions actually received from the investment vehicle during the quarter rather than accrued entitlements. The measure applies for the 2000-01 and later income years.

*Further information*

PAYG Instalments arrangements were announced in *A New Tax System*.

For Further information see the Taxation Laws Amendment Bill (No. 7) 2000.

### ***Change in the status of constitutionally protected superannuation funds***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	nfp	nfp	nfp	nfp

#### *Explanation*

On 16 June 2000, the Assistant Treasurer announced that the Government would introduce amendments to the taxation law to facilitate a change in the status of constitutionally protected superannuation funds. The amendments allow the assessable income of constitutionally protected superannuation funds that become taxed superannuation funds to include the amount that would be assessable if member benefits were rolled-over from an untaxed source to a taxed source.

The amendments, which will apply from 1 July 2000, will assist the restructure of the State public sector superannuation funds that are currently exempt from tax and allow them to operate as taxable superannuation funds.

#### *Further information*

For Further information see the Assistant Treasurer's Press Release No. 27 of 16 June 2000.

### ***Changes to the Simplified Tax System***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	2.0	-2.0	-1.0

#### *Explanation*

On 26 October 2000, following extensive consultation with small business groups, the Government announced changes to the Simplified Tax System (STS), which will commence from 1 July 2001. The changes include:

- relaxing the grouping rules;
- allowing a year of abnormally high turnover to be disregarded when determining a taxpayer's eligibility (by calculating a 3-year average turnover);
- pooling most long life assets, except buildings, which allows participants to choose whether or not to pool any asset acquired before 1 July 2001; and
- allowing STS taxpayers to gradually recognise changes in the value of trading stock.



*Further information*

Further information concerning the STS can be found in the Treasurer's Press Releases, No. 58 of 21 September 1999 and No. 101 of 26 October 2000.

***Deductibility of certain gifts***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

*Explanation*

The Government has announced that donations and gifts of \$2 or more to the following organisations have been made tax deductible:

- the Mount Macedon Memorial Cross Restoration, Development and Maintenance Trust Fund, from 1 July 2000 to 30 June 2001;
- the RSL and 6<sup>th</sup> Division Australian-Hellenic Educational Memorial Fund, from 14 June 2000 to 13 June 2002;
- the International Needs Overseas Assistance and Development Fund, from 1 July 2000;
- the Australian Volunteers International Donations Account (this fund was previously called the Overseas Service Bureau Donations Account), from 1 July 2000;
- the Orthopaedic Outreach Fund (this fund was previously called the Fiji Orthopaedic Training Programme Fund), from 1 July 2000;
- the Southcare Helicopter Fund, from 12 September 2000; and
- the Returned and Services League Foundation, from 21 September 2000.

The following organisations have been approved by the Government for gift deductibility status, subject to meeting the public fund requirements:

- the Royal Australian Air Force (RAAF) Memorial Trust Fund;
- the Dymocks Literacy Foundation;
- the Sir Earl Page Memorial Trust;
- the Australian Nuffield Farming Scholars' Association; and
- the Australian Chinese Ex-Services National War Memorial Fund.

In addition, since the 2000-01 Budget there has been:

- 1 admission to the Register for Cultural Organisations; and
- 5 admissions to the Register for Environmental Organisations and 2 deletions.

### ***Double taxation agreements***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Treasury:	*	*	*	*

#### *Explanation*

On 7 September 2000, Australia and the Russian Federation agreed to a double taxation agreement (DTA) that will prevent double taxation by allocating taxing rights between Australia and Russia in respect of all forms of income flows between the two countries. The new agreement will enter into force only after the Australian and Russian Governments have exchanged notes advising each other that the last of the necessary constitutional processes to give the agreement the force of law in both countries has been completed.

Amendments to the existing DTAs between Australia and Finland and Australia and Malaysia entered into force on 17 August 2000. A significant benefit of the Finnish protocol is the updating of the dividends article to reflect the dividend imputation systems of both countries. The Malaysian protocol clarifies the taxation position of fees for technical services and certain other categories of income. It also provides new tax sparing arrangements in relation to certain designated Malaysian development incentives.

#### *Further information*

Additional information is available in press releases from the Assistant Treasurer, No. 44 of 7 September 2000 for the Russian DTA, and Nos. 41 and 42 of 17 August 2000 for the Malaysian and Finnish DTAs respectively.

### ***Eligibility for immediate deductibility for GST-related expenditure***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

#### *Explanation*

On 23 May 2000 the Treasurer announced an extension of the eligibility for immediate deductibility for GST-related expenditure to cases where equipment has been ordered

and paid for before 1 July 2000, provided the equipment is installed by 30 June 2001. Previously, eligibility for immediate deductibility for GST-related expenditure depended on the equipment being installed and ready for use by 30 June 2000.

This measure responds to concerns expressed by some businesses that delays in supplying equipment may limit the availability of the concession. Consequently, it does not add to the previously announced budgetary cost.

*Further information*

For additional information see the Treasurer's Press Release No. 40 of 23 May 2000.

**Entity taxation**

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	10.0	-60.0	-25.0

*Explanation*

The Government has released exposure draft legislation to implement its policy of introducing greater consistency in the taxation of entities, while minimising restructuring and compliance costs.

Under this approach, non-fixed trusts will be taxed like companies. Broadly, companies, fixed trusts, limited partnerships and co-operatives will retain their current tax treatment. This approach removes the requirement for the design and introduction of a collective investment regime.

In relation to fixed trusts, under PAYG, many individuals will pay in arrears at the end of the year, meaning revenue originally forecast in 2002-03 will move to the following year. This is a timing change that does not affect overall receipts.

*Further information*

Further details may be found in the Treasurer's Press Releases No. 58 of 21 September 1999, No. 74 of 11 November 1999 and No. 95 of 11 October 2000.

**Exemption for artists from the non-commercial losses measures**

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-7.0	-7.0	-3.0

*Explanation*

Consistent with the treatment for primary producers, artists will be able to offset their business losses against other income (such as wages and salary) without having to meet one of the additional criteria in the law, where that other income is less than \$40,000 (excluding net capital gains).

*Further information*

Further details on the non-commercial losses measure can be found in the Treasurer's Press Release No. 74 of 11 November 1999 and in the 2000-01 *Budget Paper No. 2*.

The measure commenced on 1 July 2000.

***Income tax exemption for local government businesses***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

*Explanation*

On 19 June 2000, the Treasurer announced that the Government will provide an income tax exemption from 1 July 2000 for local government businesses which are corporatised. The exemption will remove an obstacle to local government businesses being corporatised and thereby improve their efficiency and service delivery.

There is no budgetary cost since uncorporatised local government businesses are not separate from local governments themselves and, therefore, come within the general local government income tax exemption.

*Further information*

For Further information see the Treasurer's Press Release No. 52 of 19 June 2000.

***Medicare levy surcharge — treatment of high front end deductibles***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

*Explanation*

On 24 May 2000, the Minister for Health and Aged Care announced that, from 25 May 2000, high income earners with private health insurance with a high annual front end deductible amount (also known as an excess) will no longer be exempt from

paying the Medicare levy surcharge. High income earners are those with annual taxable incomes in excess of \$50,000 for singles and \$100,000 for all other family types, adjusted for dependent children. High front end deductible amounts are those greater than \$500 for a single member or \$1,000 for a family/couple. High income earners with high front end deductible products purchased before 25 May 2000 will not be required to pay the Medicare levy surcharge.

*Further information*

Further information is available in the Minister for Health and Aged Care's Press Release No. 45 of 24 May 2000 and in the *Taxation Laws Amendment Act (No. 6) 2000*.

***No Australian Business Number withholding on input taxed supplies***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

*Explanation*

The Treasurer announced on 9 June 2000 the removal of the 'no Australian Business Number (ABN) withholding requirement' when a supply is an input taxed supply for GST purposes. Under the no ABN withholding requirement, an enterprise must withhold tax from a payment it makes for a supply at the highest marginal rate, if the supplying enterprise does not quote an ABN.

Input taxed supplies (financial services, and rent and sales of residential property) generally do not involve income flows between enterprises. Examples are deposit, withdrawal and loan transactions involving a financial institution. The application of the no ABN withholding requirement would be inappropriate and impractical, and impose unnecessary costs on these businesses. It would also make little if any contribution to the objective of the no ABN withholding system, which is to improve compliance with the income tax system.

*Further information*

The measure took effect on 1 July 2000.

For further information see the Treasurer's Press Release No. 48 of 9 June 2000.

***Removal of capital gains tax changes for life insurers and superannuation funds***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-30.0	-60.0	-70.0	-90.0

*Explanation*

The broadening of the tax base of life insurers, as proposed in *A New Tax System*, was intended to promote the consistent tax treatment of the various businesses of life insurers as compared to other entities. In addition, the current pension business of superannuation funds was to be broadly taxed consistent with life insurers.

While the majority of life insurance reforms commenced operation on 1 July 2000, certain reforms to the taxation of the current pension and immediate annuity businesses of superannuation funds and life insurers did not proceed. A measure designed to remove a capital gains tax anomaly relating to the current pension and immediate annuity businesses of life insurers and superannuation funds was rejected by the Senate.

The revenue impact identified above represents the costs of the Senate rejection of this measure.

*Further information*

Further details may be found in amendments to the New Business Tax System (Miscellaneous) Bill (No. 2) 2000.

***Rollover relief for merger of companies under Part 9 of the Life Insurance Act 1995***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

*Explanation*

On 12 October 2000 the Minister for Financial Services and Regulation announced the removal of unintended taxing effects created by life insurance taxation reforms legislated in June 2000. The unintended taxing effects occurred upon the transfer of assets and liabilities in the merger of Australian resident life insurance companies and will be removed by providing capital gains tax rollover relief and loss integrity arrangements for the taxation of such transfers. Further amendments will also allow life insurance companies to effectively net off risk policy liability positions during those 'Part 9' transfers.

*Further information*

Further details may be found in the Minister for Financial Services and Regulation's Press Release No. 68 of 12 October 2000.

***Taxation aspects of the restructure of the Australian Wool Research and Promotion Organisation***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

*Explanation*

This measure supports the Government's restructure of the Australian Wool Research and Promotion Organisation (AWRAP), by providing relief from income tax and capital gains tax liabilities that would otherwise arise during the restructure. This relief will apply for two years after the commencement of the restructure.

*Further information*

The nature of the AWRAP restructure is such that, under the current tax law, it would generate some inappropriate taxation consequences. This measure ensures that appropriate taxation treatment is provided for the restructure.

Further details may be found in the Minister for Agriculture, Fisheries and Forestry's Press Release No. 155 of 8 August 2000 and the Wool Services Privatisation Bill 2000.

***Tax benefits for organisations promoting prevention or control of disease or illness in people***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

*Explanation*

On 22 June 2000, the Government announced that it will legislate to ensure that organisations whose main activity is promoting the prevention or control of disease or illness in people can continue to access exemptions from fringe benefits tax and continue to be able to accept tax deductible gifts. In addition, these organisations will continue to be income tax exempt.

Without legislative amendment, these organisations would lose access to these important tax benefits.

*Further information*

For Further information see the Treasurer's Press Release No. 55 of 22 June 2000.

## **Indirect tax**

### **Excise concession for micro-breweries**

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-0.3	-0.3	-0.3	-0.3

#### *Explanation*

On 28 June 2000, the Government announced that an excise concession would be introduced to preserve the competitive position of small brewers.

#### *Further information*

Under the previous taxation system, small breweries paid beer excise regardless of the size of their production, but did not pay wholesale sales tax (WST) if the WST payable would have been less than \$10,000 per annum.

On 1 July 2000, beer excise rates were increased to allow for the abolition of the WST. The excise concession to micro-breweries ensures that micro-breweries are not disadvantaged by the removal of their WST-exempt status.

Further information can be found in the Assistant Treasurer's Press Release No. 32 of 28 June 2000.

### **Petrol and diesel excise reduction — increase in reduction to 6.7 cents per litre**

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-98.0	-100.0	-102.0	-105.0

#### *Explanation*

On 22 June 2000, the Government announced a reduction in the petrol and diesel excise rates so that the pump price of these commodities need not rise with the introduction of the GST. The Government increased the excise reduction to 6.7 cents per litre (cpl) so that on a fuel price of 90 cpl (which was around 5 cpl higher than Australia's average metropolitan fuel price in the months leading up to 1 July 2000), together with the reduction from the abolition of the wholesale sales tax, prices need not rise under *The New Tax System*.

#### *Further information*

Further information can be found in the Treasurer's Press Release No. 59 of 22 June 2000.



***Removing campervans, motor homes and commercial vehicles from luxury car tax***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-5.0	-5.0	-5.0	-5.0

*Explanation*

The Assistant Treasurer announced on 22 June 2000 that motor homes and campervans would not be subject to the luxury car tax (LCT). The announcement also clarified the treatment of commercial vehicles to ensure that non-passenger commercial vehicles would not be subject to the LCT.

To maintain consistency, this measure ensures that the limit on GST input tax credits that applies to vehicles over the luxury car tax threshold does not apply to motor homes and campervans or commercial vehicles that are not principally designed to carry passengers.

This measure took effect from 1 July 2000.

*Further information*

For further information see the Assistant Treasurer's Press Release No.30 of 22 June 2000.

***Removing the excise-free status of methanol blended with petrol***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

*Explanation*

On 28 July 2000, the Government announced that excise would be payable on the full volume of methanol blended with petrol. The Government was concerned that the previous excise-free status of blended methanol was providing an incentive for practices that have a detrimental impact on fuel quality.

*Further information*

The Australian Taxation Office consulted with both industry and relevant government agencies in developing its recommendations regarding the use of blended methanol. The legislation that allowed blending of methanol without payment of excise duty was revoked from midnight on 28 July 2000.

Further information can be found in the Assistant Treasurer's Press Release No. 38 of 28 July 2000.

### ***Fringe benefits tax***

#### ***Converting rebates to a fringe benefits tax exemption for non-profit hospitals***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-15.0	-15.0	-15.0	-15.0

#### *Explanation*

The *A New Tax System (Fringe Benefits) Act 2000* contains amendments to provide consistent fringe benefits tax (FBT) treatment between public and non-profit hospitals. Specifically, the amendments replaced the rebate previously available to some hospitals under section 65J of the *Fringe Benefits Tax Assessment Act (FBTAA) 1986* with an FBT exemption under section 57A of the FBTAA 1986.

The change will mean that the FBT treatment of those hospitals which were previously entitled to the section 65J rebate will be more generous than it otherwise would have been.

#### ***Fringe benefits reporting — exclusion for emergency vehicles***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

#### *Explanation*

The *Fringe Benefits Tax Amendment Regulations 2000 (No. 4)* were gazetted on 5 September 2000. The regulations amend the *Fringe Benefits Tax Regulations 1992* to exclude travel between home and work in a marked emergency vehicle from having to be reported on an employee's group certificate. The emergency vehicle must be used by an ambulance, a firefighting or police service and be visibly marked for that use. It also must be fitted with flashing warning lights and sirens. The exclusion applies to group certificates issued for the year of income ended 30 June 2000 and later years.

### ***Fringe benefits tax exemption for police housing in regional areas***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

#### *Explanation*

From 1 July 2000 housing benefits provided by police services in rural and regional areas will be exempt from FBT. Housing benefits qualify for the exemption where the housing is situated at least 100 kilometres from a population centre of 130,000 or more persons.

The benefit does not have to be reported on employee group certificates for the 1999-2000 income year, as regulation was made to exclude the benefit from the fringe benefits reporting requirement for that income year. The exclusion was contained in the *Fringe Benefits Tax Amendment Regulations 2000 (No. 2)* which were gazetted on 22 June 2000.

#### *Further information*

Further information is available in the *A New Tax System (Fringe Benefits) Act 2000*.

### ***Fringe benefits tax exemption for free travel on public transport by police officers***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-5.0	-5.0	-5.0	-5.0

#### *Explanation*

The Government has decided to provide a FBT exemption in respect of free travel by police officers to and from duty on public transport. Once legislated, the exemption will take effect from the FBT year commenced 1 April 2000.

The exemption recognises that police officers travelling to and from work on public transport provide a public safety benefit by acting as a deterrent to criminal and anti-social behaviour.

## ***Non-tax revenue***

### ***Additional payments from the States and Territories for GST administration***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of the Treasury:	183.0	141.0	-	-

#### *Explanation*

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the Agreement), the States and Territories pay the Commonwealth the agreed costs incurred by the Australian Taxation Office (ATO) in administering the GST.

This measure reflects the expected increase in payments from the States and Territories which will result from the ATO incurring increased administrative costs, largely as a result of a significant increase in GST requirements compared to original estimates. State and Territory agreement to the increase is presently being sought.

#### *Further information*

See also the related expense measure titled *Additional funding for the ATO to cover the increased cost of administering the GST* in the Treasury portfolio.

### ***Superannuation Complaints Tribunal***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Securities and Investments Commission:	1.0	-	-	-

#### *Explanation*

The maximum levy payable under the Superannuation Supervisory Levy Imposition Determination 2000 has been increased to fund the reduction of the Superannuation Complaints Tribunal's current backlog of cases. The backlog is the result of the High Court's decision in June 1999 to restore the Tribunal's review powers which were ruled constitutionally invalid by the Full Federal Court in February 1998.

#### *Further information*

See also the related expense measure titled *Superannuation Complaints Tribunal* in the Treasury portfolio.

## EXPENSES

### Agriculture, Fisheries and Forestry

#### *Creation of a single pork industry company*

##### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	8.7	-	-	-

##### *Explanation*

The Government has decided to establish a new pork industry marketing, and research and development service delivery company limited by guarantee. This single company under the Corporations Law will replace two existing statutory authorities, the *Australian Pork Corporation* and the *Pig Research and Development Corporation*.

The establishment of a single corporation, operating under a purchaser-provider model of service delivery, will provide efficiencies to the industry. It will improve the integration of policy, planning and service delivery functions, creating a flexible structure to underpin a globally competitive pork industry.

The creation of the company outside the General Government Sector involves the Commonwealth divesting its \$8.7 million interest in two existing statutory authorities.

#### ***Exceptional Circumstances assistance for farmers in Tasmania – Central Highlands***

##### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	1.1	1.0	-	-
Department of Family and Community Services:	0.1	0.1	-	-
Department of Health and Aged Care:	..	..	-	-
Total:	1.2	1.1	-	-

##### *Explanation*

The Government will provide Exceptional Circumstances relief to farmers experiencing drought in the South East Quadrant of the Central Highlands region of

Tasmania. Funding will total \$2.3 million over three years, with \$0.1 million of this funding provided in 1999-2000.

The National Rural Advisory Council recommended that Exceptional Circumstances assistance be provided to eligible farmers in this area, for a two year period from 25 May 2000.

Eligible farmers will be able to access income support payments and interest rate subsidies for 12 months whilst the exceptional circumstances declaration is in force and for a 12 month recovery period afterwards.

*Further information*

This is a cross portfolio measure between the Department of Agriculture, Fisheries and Forestry, the Department of Family and Community Services and the Department of Health and Aged Care.

***Exceptional Circumstances assistance in Monaro B and C, and East Gippsland***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-	-	-	-
Department of Family and Community Services:	-	-	-	-
Department of Health and Aged Care:	-	-	-	-

*Explanation*

The Government will provide \$0.9 million in 2000-01 for Exceptional Circumstances assistance in the Monaro B and C, and East Gippsland areas. The National Rural Advisory Council has revoked the declaration of Drought Exceptional Circumstances in this region but has recommended an extension to the recovery period from six to twelve months for eligible farmers who have not yet experienced full recovery. Assistance will be given in the form of income support and interest rate subsidies.

*Further information*

This is a cross portfolio measure between the Department of Agriculture, Fisheries and Forestry, Department of Family and Community Services, and Department of Health and Aged Care.

The cost of this measure will be absorbed within existing resourcing.

## **Forest and Wood Products Industry Action Agenda**

### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-	-	-	-

### *Explanation*

As part of the Forest and Wood Products Industry Action Agenda, the Government will match industry levy contributions to the Forest and Wood Products Research and Development Corporation from 1 July 2001, up to a maximum of 0.5 per cent of gross value of production.

The cost of the Commonwealth contribution to the Action Agenda in 2000-01 will be absorbed within existing resourcing. Funding arrangements for the Commonwealth's contribution to the Forest and Wood Products Research and Development Corporation in future years will be considered in the 2001-02 Budget.

## **Inland Marketing Corporation**

### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-	-	-	-
Department of Transport and Regional Services:	-	-	-	-

### *Explanation*

The Government will provide \$4.5 million over three years to the Inland Marketing Corporation to develop export marketing opportunities for commodities and produce from farms in the Central West region of New South Wales. The cost in 2000-01 will be absorbed within existing resourcing. Funding arrangements in future years will be considered in the 2001-02 Budget.

The Corporation supports projects to promote regional marketing and product diversification. The projects will foster demand for commodities and produce from the Central West region by providing new regional agricultural opportunities in response to greater export market exposure, and improving the supply chain between producers and international markets.

This is a cross portfolio measure between the Department of Agriculture, Fisheries and Forestry and the Department of Transport and Regional Services.

## **National Action Plan for dryland salinity and water quality**

### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Departments of Agriculture, Fisheries and Forestry and Environment and Heritage:	5.0	65.0	150.0	190.0

### *Explanation*

On 10 October 2000, the Government announced that it will implement a strategic National Action Plan to address dryland salinity and deteriorating water quality, which are major environmental issues facing Australia. The Government has made a commitment of \$700 million over seven years to implement the Plan in cooperation with the States and Territories. The States and Territories have agreed to provide matching funding towards the Plan.

An overarching goal of the Plan, which will initially target twenty of Australia's highest priority catchment areas, is to motivate and enable regional communities to:

- prevent, stabilise and reverse trends in dryland salinity affecting sustainability of production, the conservation of biological diversity and the viability of infrastructure; and
- improve water quality and secure reliable allocations for human uses, industry and the environment.

## **Sugar Industry Assistance Package**

### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	27.0	17.0	-	-
Department of Finance and Administration:	38.8	0.1	-	-
Total:	65.8	17.1	-	-

### *Explanation*

The Government is providing around \$83 million over two years to implement a comprehensive package of assistance for cane growers throughout Australia. The package is in response to a unique combination of adverse circumstances, including damage to crops from cyclones and flooding compounded by sustained low world sugar prices. It has four key elements:



- income support payments, from 1 September 2000 to 30 June 2001, as ex gratia payments funded by the Department of Finance and Administration for cane growers in severe financial hardship;
- interest rate subsidies for loans of up to \$50,000 to meet expenses for replanting crops in 2000-01 and 2001-02;
- interest rate subsidies for cane growers with new and existing debt up to a further \$100,000. This is in addition to interest relief for replanting crops; and
- financial counselling assistance.

This is a cross portfolio measure between the Department of Agriculture, Fisheries and Forestry and the Department of Finance and Administration and is administered by Centrelink.

### ***West 2000 Plus***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-	-	-	-

#### *Explanation*

The Government will provide \$5.9 million over three years to the Western Division of New South Wales to extend the Rural Partnership Programme. The funding will build on the existing *West 2000 Rural Partnership Programme* with a new project, *West 2000 Plus*. The cost in 2000-01 will be absorbed within existing resourcing. Funding arrangements in future years will be considered in the 2001-02 Budget. The New South Wales Government has agreed to provide matching funding towards the *West 2000 Plus* project.

### ***Wool Industry — Changes in wool levy arrangements***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	-1.8	-32.2	-33.0	-32.1

#### *Explanation*

From 1 July 2000, the Government is reducing the payments made on behalf of woolgrowers to the Australian Wool Research and Promotion Organisation in line with the reduction in the wool tax rate. The wool tax rate is being reduced from 4 per cent to 2 per cent in response to the outcome of Woolpoll 2000.

An interim tax rate of 3 per cent for around 12 months from 1 July 2000 is in place to fund the replacement of the Australian Wool Research and Promotion Organisation with a new company, Australian Wool Services (AWS) Ltd.

The Department of Agriculture, Fisheries and Forestry distributes the funds from the wool tax to the Australian Wool Research and Promotion Organisation. After 1 January 2001, the funds will be distributed to AWS Ltd.

*Further information*

See also the related revenue measure titled *Wool Industry — Changes in wool levy arrangements* in the Agriculture, Fisheries and Forestry portfolio.

***Wool Industry — Establishment of Australian Wool Services Ltd***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Agriculture, Fisheries and Forestry:	80.2	-	-	-
Office of Asset Sales and Information Technology Outsourcing:	1.4	-	-	-
Total:	81.6	-	-	-

*Explanation*

The Government has decided to establish a new commercial wool services company to ensure wool levy funds are invested in targeted research and development, commercialisation of new technologies and providing the industry with focused and innovative services.

On 1 January 2001, Australian Wool Services (AWS) Ltd, a Corporations Law company limited by shares, will take over from the Australian Wool Research and Promotion Organisation (AWRAP), a statutory authority. Eligible Australian woolgrowers will be issued with shares in the new company, thus providing increased woolgrower ownership and control.

The creation of AWS Ltd outside the General Government Sector involves the Commonwealth divesting its \$80.2 million interest in AWRAP.

The Office of Asset Sales and Information Technology Outsourcing will manage the establishment of the new company arrangements at a cost of \$1.4 million in 2000-01.

*Further information*

See also the related expense and revenue measures titled *Wool Industry — Changes in wool levy arrangements* in the Agriculture, Fisheries and Forestry portfolio.

## **Attorney-General's**

### ***Protective security for Diplomatic and Consular missions***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Attorney-General's Department:	8.5	-	-	-

#### *Explanation*

The Government will provide additional funding of up to \$8.5 million in 2000-01 to cover increased requirements for guarding and protective security at diplomatic and consular missions to ensure appropriate security levels are maintained. The Government has responsibility under international law to protect foreign diplomatic and consular missions in Australia consistent with the current level of threat.

### ***Storage of imported handguns prior to sale***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Customs Service:	0.4	0.4	0.4	0.4

#### *Explanation*

The Government is funding the Australian Customs Service to store handguns imported into Australia until they have been sold to an authorised end user.

On 17 August 2000, the Government amended the *Customs (Prohibited Imports) Regulations* to more closely control the importation of handguns into Australia. This is intended to reduce the diversion of handguns to the black market. Legitimate holders of handgun licences will not be affected.

### ***Citizenship Visits Programme***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of the House of Representatives:	0.1	-	-	-
Department of the Senate:	0.1	-	-	-
Total:	0.1	-	-	-

*Explanation*

The Government will provide an additional \$67,000 for each of the Departments of the House of Representatives and the Senate to meet the increasing demands on the Citizenship Visits Programme. This increase is due, in part, to increasing community awareness of, and interest in, parliamentary processes along with promotion of the Centenary of Federation.

The Citizenship Visits Programme is a subsidy scheme to assist school groups, located more than 1,000 kilometres by road from Canberra, to visit the Houses of Parliament and to participate in a parliamentary education programme. The total funding for this programme is \$1 million in 2000-01.

***Additional funding for the High Court***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
High Court of Australia:	0.2	0.1	0.1	0.1

*Explanation*

The Government will provide additional funding to the High Court in recognition of escalating workloads at the Sydney Registry and to enhance the High Court's public information and education programme by enabling broadcasting of Canberra Full Bench sittings over the Internet. This innovation is regarded as a valuable adjunct to the High Court's website, and one which will aid public access to the Court's proceedings.

***Increased National Native Title Tribunal workload in the Northern Territory and Queensland***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
National Native Title Tribunal:	3.7	-	-	-

*Explanation*

The Government will provide funding of \$3.7 million in 2000-01 to the National Native Title Tribunal for increased workload associated with native title claims in the Northern Territory and Queensland.

The Northern Territory has recently begun to use its right to negotiate provisions of the *Native Title Act 1993*, which enable, among other things, the processing of exploration and mining title applications. The National Native Title Tribunal will be

responsible for all workload associated with the Northern Territory's use of the Commonwealth native title scheme for granting of its exploration and mining titles.

The Queensland Land and Resources Tribunal has recently gained responsibility for a State-based future act regime that will apply to some mining and exploration in Queensland. Additional workload will accrue to the National Native Title Tribunal as a result.

## **Communications, Information Technology and the Arts**

### ***Strengthening Radio Australia's shortwave and Internet services to the Asia-Pacific region***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Broadcasting Corporation:	1.9	2.8	2.9	0.2

#### *Explanation*

The Government will provide funding to strengthen Radio Australia's shortwave radio transmission and Internet services to the Asia-Pacific region.

Radio Australia will significantly increase its transmission to the Asia-Pacific region, from 22.5 hours to at least 75 hours per week. The funding will also enable conversion of radio material for Internet services, in text or audio files.

#### *Further information*

The financial commitment to extend radio transmission to the Asia-Pacific region is dependent on the ABC securing transmission sites at either Australian facilities or offshore.

### ***Advice and promotion of the third generation mobile phone and datacasting spectrum auctions***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Communications Authority:	3.8	-	-	-

#### *Explanation*

The Government will provide the Australian Communications Authority with up to \$3.8 million to assist with the third generation mobile phone (3G) and datacasting

spectrum auctions. The additional funding will be used to engage investment advisers who will assist the Australian Communications Authority in developing arrangements for the 3G and datacasting auctions.

***Additional funding for the Centre for Quantum Computer Technology***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Communications, Information Technology and the Arts:	-	-	-	-
Department of Defence:	-	-	-	-
Department of Education, Training and Youth Affairs:	-	-	-	-
Department of Industry, Science and Resources:	-	-	-	-

*Explanation*

Building on its commitment to improve Australia’s competitiveness through innovation, the Government is providing \$9.0 million over three years to the Australian Research Council Special Research Centre for Quantum Computer Technology. The Centre, located at the University of New South Wales, is a world leader in quantum computing. Its work is aimed at significantly improving the power of computers.

The Centre has received research grants from the Australian Research Council for a number of years. The additional funding will enable it to buy specialised equipment and accelerate the programme to develop a prototype quantum computer.

The Department of Education, Training and Youth Affairs as well as the Departments of Communications, Information Technology and the Arts, Defence, and Industry Science and Resources will provide funding from within existing resourcing to support this development.

***St John’s Cathedral Completion Fund***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Communications, Information Technology and the Arts:	2.0	-	-	-

*Explanation*

The Government will contribute \$2.0 million to the restoration of St John's Cathedral in Brisbane to its original design.

Funding will be provided to the St John's Cathedral Completion Fund. This builds on a previous Commonwealth grant of \$1 million provided through the Federation Fund via the Queensland Trails Network project.

**Defence**

***Acquisition of the Australian Submarine Corporation Pty Limited***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Defence:	-	-	-	-

*Explanation*

The Government has acquired direct ownership of all the shares in the Australian Submarine Corporation Pty Limited (ASC) with a view to restructuring the company to implement arrangements for the future support of the Collins Class submarines, and to enable the ASC's sale into full private ownership.

The Department of Defence has provided funds for the Australian Industry Development Corporation to increase its shareholdings in the ASC from 48.45 per cent to full ownership. All ASC shares will then be vested in the Commonwealth.

For the purposes of the Government Finance Statistics, share transactions have no impact on the fiscal or underlying cash balances as only the composition of the Commonwealth's investment in financial assets is affected. In accordance with AAS31 accounting standards, the provision of funds by the Department of Defence of \$37.5 million is treated as a grant expense with a corresponding impact on the general government operating result.

*Further information*

See also the related expense measure titled *Australian Submarine Corporation Pty Limited— acquisition, restructuring and sale* in the Finance and Administration portfolio.

## Education, Training and Youth Affairs

### ***Education Services for Overseas Students Assurance Fund***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Education, Training and Youth Affairs:	-	-	-	-

#### *Explanation*

The Government will make a one-off contribution of \$1 million in 2000-01 to the Education Services for Overseas Students Assurance Fund. The Assurance Fund is an industry-funded mechanism to ensure that overseas students enrolled in private education institutions are not disadvantaged in the event of the closure of their institution. While private education providers have responsibility for building the Fund's reserves to an effective level, the Commonwealth's one-off contribution will accelerate the build-up of reserves at the Fund's inception. This avoids financial exposure before reserves are built up through contributions from private education providers.

The cost of this measure will be absorbed from within existing resourcing.

#### *Further information*

This measure relates to the expense measure titled *Education Services for Overseas Students — strengthening the regulatory framework* in the Education, Training and Youth Affairs portfolio announced in the 2000-01 Budget.

### ***Eligibility of distance education students at non-government schools for General Recurrent Grant Funding***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Education, Training and Youth Affairs:	-	-	-	-

#### *Explanation*

The Government has decided that, under certain circumstances, distance education students enrolled in approved non-government schools will attract per capita funding to their school under the *General Recurrent Grants Programme*. The new eligibility will apply from 2001 and is expected to cost \$0.5 million a year, which will be absorbed within existing resourcing.



Eligible non-government schools and systems will receive funding for their distance education students at the rate of 13.7 per cent of Average Government Schools Recurrent Costs. This is the minimum level of Commonwealth per capita funding under the new socio-economic status-based funding arrangements to apply from January 2001.

***Establishment grants for new non-government schools***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Education, Training and Youth Affairs:	0.9	1.4	1.5	1.6

*Explanation*

The Government will provide grants to new non-government schools to assist with establishment costs. New schools that commenced after 11 May 1999 will be eligible to receive establishment grants from calendar year 2001 for a transitional period of one or more years. Grants will be provided at the rate of \$500 per student enrolled in the school's first year of operation and \$250 per student for any subsequent year.

***Funding for students with disabilities attending non-government schools***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Education, Training and Youth Affairs:	3.9	4.1	4.3	4.6

*Explanation*

The Government has decided that from 2001, all students with disabilities attending non-government schools will attract additional assistance to their school at a flat rate of \$561 per student per year.

The Government has also decided that schools that receive higher levels of per capita assistance for these students under the current Education Resource Index-based funding approach should not be financially disadvantaged by the new funding arrangements. Funding for these schools will be maintained in real terms at the per capita rate for 2000 for the number of students with disabilities at the school as at the 2000 school census date.

## Family and Community Services

### ***A ceiling on the rate of Australian pension paid under International Social Security Agreements***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Family and Community Services:	0.1	-0.3	-0.4	-0.4

#### *Explanation*

From 1 August 2000, the Government has placed a ceiling on the rate of Australian pension paid to former Australian residents now living outside Australia. This measure will ensure that, while people living outside Australia can receive an income test concession on their foreign pension, they cannot receive a higher rate of Australian benefit than they would if they were in Australia. As a result, this measure produces a reduction in expenses, with some implementation costs in 2000-01.

### ***Administration of Aged Persons Savings Bonus 'Top-Up'***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Family and Community Services:	-	-	-	-

#### *Explanation*

The Government is providing a 'top-up' payment to certain Aged Pension Savings Bonus recipients. Expenses for these measures are contained in overall aggregates. This measure is for additional administration to review the bonus amount payable to some pensioners who did not update their financial details with Centrelink during the assessment period.

Under the existing legislation, pensioners' bonus calculations are determined using savings and investment information provided to Centrelink to calculate ongoing pension entitlements. To receive the 'top-up' payment, Aged Pension Savings Bonus recipients are asked to provide evidence of their savings and investment holdings in the period July 1998 to June 2000.

The cost of this measure will be absorbed from within existing resourcing.

***Ex Gratia payments and savings provision for Department of Veterans' Affairs pensioners receiving Family Tax Benefit A and Child Care Benefit***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Family and Community Services:	0.5	0.5	0.5	0.5

*Explanation*

From 1 July 2000, recipients of a Department of Veterans' Affairs (DVA) disability or war widow pension, who do not also receive a DVA service pension or Centrelink income support payment, will have their Family Tax Benefit Part A and their Child Care Benefit maintained at the same level of family and childcare assistance that they were receiving at 30 June 2000.

This measure maintains the benefit level after 1 July 2000 when the new assessment arrangements for family payments came into effect. It affects people within this particular group who have a family income above the income test threshold for Family Tax Benefit and Child Care Benefit (that is, \$28,200) and is subject to any future changes in their circumstances.

Any Health Care Card eligibility that existed as at 30 June 2000 will be maintained.

***Increase the maximum rate of Rent Assistance to 10 %***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Family and Community Services:	36.5	33.5	34.0	34.7

*Explanation*

Under *The New Tax System*, the maximum rate of Rent Assistance was to be increased by seven per cent from 1 July 2000. This measure further increases assistance, by boosting the increase to a total of ten per cent.

This measure will benefit over 500,000 social security beneficiaries renting accommodation, including caravan park and boarding house residents.

### ***Social Security Agreement with Germany***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Family and Community Services:	-	0.4	1.4	0.3

#### *Explanation*

The Government has entered into a Social Security agreement with Germany, to be implemented on 1 July 2002. Consistent with other international agreements, it will provide a basis for sharing responsibility for certain social security payments between Australia and Germany. It will also facilitate access to pensions for people who have had periods of residence in both countries.

It is anticipated that around 14,000 people, largely German born Australians, will benefit under the agreement. Former residents of Australia will be able to claim Australian pensions without leaving Germany and Germans living in Australia will be able to lodge claims for German pensions through Centrelink.

### **Finance and Administration**

#### ***Commonwealth Property Strategic Alliance***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Finance and Administration:	-	-	-	-

#### *Explanation*

On 24 July 2000, the Government announced the selection of PricewaterhouseCoopers Process Solutions Pty Ltd as the preferred tenderer to enter into a strategic alliance to manage the Commonwealth's \$2.5 billion global non-Defence property portfolio. The portfolio comprises over 400 properties located in 50 countries. The selection of an alliance partner will accelerate the process of improving the performance and efficiency of the property portfolio and bring the management of Commonwealth property into line with private sector practice. The alliance will also provide a substantial industry development package for the benefit of Australian small to medium enterprises.

The alliance will deliver savings of around \$74 million over five years. Provision for these savings was included in the budget and forward estimates in the 2000-01 Budget.

*Further information*

The Commonwealth will retain ownership of the property portfolio and be responsible and accountable for all assets. The Department of Finance and Administration will continue to provide portfolio and policy advice, manage the strategic alliance and monitor service delivery and portfolio performance.

***Contribution to Childers Memorial Fund***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Finance and Administration:	0.1	-	-	-

*Explanation*

The Government will provide \$50,000 to a memorial fund in response to the fire that destroyed the Palace Backpackers Hostel in Childers, Queensland, claiming the lives of Australian and foreign backpackers.

On 4 July 2000, the United Kingdom Government announced that it would donate £10,000 towards a permanent memorial for the victims of the fire. At the same time, the Queensland Government decided to contribute \$25,000.

***Australian Submarine Corporation Pty Limited – acquisition, restructuring and sale***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Office of Asset Sales and Information Technology Outsourcing:	13.5	-	-	-

*Explanation*

The Government will provide funding for advisory and other administration costs incurred in acquiring shares in the Australian Submarine Corporation Pty Limited, and in restructuring the company to implement arrangements for the future support of the Collins Class submarines and enable the Australian Submarine Corporation's sale into full private ownership.

*Further information*

See also the related expense measure titled *Acquisition of the Australian Submarine Corporation Pty Limited* in the Defence portfolio.

### ***Extension of Information Technology Outsourcing Initiative***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Office of Asset Sales and Information Technology Outsourcing:	4.6	-	-	-

#### *Explanation*

The Government will provide additional funds to support the Information Technology Outsourcing Initiative. The additional funding will meet expenses incurred by the Office of Asset Sales and Information Technology Outsourcing in leading, managing and implementing the Initiative, in cooperation with agencies.

On 7 November 2000, the Minister for Finance and Administration announced an independent review of the implementation of the Initiative, with particular emphasis on the implementation risks associated with transitioning the provision of IT infrastructure from the in-house IT operations of Commonwealth agencies to an external service provider in contracts let under the Initiative to date.

#### *Further information*

The Information Technology Outsourcing Initiative was announced in 1997. To date five contracts have been let under the Initiative. The Initiative has yielded substantial savings to the Commonwealth, stimulated the growth of the local information technology industry, and increased regional development and employment opportunities.

### ***Sale costs — Divestment of Commonwealth interest in Australian Technology Group Limited***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Office of Asset Sales and Information Technology Outsourcing:	0.9	-	-	-

#### *Explanation*

The Government will provide funding to meet the estimated costs associated with seeking divestment of the Commonwealth's interest in Australian Technology Group Limited (ATG). ATG was established to invest in early stages of commercialising Australian technology. The Commonwealth is currently investigating options for reducing its investment in ATG.

*Further information*

See also the related capital measure titled *Divestment of Commonwealth interest in Australian Technology Group Limited* in the Industry, Science and Resources portfolio.

***Sale costs — Essendon Airport Limited***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Office of Asset Sales and Information Technology Outsourcing:	2.8	-	-	-

*Explanation*

The Government will provide additional funds to the Office of Asset Sales and Information Technology Outsourcing to meet the estimated sale costs associated with divestment of the Commonwealth's interest in Essendon Airport Limited. The Government is selling Essendon Airport Limited by way of a competitive tender. The airport is to continue operating principally for general aviation to facilitate rural and regional access to Melbourne.

*Further information*

See also the related capital measure titled *Sale of shares in Essendon Airport Limited* in the Finance and Administration portfolio.

**Foreign Affairs and Trade**

***Increase the contribution to the United Nations Relief and Works Agency***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Agency for International Development:	1.0	1.0	1.0	1.0

*Explanation*

The Government will increase Australia's ongoing contribution to the United Nations Relief and Works Agency (UNRWA). The Prime Minister announced this measure in May 2000 in recognition of the role UNRWA is playing in assisting the Palestinian people, including helping develop their self-supporting economic activity, and supporting the Middle East peace process.

**Continuation of Export Market Development Grants scheme**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Foreign Affairs and Trade:	-	-	nfp	nfp

*Explanation*

On 17 August 2000, the Government announced the continuation of the Export Market Development Grants (EMDG) scheme for a further five years from 2002-03. The EMDG scheme is a Commonwealth Government programme of financial assistance for export promotion. Current funding for the scheme ends in 2001-02.

A review of the EMDG scheme was carried out this year with the review report tabled in Parliament on 17 August 2000. The findings and recommendations of the EMDG scheme review report, including the financial implications of the scheme, will be considered by the Government in the 2001-02 Budget. An allowance for the continuation of the scheme is incorporated in the Contingency Reserve.

**Solomon Islands – International peace monitoring team**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Foreign Affairs and Trade:	2.8	-	-	-

*Explanation*

The Department of Foreign Affairs and Trade will lead an international peace monitoring team to the Solomon Islands, responding to the call for such a team in the Townsville Peace Agreement on 15 October 2000.

The role of the Team will be to support the indigenous Solomon Islands Peace Process under the aegis of the Peace Monitoring Council. Its main task will be the supervision of the surrender of weapons, regular inspection of the stored weapons, confidence building with affected Solomon Islands communities, and reporting to the Peace Monitoring Council. The monitors will be a completely neutral, unarmed group deployed at the invitation of the main parties to the ethnic tension.



## Health and Aged Care

### ***Establishment of the Office of the Commissioner for Complaints***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	-	-	-	-

#### *Explanation*

The Government has established the Office of the Commissioner for Complaints as part of the further progression of its aged care reforms. The Department of Health and Aged Care will reallocate up to \$300,000 per year to resource the Office from within existing administered and departmental funding.

The Office will manage the operation of the Aged Care Complaints Resolution Scheme, and an important part of the Commissioner's role will be to promote public confidence in the Scheme.

### ***Increased Medicare Rebate for Other Medical Practitioners***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	3.8	8.5	9.3	9.9

#### *Explanation*

The Government has committed around \$32 million over four years to enhance access to primary health care services in rural and remote Australia. From 1 January 2001, GP services provided by Other Medical Practitioners (OMPs) working in rural and remote Australia will attract the full Medicare Rebate.

Currently OMPs (whose qualifications do not allow them to achieve vocational registration as GPs) attract a lower Medicare rebate for consultations. This discrepancy is passed on to patients through higher out-of-pocket costs.

### ***Introduction of parity pricing in the Hearing Services Programme***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	8.4	8.5	8.9	8.9

*Explanation*

The Government will provide the Department of Health and Aged Care with additional funding to ensure that Government Business Enterprise and Competitive Neutrality policies are fully implemented within the Commonwealth Hearing Services Programme, particularly through ensuring that all providers, both public and private, receive the same remuneration for hearing devices and hearing services.

*Further information*

The Government's Hearing Services Programme is administered by the Office of Hearing Services (OHS). Eligible clients can obtain free hearing services through the OHS Voucher System by redeeming their vouchers with any accredited service provider.

**List celecoxib on the Pharmaceutical Benefits Scheme**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	36.8	49.6	63.0	65.5

*Explanation*

The listing of celecoxib from 1 August 2000 on the Pharmaceutical Benefits Scheme (PBS) will reduce the cost to consumers from approximately \$60 per month to a maximum of \$3.30 a month for health card holders and \$20.60 for other consumers.

On 1 May 2000, celecoxib was listed on the Repatriation Pharmaceutical Benefits Scheme.

*Further information*

New drugs are recommended for PBS subsidy by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

**Measles, mumps and rubella vaccine for young adults**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	19.8	-	-	-

*Explanation*

The Government will provide funding of \$19.8 million in 2000-01 to vaccinate young adults between the ages of 18 to 30 years against measles, mumps and rubella.

This initiative is consistent with Australia's efforts to eliminate measles. Young adults in the target group are at higher risk of measles infection because they would not have been recipients of the measles, mumps and rubella vaccination programme that commenced in 1994. Young adults also tend to suffer more serious complications if they do contract measles.

***Modified clawback arrangements under the Australian Health Care Agreements***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	-	-	-	-

*Explanation*

Under the Australian Health Care Agreements between the Commonwealth and the States and Territories, there are risk sharing arrangements based on changes in the private health insurance participation rate.

In September 1999, the Government decided to guarantee that no State or Territory would be worse off as a result of any increase in private health insurance participation rates. This was to be achieved by limiting any reduction in Commonwealth grants to the amount by which public hospital revenue from privately insured patients and veterans exceeded the revenue from these sources in 1997-98.

The Government has now agreed to further modify these arrangements to exclude public hospital revenue from veterans from these calculations. This will have the effect of further reducing the potential for any actual reductions in Commonwealth grants to the States and Territories.

This measure has no impact on the existing budget and forward estimates since no allowance has previously been made for reducing Commonwealth grants. In the absence of this measure Commonwealth grants would have been reduced by an estimated \$125 million in 2000-01 and each of the next two years.

## ***New Community Pharmacy Agreement***

### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	9.9	-3.0	-3.3	-12.3
Department of Veterans' Affairs:	-1.8	-2.9	-4.1	-5.2
Total:	8.1	-5.9	-7.4	-17.5

### *Explanation*

The Government and the Pharmacy Guild of Australia signed a new five-year Community Pharmacy Agreement on 16 May 2000. The Agreement began on 1 July 2000 and is expected to benefit the community as well as improve financial arrangements between pharmacists and the Government.

The Government will provide approximately \$5.6 billion for pharmacists' remuneration over the life of the Agreement. After allowing for up-front payments, the new Agreement renders savings across the forward estimates as detailed above. Key elements of the Agreement include:

- \$188 million over five years for a new Pharmacy Development Programme to support the quality of pharmacy services across Australia;
- \$114 million over five years for an extended medication management programme, to be developed in conjunction with the medical profession, to assist Australians in care and at home to properly manage medications they may receive; and
- \$76 million over five years to replace the existing \$24 million dollar rural pharmacy programme to improve access to pharmacy services in rural and remote areas. This element was announced as a separate measure in the 2000-01 Budget.

Within the new Agreement, pharmacists' remuneration has been restructured to facilitate payment for medication reviews and services provided through the Pharmacy Development Programme. Funding for these new payments has been provided for in part by reductions in mark-up and dispensing fees. There will be an \$11 million commencement bonus for pharmacists in 2000-01, and growing savings over five years as the effects of reduced indexation on dispensing fees compound.

This is a cross portfolio measure between the Department of Health and Aged Care and the Department of Veterans' Affairs.

### ***Prevention of Q Fever in meat and agricultural workers***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	1.1	3.0	0.5	-

#### *Explanation*

The Government has established a new programme of free screening and vaccination for Q fever for around 100,000 workers in the meat and livestock industries. In addition to the new funding for the vaccine component (\$4.6 million over three years), the Department of Health and Aged Care will reallocate \$6.0 million to this programme from within existing resourcing.

### ***Research Bio 21***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	-	-	-	-

#### *Explanation*

In July 2000, the Government provided \$15 million to the Bio 21 biotechnology project. The cost will be absorbed within existing resourcing. The project will harness the biomedical research expertise at Melbourne and Monash Universities, as well as the major research institutes in Melbourne, through collaborative programmes to expand key infrastructure.

The project represents progress towards the implementation of the Wills Committee report by facilitating the coordination and grouping of biomedical research into sizeable clusters. This will enable the sharing of key infrastructure.

### ***Subsidy of medical foods***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Health and Aged Care:	-	2.7	2.7	2.8

*Explanation*

The Government will establish a Commonwealth programme to assist Australians suffering from inborn errors of protein metabolism to meet the high costs of purchasing essential medical foods. The foods required for these patients cost around five to ten times that of normal foods and are essential in meeting nutritional needs.

Without these foods, patients can suffer very serious health consequences, such as mental retardation. On average, the subsidy will cover approximately half the cost of these foods.

*Further information*

This measure will commence early in 2001. The Department of Health and Aged Care will absorb the cost of the scheme in 2000-01 within existing resources.

**Industry, Science and Resources**

***Tough on drugs in sport — blood tests as part of our anti-doping programme***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Sports Drug Agency:	1.0	-	-	-

*Explanation*

The Government has provided funding for the Australian Sports Drug Agency (ASDA) to undertake blood testing for Erythropoietin (EPO) as part of Australia's anti-doping programme. The additional funds were dependent on ASDA developing a successful test for EPO prior to the Olympic Games.

The International Olympic Committee ratified the developed test on 29 August 2000.

*Further information*

The fulfillment of this commitment builds upon the \$3 million provided in 1997-98 for research, sampling and analysis programmes to assist preparations for the drug testing requirements for the Sydney Olympics. In the last three years the Government provided a further \$3.3 million for a programme of research undertaken by the Australian Institute of Sport and the Australian Sports Drug Testing Laboratory to develop and validate a test for detecting EPO.

**Assistance for the Sydney Paralympic Organising Committee**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	10.0	-	-	-

*Explanation*

The Government provided \$10 million to the Sydney Paralympic Organising Committee to assist with the staging of the Paralympic Games.

This funding is in addition to the \$25 million that the Government has already provided for the Paralympic Games.

**Commonwealth Contribution to Olympic Aid**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	1.5	-	-	-

*Explanation*

The Government will provide \$1.5 million to the official Olympic Aid charity administered by the International Olympic Committee.

The donation will include contributions towards:

- an expanded Australian Indigenous sports programme;
- the *2000 Appeal for Sport Relief*, which will work in conjunction with the United Nations High Commissioner for Refugees to introduce sport to refugee camps; and
- other charities, including the Patrick Rafter Cherish the Children Foundation, the Goolagong Sport Library, the Leukemia Foundation and the Children's Cancer Institute.

**Investment incentive for IBM Australia**

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	3.2	-	-	-

*Explanation*

The Government will provide a strategic investment incentive of \$3.2 million in 2000-01 to facilitate a \$37 million investment by IBM Australia in Sydney. This will allow IBM Australia to build an E-business Innovation Centre. The Centre will be the second largest of the six IBM e-business centres planned worldwide.

The establishment of the Centre complements the Government's efforts to develop Australia as a centre for global financial services and information technology.

***Olympic and Paralympic Games GST liability payments***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	50.0	-	-	-

*Explanation*

The Government has provided up to \$50 million to the Sydney Organising Committee for the Olympic Games, the Sydney Paralympic Organising Committee, and the Australian Olympic Committee for the payment of the Goods and Services Tax (GST) liability on all non-premium Games ticket sales by these organisations.

This is consistent with the Government's original commitment that tickets purchased prior to the introduction of *The New Tax System* package would not be subject to GST.

***Paralympic Games entry fees***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	-	-	-	-

*Explanation*

The Government has provided \$550,000 to the Australian Paralympic Committee to cover the cost of the Australian team entry fees to the Sydney 2000 Paralympic Games. In addition, the Government has provided \$150,000 to the International Paralympic Committee Solidarity Fund to assist with entry fees for teams from less well-off countries. The cost of this measure will be absorbed within existing resourcing.



***Payment of gas royalty commitment to Western Australia***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	-16.5	-18.5	-21.3	-21.6

*Explanation*

Under Section 130 of the *Petroleum (Submerged Lands) Act 1967*, the Commonwealth shared its North West Shelf project domestic gas royalties with Western Australia. The State share was to total \$117.1 million in 1984-85 dollars over a twenty year period to 2004-05. The Commonwealth Government agreed in May 2000, to a one-off payment in 1999-2000 of \$79.1 million to extinguish the remaining Commonwealth liability. Expenses are therefore reduced across the budget and forward estimates.

***Reduction in funding for the Textiles, Clothing and Footwear Strategic Investment Programme***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	-1.0	-	-	-

*Explanation*

The Government has decided to reduce funding for the Textiles, Clothing and Footwear Strategic Investment Programme in 2000-01 to meet revenue foregone in extending the Import Credit Scheme, which was due to terminate on 30 June 2000. The Government extended the Import Credit Scheme to Fiji for three months to 30 September 2000.

The new South Pacific and Regional Free Trade Agreement — Textiles, Clothing and Footwear Scheme, which was due to replace the Import Credit Scheme, has been delayed until 1 October 2000.

*Further information*

See the related revenue measure titled *Extension of the Import Credit Scheme*, in the Attorney-General's portfolio.

### ***School children attending the Paralympic Games***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	0.2	-	-	-

#### *Explanation*

The Government provided a further \$200,000 towards the subsidy arrangements for Australian school children to attend the Paralympic Games.

#### *Further information*

This funding was in addition to \$1.5 million already provided by the Government for school children to attend the Games.

Under this scheme, subsidies were available for students of eligible primary and secondary schools that are located 200 kilometres or more by road from Olympic Park. The further the school children travelled, the greater the subsidy available.

### **Transport and Regional Services**

#### ***Regional Solutions Programme***

#### *Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Transport and Regional Services:	15.0	25.0	25.0	25.1
Department of Employment, Workplace Relations and Small Business:	-5.0	-10.0	-12.0	-
Total:	10.0	15.0	13.0	25.1

#### *Explanation*

The Government will implement a new *Regional Solutions Programme* providing \$90 million over four years for targeted and flexible support to regional, rural and remote areas experiencing high unemployment, and social and economic dislocation. Existing *Regional Assistance Programme* funding of \$27 million over three years in the Department of Employment, Workplace Relations and Small Business will be transferred to the Department of Transport and Regional Services to help establish the *Regional Solutions Programme*.

The *Regional Solutions Programme* will be delivered through grants to local communities for community planning projects, local project implementation, community adjustment initiatives, regionally based enterprise or infrastructure projects, and to employ community based development officers. The Programme will allow communities to identify and implement development opportunities that meet their specific needs and overcome their specific problems. Approved projects will enhance the self-reliance of communities and lessen economic and social disadvantage.

The *Regional Solutions Programme* will extend the *Rural Communities Programme* and *Rural Plan*, for which existing funding ceases at the end of 2000-01.

***Special Structural Adjustment Package for the South West forests region of Western Australia***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Transport and Regional Services:	5.0	-	-	-

*Explanation*

The Government will provide \$5 million under the Regional Forest Agreement (RFA) for the South West Forests Region of Western Australia for a Special Structural Adjustment Package. The Package is modelled on the Eden Region Adjustment Package and will complement the existing Forest Industry Structural Adjustment Package.

The Package will build on the competitive advantages of the Region, including promoting employment opportunities already identified in the RFA process, particularly in the areas of regional and cultural heritage tourism.

**Treasury**

***Superannuation Complaints Tribunal***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Securities and Investments Commission:	1.0	-	-	-

*Explanation*

The Government will provide the Superannuation Complaints Tribunal with additional funding to reduce its current backlog of cases. The funding will enable the

Tribunal to appoint additional staff and undertake a greater number of reviews. It will also enable the Tribunal to cover its operating costs.

*Further information*

See also the related revenue measure titled *Superannuation Complaints Tribunal* in the Treasury portfolio.

***Additional fuels sales grants in remote areas***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	5.0	5.0	5.0	5.0

*Explanation*

The Government has announced that under the Fuels Sales Grants Scheme, fuel retailers in remote areas may apply to the Australian Taxation Office for an additional grant where fuel prices are beyond \$1.20 per litre.

*Further information*

From 1 July 2000 the Government introduced a tiered grants scheme which will be paid to distributors and retailers of petrol and diesel in non-metropolitan and remote regions. A grant will be paid for sales to consumers in non-metropolitan areas with a higher rate of grant provided for sales in remote areas. The grants scheme will help to address the divergence in fuel prices between the cities and regional areas.

***Additional funding for the ATO to cover the increased cost of administering the GST***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	183.0	141.0	-	-

*Explanation*

*The New Tax System* has seen a significantly higher number of Goods and Services Tax (GST) registrations compared to the original estimates underlying initial administration costs. As a result of these higher registrations, there have been substantial increases in Business Activity Statement processing workloads, related telephone inquiries and technical advice.

The Government has therefore decided to provide the Australian Taxation Office with additional funding to cover the increased cost of administering the GST.

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the States and Territories pay to the Commonwealth agreed GST administration costs. Additional payments from the States and Territories will offset this measure, with the first of these payments expected to be made in 2000-01.

*Further information*

For further information, see the related revenue measure *Additional payments from the States and Territories for GST administration* in the Treasury portfolio.

***Extension of Diesel and Alternative Fuels Grants Scheme***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	17.0	17.3	17.7	18.0

*Explanation*

The Government has extended the Diesel and Alternative Fuels Grants Scheme from 1 July 2000 to include the following vehicles over 4.5 but less than 20 tonnes gross vehicle mass (GVM):

- buses using alternative fuel such as liquid petroleum gas or compressed natural gas in metropolitan areas;
- emergency vehicles that use diesel and alternative fuels in both metropolitan and non-metropolitan areas; and
- primary production businesses and contractors carrying passengers or goods solely on behalf of primary production businesses, operating in metropolitan areas.

*Further information*

The Diesel and Alternative Fuels Grants Scheme pays grants for the business related on-road use of diesel and like fuels (as well as alternative fuels) to all vehicles over 20 tonnes GVM and to regional transport vehicles weighing between 4.5 and 20 tonnes GVM that undertake their operations in service of regional areas. This scheme, together with the availability of input tax credits for business, will lower the cost of diesel used in many transport vehicles by around 24 cents per litre.

***Inquiry into charitable and related organisations***

*Expense (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of the Treasury:	0.3	-	-	-

### *Explanation*

On 18 September 2000, the Prime Minister announced the details of an independent inquiry into definitional issues relating to charitable, religious and community service not-for-profit organisations. Funding of \$283,000 is to be provided to the Department of the Treasury in 2000-01. The inquiry is intended to provide the Government with options for enhancing the clarity and consistency of existing definitions with respect to Commonwealth law and administrative practice. These should lead to legislative and administrative frameworks that are appropriate for Australia's current social and economic environment.

## **CAPITAL MEASURES<sup>1</sup>**

### **Attorney-General's**

#### ***Additional funding for the High Court***

##### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
High Court of Australia:	0.6	-	-	-

### *Explanation*

The Government is providing \$0.6 million to the High Court to enhance its public information system and to upgrade the Court's accommodation. The technological improvements include electronic publication of High Court Judgements from the period 1903 to 1948, replacement of its library computer system, and extension of the video conferencing facilities to facilitate consultation between Justices in Sydney, Melbourne and Brisbane.

The Court's accommodation will be enhanced through the purchase of audio/amplification equipment for the Melbourne Courtroom, construction of Judge's Chambers in the Law Courts building in Brisbane, refurbishment of the High Court's Sydney accommodation, improving the file registry and storage areas, and upgrading existing office areas.

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1 Capital in this section is defined as 'net capital investment', the capital component used in the calculation of the fiscal balance. This includes: purchases of capital equipment, less any proceeds from their sale, and any reduction in the value of capital equipment (as measured by depreciation) plus net investment in other non-financial assets, including inventories but excluding prepayments. Capital policy decisions that involve only financial assets will not affect the fiscal balance and are therefore reported in this section as having no impact on the fiscal balance.

## Defence

### ***Loan to the Defence Housing Authority***

#### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
Defence Housing Authority:	-	-	-	-

#### *Explanation*

The Government will provide a loan of up to \$100 million to the Defence Housing Authority (DHA) in 2000-01. Currently DHA does not have any debt on its balance sheet. The loan will assist DHA in moving to a more commercial capital structure.

The provision of a loan to the DHA is a financial transaction within the General Government Sector and consequently has no impact on the fiscal balance.

## Finance and Administration

### ***Sale of shares in Essendon Airport Limited***

#### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
Office of Asset Sales and Information Technology Outsourcing:	-	-	-	-

#### *Explanation*

The Government is selling Essendon Airport Limited by competitive tender. The airport is to continue operating principally for general aviation to facilitate rural and regional access to Melbourne. As the disposal of shares outside the General Government Sector only affects the composition of the Commonwealth's investment in financial assets, this measure has no impact on the fiscal balance.

#### *Further information*

See also the related expense measure titled *Sale costs — Essendon Airport Limited* in the Finance and Administration portfolio.

## Industry, Science and Resources

### ***Divestment of Commonwealth interest in Australian Technology Group Limited***

#### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Industry, Science and Resources:	-	-	-	-

#### *Explanation*

The Australian Technology Group Limited (ATG) was established to invest in early stages of commercialising Australian technology. The Commonwealth is currently investigating options for reducing its investment in ATG. The expected proceeds are unquantifiable at this stage.

As the disposal of shares outside the General Government Sector only affects the composition of the Commonwealth's investment in financial assets, this measure has no impact on the fiscal balance.

#### *Further information*

See also the related expense measure titled *Sale costs — Divestment of Commonwealth interest in Australian Technology Group Limited* in the Finance and Administration portfolio.

## Transport and Regional Services

### ***National Emergency Services Memorial***

#### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
National Capital Authority:	0.1	0.9	-	-

#### *Explanation*

The Government is providing \$1 million to erect a National Emergency Services Memorial in Canberra. This will commemorate the contribution of police, firefighters and emergency services personnel who have served Australia in times of crises, and honour those who have lost their lives in the course of duty.



## ***Reconciliation Place***

### *Capital (\$m)*

	2000-01	2001-02	2002-03	2003-04
National Capital Authority:	0.3	4.8	-	-

### *Explanation*

The Government is providing around \$5 million over two years to support the construction of Reconciliation Place and related initiatives in the Parliamentary Zone in Canberra.

The form of Reconciliation Place will be finalised after consultation with Indigenous people. A competition will be run for Indigenous people to put forward designs, and Indigenous representatives will be on the panel that selects the winning design.



## Appendix B: External Reporting Standards and Budget Concepts

### EXTERNAL REPORTING STANDARDS

The Commonwealth *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards, and that departures from applicable external reporting standards be identified.

The major external standards used in the MYEFO are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian accounting standards, including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31).

The GFS reporting framework is a specialised statistical system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards. The major budget aggregates are drawn from the GFS framework.

AAS31 requires governments to prepare accrual-based general purpose financial reports, including in relation to the assets they control and any liabilities incurred, their revenues and expenses, and cash flows. This reporting is intended to provide a consolidated overview of the financial performance and position of government, including in the area of financing and investing activities.

Table B1 highlights some of the differences between the GFS and AAS31 reporting standards, while Tables B2 and B3 reconcile the major GFS and AAS31 fiscal aggregates.

The GFS and AAS31 financial statements in the MYEFO are consistent with the ABS GFS framework and accounting policies in AAS31 respectively, except where explicitly identified below.

The GFS framework requires that flows and stocks are valued at current market prices (or where these are not observable, a suitable proxy indicator). While this is the case for flows in the operating statement and the cash flow statement, not all assets and liabilities in the GFS balance sheet are currently valued at current market prices. This is principally because Australian accounting standards allow asset and liability valuation methods other than current market prices (such as historical cost). In the early years of accrual budgeting the focus has been on preparing robust GFS operating and cash flow statements. Refinements to the GFS balance sheet valuations of assets and liabilities will be considered over time, in consultation with the ABS, as the new framework is bedded down.

The Commonwealth revenue and expenses estimates in Parts I to V and Appendix C do not include GST collections and equivalent payments to the States. Under the

*Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), all GST revenue is appropriated to the States and Territories and thus is not available for expenditure by the Commonwealth. Because the Commonwealth collects GST as an agent for the States and Territories, it is not shown as Commonwealth revenue. Estimates of GST revenue are provided in Table B2.

Additional information on the consistency of the MYEFO with AAS31 is provided in Appendix C (see Note 1 to the financial statements).

## **Reconciliation of GFS and AAS31 aggregates**

There is a general consistency of treatment between GFS and accounting standards. The GFS and AAS31 definitions of the scope of the public sector agree in almost all cases, with AAS31 recommending the same segmentation of the public sector into general government, public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. The general government sector and PNFCs together make up the non-financial public sector (NFPS).

Transactions are generally treated in a similar manner by GFS and accounting standards; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS31 is designed as a standard for general purpose financial reporting. The different objectives of the two systems lead to some variation in the treatment of certain items.

In particular, revaluations of assets and liabilities are classified differently under the AAS31 and GFS standards. Major revaluations include: writedowns of bad and doubtful debts (excluding those that are mutually agreed); changes in the valuation of superannuation liabilities; and foreign exchange gains and losses.

Under AAS31 reporting, valuation changes may affect revenues or expenses. However, under GFS reporting revaluations are not considered to be transactions (that is, they are considered to be other economic flows) and accordingly do not form part of revenues or expenses. Therefore, most revaluations are not taken into account in the calculation of the GFS net operating balance or fiscal balance.

In addition, since the 2000-01 Budget the ABS has revised the GFS treatment of defence weapons platforms, which has introduced another difference between the two standards (see Box 2 in Part V for details).

Some of the major differences between the GFS and AAS31 treatments of transactions are outlined in Table B1. Further information on the differences between the two systems is provided in the ABS publication *Information Paper: Accruals-based Government Finance Statistics* (Cat. No. 5517.0).

**Table B1: Selected differences between AAS31 and GFS reporting standards**

Issue	AAS31 Treatment	GFS Treatment
Provisions for bad and doubtful debts and asset writedowns	Treated as part of operating expenses.	Treated as revaluations, except for mutually agreed writedowns, and therefore removed from operating expenses.
Profit/loss on sale of assets	Treated as part of operating revenues/expenses.	Treated as revaluations and therefore removed from operating revenues/expenses.
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as financing transactions and so not included in operating revenues and expenses.
Public debt net interest	Premiums and discounts on the repurchase of debt are included in public debt net interest expenses at the time of repurchase, regardless of whether the stock is cancelled at that time. Issue premiums and discounts are amortised over the life of the stock.	Repurchase premiums and discounts are treated as economic revaluations at the time the debt is repurchased (provided it is valued at historical cost). The GFS cash flow statement includes repurchase premiums or discounts in the year that the repurchased stock is cancelled or matures.
Commonwealth general government sector investments in public corporations	Investments in public corporations are valued at historic cost in the balance sheet.	Investments in public corporations are valued at current market value. For publicly listed corporations, the share price is used to calculate market value. For non-listed corporations, the current value of net assets is used.
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Finance leases	<p>Treats finance leases as if an asset were purchased from borrowings ie. the lease payment is split into an interest component (which is shown as an operating expense) and a principal component.</p> <p>The asset and the liability are recorded on the balance sheet.</p> <p>However, this convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.</p>	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset and the liability.

Table B2 reconciles GFS revenue and expenses with their AAS31 counterparts.

**Table B2: Reconciliation of GFS and AAS31 revenue and expenses**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>GFS revenue (Appendix D)</b>	<b>183932</b>	<b>189112</b>	<b>198573</b>	<b>212465</b>
<i>less</i> GST revenue for States and Territories	26303	28029	29083	30737
<b>GFS revenue (Parts I, II, III and IV)</b>	<b>157630</b>	<b>161083</b>	<b>169490</b>	<b>181728</b>
<i>plus</i> foreign exchange gains	71	3	0	0
<i>plus</i> other economic revaluations	0	0	0	0
<i>plus</i> profit on the sale of assets	2701	138	69	291
<i>plus</i> swap interest received	2389	2608	2762	2796
<i>plus</i> revenue allocated to GFS expenses	184	170	168	168
<b>AAS31 revenue (Appendix C)</b>	<b>162973</b>	<b>164001</b>	<b>172488</b>	<b>184983</b>
<b>GFS expenses (Appendix D)</b>	<b>179172</b>	<b>186173</b>	<b>192084</b>	<b>199317</b>
<i>less</i> GST grants to States and Territories	26303	28029	29083	30737
<b>GFS expenses (Parts I, II, III, IV and V)</b>	<b>152869</b>	<b>158144</b>	<b>163001</b>	<b>168579</b>
<i>plus</i> revaluations/writedowns from superannuation	447	522	511	618
<i>plus</i> net writedown of assets/bad and doubtful debts	892	701	725	740
<i>plus</i> foreign exchange losses	810	0	0	0
<i>plus</i> other economic revaluations	304	47	0	0
<i>plus</i> loss on the sale of assets	3	1	0	0
<i>less</i> costs of asset sales	0	218	218	0
<i>less</i> other property expenses	0	0	0	0
<i>plus</i> swap interest paid	2554	2703	2824	2795
<i>plus</i> defence weapons platforms depreciation	1653	1761	1959	2073
<i>less</i> defence weapons platforms investment	2676	3438	3944	4259
<i>plus</i> revenue allocated to GFS expenses	184	170	168	168
<b>AAS31 expenses (Appendix C)</b>	<b>157039</b>	<b>160392</b>	<b>165026</b>	<b>170715</b>

Table B3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The reconciliation can be divided into two parts. The first part shows classification differences between the AAS31 operating result before extraordinary items and the GFS net operating balance. (These classification differences are simply the sum of those shown in Table B2 above.)

The second part of the reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance. Net capital investment is measured as net purchases of property, plant and equipment, plus net investment in other non-financial assets less depreciation.

**Table B3: Reconciliation of AAS31 net operating result and fiscal balance**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>AAS31 operating result before extraordinary items</b>	<b>5934</b>	<b>3609</b>	<b>7462</b>	<b>14268</b>
Net classification differences	-1173	-670	-973	-1119
<b>GFS net operating balance</b>	<b>4761</b>	<b>2939</b>	<b>6489</b>	<b>13149</b>
<i>less</i> purchase of property, plant and equipment and intangibles	4748	5132	5700	6290
<i>less</i> assets acquired under finance leases	0	0	0	0
<i>less</i> other non-financial assets	-63	-1	-1	0
<i>less</i> increase in inventories	125	153	109	425
<i>plus</i> defence weapons platforms investment	2676	3438	3944	4259
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	4388	817	707	636
<i>plus</i> depreciation and amortisation	1392	1374	1437	1501
<b>Fiscal balance (GFS net lending)</b>	<b>8407</b>	<b>3285</b>	<b>6769</b>	<b>12829</b>



## **BUDGET CONCEPTS**

The major budget aggregates are based on the ABS accrual GFS framework. The following section provides a brief overview of this framework and explanation of the major fiscal aggregates. Additional information on the accrual GFS framework is available in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. no. 5517.0)

### **Accrual GFS framework**

The accrual GFS framework is based on an integrated recording of flows and stocks. Flows reflect the creation, transformation, exchange, transfer or extinction of economic value. They involve changes in the volume, composition or value of a unit's assets, liabilities and net worth. Stocks refer to a unit's holdings of assets, liabilities and net worth at a point in time.

Two types of flows are distinguished: transactions and other economic flows.

- Transactions represent flows that come about as a result of mutually agreed interactions between units or within a single unit. (A single unit action is treated as a transaction because the unit is viewed in these cases as acting in two separate capacities simultaneously. For example, an owner of a fixed asset also consumes its services meaning that consumption of fixed capital can be treated as a transaction.) Despite their compulsory nature, taxes are transactions that are deemed to occur by mutual agreement between the government and the taxpayer.
- Other economic flows represent changes to stocks that do not result from a transaction. Other economic flows arise from changes to stocks caused by price movements (revaluations), including interest and exchange rate movements, and phenomena such as discoveries, depletion and destruction.

### **GFS operating statement**

The operating statement presents details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets (net capital investment) for an accounting period.

GFS revenues are broadly defined as transactions that increase net worth and GFS expenses as transactions that decrease net worth.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories and plus other transactions in non-financial assets.

Fiscal balance (or GFS net lending/borrowing) is an analytical balance in the GFS operating statement. It is calculated as revenues less expenses less the net acquisition of non-financial assets. It measures in accrual terms the gap between government

savings plus net capital transfers and investment in non-financial assets. As such, it measures the contribution of the Commonwealth general government sector to the balance on the current and capital accounts in the balance of payments.

A fiscal balance surplus indicates that the Commonwealth is placing financial resources at the disposal of other sectors (that is, the Commonwealth is lending). A fiscal deficit indicates that the Commonwealth is utilising the financial resources of other sectors (that is, the Commonwealth is borrowing). Thus, fiscal balance can be viewed as a global indicator of the financial impact of Commonwealth Government operations on the rest of the economy.

## **Balance sheet**

The balance sheet shows stocks of assets, liabilities and GFS net worth. Net debt is also reported in the balance sheet.

Net worth for the general government sector is defined as assets less liabilities. (For the public financial corporations and public non-financial corporations sectors the formula becomes assets less liabilities less shares and other contributed capital.) Net worth is an economic measure of wealth. It reflects the contribution of the Commonwealth to the wealth of Australia.

Net debt is defined as the sum of selected financial liabilities (deposits held; advances received; and borrowing) minus the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt measures the indebtedness of the Commonwealth.

## **Cash flow statement**

The cash flow statement identifies how cash is generated and applied in a single accounting period. 'Cash' means cash on hand (notes and coins held and deposits held at call with a bank or other financial institution) and cash equivalents (highly liquid investments that are readily convertible to cash on hand at the investor's option and overdrafts considered integral to the cash management function).

The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where the information has been derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specially identified because cash management is considered an integral function of accrual budgeting.

The underlying cash balance (GFS surplus/deficit) is an analytical balance in the cash flow statement. For the general government sector it is calculated as:

Net cash flows from operating activities  
*plus* net cash flows from investments in non-financial assets  
*less* acquisitions of assets acquired under finance leases and similar  
arrangements

The underlying cash balance is the cash based equivalent of the fiscal balance. It is a broad indicator of the Commonwealth's cash flow requirements. An underlying cash surplus reflects the extent to which cash is available to the Commonwealth to either increase its financial assets or decrease its liabilities (assuming no revaluations and other changes occur). An underlying cash deficit measures the extent to which the Commonwealth requires cash, either by running down its financial assets or by drawing on the cash reserves of other sectors.

The underlying cash balance measure described here is conceptually the same as the underlying cash balance used in the former cash budgeting system. In practice, however, the underlying cash balance in the accrual framework is derived using different methodologies, which results in a break in the time series across the two systems.

### **Sectoral classifications**

Data are presented by institutional sector. Institutional sector distinguishes between the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

Budget reporting focuses on the general government sector. This sector provides public services that are mainly non-market in nature, and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, although user charging and external funding have increased in recent years. This sector comprises all government departments, offices and some other bodies.

The PNFC sector comprises bodies that provide goods and services that are mainly market, non-regulatory and non-financial in nature, financed predominantly through sales to the consumers of these goods and services. In general, PNFCs are legally distinguishable from the governments that own them. The PNFC sector includes Australia Post, airport corporations and railways.

Together the general government sector and the PNFC sector comprise the non-financial public sector.

The GFS coverage of the public sector also includes PFCs. These bodies are engaged in financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account. This sector includes the Reserve Bank of Australia.

The total public sector comprises all sectors of government — general government, the PNFC sector and the PFC sector.



## Appendix C: AAS31 Financial Reporting by Government Primary Financial Statements

This appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31), except where departures from the standard are identified in Note 1.

**Table C1: Statement of revenue and expenses for the Commonwealth general government sector — AAS31**

		2000-01	2001-02	2002-03	2003-04
		\$m	\$m	\$m	\$m
	Note	Estimates		Projections	
<b>Revenue</b>					
Taxation					
Income tax	3	116824	119421	125856	135892
Indirect tax	4	25880	25948	27196	28740
Fringe benefits tax		3405	3625	3745	3875
Other taxes		1852	1693	1638	1612
<b>Total taxation revenue</b>		<b>147961</b>	<b>150687</b>	<b>158435</b>	<b>170118</b>
Non-taxation					
Sales of goods and services		2900	2889	2927	2946
Interest and dividends	5	5749	6995	7886	8457
Net foreign exchange gains		71	3	0	0
Net gains from sales of assets		2701	138	69	291
Other sources of non-tax revenue	6	3591	3289	3171	3170
<b>Total non-tax revenue</b>		<b>15012</b>	<b>13314</b>	<b>14053</b>	<b>14864</b>
<b>Total revenue</b>		<b>162973</b>	<b>164001</b>	<b>172488</b>	<b>184983</b>
<b>Expenses</b>					
Goods and services					
Employees	7	16378	16674	16608	16995
Suppliers	8	13854	13354	13116	13278
Depreciation and amortisation	9	3045	3135	3395	3574
Net write down of assets		1092	901	925	940
Net foreign exchange losses		810	0	0	0
Net losses from the sale of assets		3	1	0	0
Other goods and services expenses		5060	5133	5378	5652
<b>Total goods and services</b>		<b>40241</b>	<b>39198</b>	<b>39423</b>	<b>40439</b>
Subsidies, benefits and grants					
Personal benefits		69876	71830	76107	80740
Subsidies		7114	7853	8193	8430
Grants	10	30913	33266	33163	33443
<b>Total subsidies, benefits and grants</b>		<b>107903</b>	<b>112949</b>	<b>117463</b>	<b>122613</b>
Interest and other financing costs					
Interest on debt		8861	8220	8121	7649
Other financing costs		34	25	20	14
<b>Total interest and other financing costs</b>		<b>8895</b>	<b>8245</b>	<b>8141</b>	<b>7663</b>
<b>Total expenses</b>		<b>157039</b>	<b>160392</b>	<b>165026</b>	<b>170715</b>
<b>Operating result</b>		<b>5934</b>	<b>3609</b>	<b>7462</b>	<b>14268</b>
Extraordinary items		-2202	14731	14731	0
<b>Operating result after extraordinary items</b>		<b>3732</b>	<b>18341</b>	<b>22193</b>	<b>14268</b>

**Table C2: Balance sheet for the Commonwealth general government sector — AAS31**

		2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Note	Estimates		Projections	
<b>Assets</b>					
Financial assets					
Cash		3498	2920	1927	591
Receivables		25714	31696	31202	24346
Investments	14	28261	26737	25263	25425
Accrued revenue		432	438	486	501
Other financial assets		14	14	27	27
<b>Total financial assets</b>		<b>57919</b>	<b>61807</b>	<b>58904</b>	<b>50890</b>
Non-financial assets					
Land and buildings	11	15051	14707	14402	14359
Infrastructure		38695	39885	41717	43781
Intangibles		982	1059	969	921
Inventories		3002	3155	3264	3690
Other non-financial assets		1290	1289	1280	1271
<b>Total non-financial assets</b>		<b>59020</b>	<b>60096</b>	<b>61631</b>	<b>64022</b>
<b>Total assets</b>		<b>116939</b>	<b>121903</b>	<b>120536</b>	<b>114912</b>
<b>Liabilities</b>					
Debt					
Government securities	14	56722	43636	20206	637
Loans		6308	6390	6501	6492
Leases		347	231	204	191
Deposits		10	10	10	10
Overdrafts		0	0	0	0
Other debt		3954	3195	2744	2081
<b>Total debt</b>		<b>67342</b>	<b>53461</b>	<b>29665</b>	<b>9411</b>
Provisions and payables					
Employees	12	82336	82421	82295	82339
Suppliers		1484	1379	1255	1134
Personal benefits payable		2554	2864	3079	3458
Subsidies payable		335	302	269	234
Grants payable	13	7365	7616	7583	7520
Other provisions and payables		4760	4701	4820	4807
<b>Total provisions and payables</b>		<b>98834</b>	<b>99283</b>	<b>99301</b>	<b>99494</b>
<b>Total liabilities</b>		<b>166177</b>	<b>152745</b>	<b>128966</b>	<b>108905</b>
<b>Net assets</b>		<b>-49237</b>	<b>-30842</b>	<b>-8431</b>	<b>6007</b>
<b>Equity</b>					
Accumulated results		-82149	-61887	-37788	-23518
Reserves		32911	31044	29357	29525
Capital		0	0	0	0
<b>Total equity</b>		<b>-49237</b>	<b>-30842</b>	<b>-8431</b>	<b>6007</b>

**Table C3: Statement of cash flows for the Commonwealth general government sector — AAS31**

		2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Note	Estimates		Projections	
<b>Operating activities</b>					
Cash received					
Taxes	15	142862	151594	159243	170115
Sales of goods and services		2708	2998	2920	2985
Interest		3575	4039	5068	6119
Dividends		2982	2907	2729	2279
GST receipts related to purchases/sales		1636	1883	1862	1857
Other		3205	2901	2668	2651
<b>Total operating cash received</b>		<b>156968</b>	<b>166322</b>	<b>174490</b>	<b>186005</b>
Cash used					
Payments to employees		15878	16590	16734	16950
Payments to suppliers		13436	13169	12904	13222
Subsidies paid		7394	7885	8226	8465
Personal benefits		69550	71523	75886	80356
Grant payments		30826	33016	33196	33506
Interest and other financing costs		8815	8197	8026	7677
GST payments related to purchases/sales		1773	1873	1861	1852
Other		5026	5233	5361	5638
<b>Total operating cash used</b>		<b>152698</b>	<b>157486</b>	<b>162193</b>	<b>167666</b>
<b>Net cash from operating activities</b>		<b>4270</b>	<b>8836</b>	<b>12297</b>	<b>18339</b>
<b>Investing activities</b>					
Cash received					
Proceeds from asset sales programme		6305	9800	16600	6800
Proceeds from sales of property, plant and equipment and intangibles		4388	817	707	636
Net loans, advances and HECS		464	0	0	0
Other net investing cash received		9351	0	0	0
<b>Total investing cash received</b>		<b>20507</b>	<b>10617</b>	<b>17307</b>	<b>7436</b>
Cash used					
Purchase of property, plant and equipment and intangibles		4748	5132	5700	6290
Net loans, advances and HECS		0	679	711	428
Other net investing cash paid	14	0	338	391	197
<b>Total investing cash used</b>		<b>4748</b>	<b>6150</b>	<b>6802</b>	<b>6915</b>
<b>Net cash from investing activities</b>		<b>15759</b>	<b>4468</b>	<b>10505</b>	<b>521</b>
<b>Financing activities</b>					
Cash received					
Other		0	0	0	0
Net cash received from currency issues		0	0	0	0
<b>Total financing cash received</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash used					
Net repayments of borrowings	14	19773	13005	23318	19578
Other		315	876	478	618
<b>Total financing cash used</b>		<b>20088</b>	<b>13881</b>	<b>23796</b>	<b>20196</b>
<b>Net cash from financing activities</b>		<b>-20088</b>	<b>-13881</b>	<b>-23796</b>	<b>-20196</b>
<b>Net increase/decrease in cash held</b>		<b>-58</b>	<b>-578</b>	<b>-994</b>	<b>-1336</b>



## STATISTICS, CONCEPTS AND NOTES TO THE FINANCIAL STATEMENTS

### Note 1: External reporting standards

The *Charter of Budget Honesty Act 1998* requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The financial statements included in this appendix have been prepared on an accrual basis in accordance with applicable Australian accounting standards, including *Australian Accounting Standard No. 31 'Financial Reporting by Governments'* (AAS31). AAS31 is the relevant accounting standard for financial reporting by governments.

AAS31 requires adoption of the full accrual basis of accounting. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, an operating statement, a balance sheet and a statement of cash flows have been prepared using estimates for the budget year and the three forward years.

The accounting policies in this budget document are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Commonwealth public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the budget presentation of financial estimates covers the General Government Sector only.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. At this stage, the Commonwealth does not consider its taxation revenues can be reliably measured on this basis for budget reporting purposes. Taxation revenue is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office (ATO) or the Australian Customs Service (ACS) raises a tax assessment.

The Commonwealth collected a number of taxes on an agency basis for the States and Territories, principally 'safety net' surcharge collections until 1 July 2000 (which replaced business franchise fees), mirror taxes on Commonwealth places and from 1 July 2000, the goods and services tax. The revenue from these taxes is passed to State and Territory Governments (with an adjustment for administration costs in the case of safety net revenue and mirror taxes). Estimates of taxes collected by the Commonwealth and passed to State and Territory Governments are provided in Note 4.

In regard to GST revenue, AAS31 and other relevant accounting standards would suggest the gross amount of GST be included in the Commonwealth's Financial Statements. However, the clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA) is that the GST is a State tax collected by the Commonwealth in an agency capacity. Therefore, accrued GST

revenues and associated payments to the States and Territories are not recorded in the MYEFO financial statements.

In addition, non-accounting standard classifications have been used in different sections of the budget. 'Outcomes' is a Commonwealth classification framework that indicates the results, impacts or consequences of agencies' activities. Functional classifications used in some tables are based on standards maintained by the ABS, but have been extended in some cases to provide greater detail.

## Note 2: Reconciliation of cash

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
<b>Operating result (revenues less expenses)</b>	<b>5934</b>	<b>3609</b>	<b>7462</b>	<b>14268</b>
<i>less</i> <b>Revenues not providing cash</b>				
Foreign exchange gains	71	3	0	0
Gains from sale of assets	2701	138	69	291
Other	344	224	232	220
<b>Total revenues not providing cash</b>	<b>3116</b>	<b>365</b>	<b>301</b>	<b>511</b>
<i>plus</i> <b>Expenses not requiring cash</b>				
Increase/(decrease) in employee entitlements	500	84	-126	44
Depreciation/amortisation expense	3045	3135	3395	3574
Provision for bad and doubtful debts	160	180	181	181
Provision for diminution in value of assets	28	4	4	3
Losses from sale of assets	3	1	0	0
Foreign exchange losses	810	0	0	0
Other	40	0	0	0
<b>Total expenses not requiring cash</b>	<b>4586</b>	<b>3404</b>	<b>3456</b>	<b>3803</b>
<i>plus</i> <b>Cash provided by working capital items</b>				
Decrease in inventories	485	288	331	173
Decrease in receivables	0	1540	1257	464
Decrease in other financial assets	204	0	0	0
Decrease in other non-financial assets	151	1	9	9
Increase in benefits, subsidies and grants payable	127	529	149	281
Increase in suppliers' liabilities	117	0	0	0
Increase in other provisions and payables	0	0	119	0
<b>Total cash provided by working capital items</b>	<b>1084</b>	<b>2357</b>	<b>1865</b>	<b>928</b>
<i>less</i> <b>Cash used by working capital items</b>				
Increase in inventories	0	0	0	0
Increase in receivables	3927	0	0	0
Increase in other financial assets	0	6	60	15
Decrease in other non-financial assets	0	0	0	0
Decrease in other provisions and payables	291	59	0	13
Decrease in suppliers' liabilities	0	104	124	121
<b>Total cash used by working capital items</b>	<b>4218</b>	<b>170</b>	<b>184</b>	<b>148</b>
<i>equals</i> Net cash from/(to) operating activities	4270	8836	12297	18339
Net cash from/(to) investing activities	15759	4468	10505	521
<b>Net cash from operating activities and investment</b>	<b>20030</b>	<b>13303</b>	<b>22803</b>	<b>18861</b>
Net cash from/(to) financing activities	-20088	-13881	-23796	-20196
<i>equals</i> <b>Net (decrease)/increase in cash</b>	<b>-58</b>	<b>-578</b>	<b>-994</b>	<b>-1336</b>

**Note 3: Income tax**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Individuals -				
Gross PAYG withholding	73026	78532	84730	91256
Gross other individuals	13558	15921	16036	18665
<i>less</i> : Refunds	11230	11061	11788	12738
<b>Total individuals</b>	<b>75354</b>	<b>83391</b>	<b>88978</b>	<b>97183</b>
Companies	33197	29055	30035	31786
Superannuation funds	5087	3873	4091	4416
Other withholding tax	1426	1462	1532	1557
Petroleum resource rent tax	1760	1640	1220	950
<b>Total income tax</b>	<b>116824</b>	<b>119421</b>	<b>125856</b>	<b>135892</b>

#### Note 4: Indirect tax

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Petroleum excise duty	13146	13561	14129	14900
<i>Of which revenue replacement</i>				
<i>Less transfers to States and Territories in relation to revenue replacement</i>	253	0	0	0
<b>Petroleum excise duty revenue</b>	<b>12892</b>	<b>13561</b>	<b>14129</b>	<b>14900</b>
Other excise duty	6552	6713	6779	6889
<i>Of which revenue replacement</i>				
<i>Less transfers to States and Territories in relation to revenue replacement</i>	61	0	0	0
<b>Other excise duty revenue</b>	<b>6491</b>	<b>6713</b>	<b>6779</b>	<b>6889</b>
Total excise duty	19698	20273	20908	21789
<i>Of which revenue replacement</i>				
<i>Less transfers to States and Territories in relation to revenue replacement</i>	314	0	0	0
<b>Total excise duty revenue</b>	<b>19383</b>	<b>20273</b>	<b>20908</b>	<b>21789</b>
Customs duty	4545	4862	5435	6073
<i>Of which revenue replacement</i>				
<i>Less transfers to States and Territories in relation to revenue replacement</i>	4	0	0	0
<b>Customs duty revenue</b>	<b>4541</b>	<b>4862</b>	<b>5435</b>	<b>6073</b>
Other indirect taxes	2073	813	853	878
<i>Of which revenue replacement</i>				
<i>Less transfers to States and Territories in relation to revenue replacement</i>	117	0	0	0
<b>Other indirect tax revenue</b>	<b>1956</b>	<b>813</b>	<b>853</b>	<b>878</b>
GST revenue	26303	28029	29083	30737
<i>Less transfers to States and Territories in relation to GST revenue</i>	26303	28029	29083	30737
<b>GST revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Mirror taxes	169	174	181	190
<i>Less transfers to States and Territories in relation to mirror tax revenue</i>	169	174	181	190
<b>Mirror tax revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Indirect tax revenue</b>	<b>25880</b>	<b>25948</b>	<b>27196</b>	<b>28740</b>

**Note 5: Interest and dividends**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Interest				
Interest from other governments				
State and Territory debt	72	56	51	38
Housing agreements	188	185	181	178
<b>Total interest from other governments</b>	<b>260</b>	<b>241</b>	<b>232</b>	<b>216</b>
Interest from other sources				
Swap interest	2389	2608	2762	2796
Advances	44	49	53	53
Deposits	31	24	24	20
Bills receivable	6	6	6	6
Bank deposits	387	222	236	241
Other	326	940	1844	2846
<b>Total interest from other sources</b>	<b>3183</b>	<b>3847</b>	<b>4925</b>	<b>5962</b>
<b>Total interest</b>	<b>3444</b>	<b>4088</b>	<b>5157</b>	<b>6178</b>
Dividends				
Dividends from associated entities	2283	2889	2710	2260
Other dividends	22	18	19	19
<b>Total dividends</b>	<b>2306</b>	<b>2907</b>	<b>2729</b>	<b>2279</b>
<b>Total interest and dividends</b>	<b>5749</b>	<b>6995</b>	<b>7886</b>	<b>8457</b>

**Note 6: Other sources of non-taxation revenue**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Industry contributions	44	45	42	43
Indexation of HECS receivable and other student loans	344	224	232	220
International Monetary Fund related revenue	83	83	83	83
Other	3119	2937	2814	2824
<b>Total other sources of non-taxation revenue</b>	<b>3591</b>	<b>3289</b>	<b>3171</b>	<b>3170</b>

**Note 7: Employees expenses**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Salaries and wages(a)	8873	8892	8789	8908
Leave and other entitlements	316	324	321	324
Separations and redundancies	34	17	16	16
Workers compensation premiums	266	288	308	317
Other (including superannuation)	6888	7153	7174	7429
<b>Total employee expenses</b>	<b>16378</b>	<b>16674</b>	<b>16608</b>	<b>16995</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Supply of goods and services	10675	10488	10299	10471
Operating lease rental expenses	946	852	856	862
Other	2232	2014	1962	1945
<b>Total suppliers expenses</b>	<b>13854</b>	<b>13354</b>	<b>13116</b>	<b>13278</b>

**Note 9: Depreciation and amortisation**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Depreciation				
Specialist military equipment	1653	1761	1959	2073
Buildings	439	411	415	418
Other infrastructure, plant and equipment	744	718	755	815
<b>Total depreciation</b>	<b>2836</b>	<b>2890</b>	<b>3129</b>	<b>3307</b>
<b>Total amortisation</b>	<b>210</b>	<b>245</b>	<b>266</b>	<b>267</b>
<b>Total depreciation and amortisation</b>	<b>3045</b>	<b>3135</b>	<b>3395</b>	<b>3574</b>

**Note 10: Grants**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
State and Territory governments	20080	22240	22785	22912
Non-profit organisations	995	1043	1067	1100
Overseas	538	555	244	232
Private sector	676	777	637	647
Local governments	127	122	128	131
Other	8498	8530	8303	8422
<b>Total grants</b>	<b>30913</b>	<b>33266</b>	<b>33163</b>	<b>33443</b>

**Note 11: Non-financial assets**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
	Estimates		Projections	
Land and buildings				
Land	3810	3652	3504	3485
Buildings	11241	11055	10898	10874
<b>Total land and buildings</b>	<b>15051</b>	<b>14707</b>	<b>14402</b>	<b>14359</b>
Infrastructure				
Specialist military equipment	29765	30593	31760	33331
Other	8929	9293	9957	10450
<b>Total infrastructure</b>	<b>38695</b>	<b>39885</b>	<b>41717</b>	<b>43781</b>
Intangibles				
Computer software	824	826	766	747
Other	158	234	202	174
<b>Total intangibles</b>	<b>982</b>	<b>1059</b>	<b>969</b>	<b>921</b>
Inventories	3002	3155	3264	3690
<b>Total inventories</b>	<b>3002</b>	<b>3155</b>	<b>3264</b>	<b>3690</b>
Other non-financial assets				
Prepayments	1143	1143	1135	1126
Other	147	147	147	147
<b>Total other non-financial assets</b>	<b>1290</b>	<b>1289</b>	<b>1280</b>	<b>1271</b>
<b>Total non-financial assets</b>	<b>59020</b>	<b>60096</b>	<b>61631</b>	<b>64022</b>



**Note 12: Employee liabilities**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
	Estimates		Projections	
Superannuation	76543	76616	76469	76518
Leave and other entitlements	3018	3037	3055	3063
Accrued salaries and wages	244	261	280	280
Workers compensation claims	1148	1107	1070	1036
Separations and redundancies	29	26	27	27
Workers compensation premiums	0	0	0	0
Other	1354	1373	1394	1415
<b>Total employee entitlements</b>	<b>82336</b>	<b>82421</b>	<b>82295</b>	<b>82339</b>

**Note 13: Grants payable**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
	Estimates		Projections	
State and Territory governments	2685	2858	3042	3221
Non-profit organisations	34	31	31	31
Private sector	0	0	0	0
Overseas	1162	1212	963	729
Local governments	0	0	0	0
Other	3485	3514	3547	3539
<b>Total grants payable</b>	<b>7365</b>	<b>7616</b>	<b>7583</b>	<b>7520</b>

**Note 14: Government securities**

For 2000-01 and the forward years, transactions relating to government securities and financial assets acquired for debt management purposes have been netted in the balance sheet and cash flows. In the balance sheet, the *financial assets — investments* category excludes financial assets acquired for debt management purposes, while the *debt — government securities* category is shown net of financial assets acquired for debt management purposes. Likewise, in the statement of cash flows, the *investing activities — cash used — other* category excludes cash used to acquire financial assets for debt management purposes.

This netting treatment has been applied because of the considerable uncertainty associated with the split between government securities and financial assets acquired for debt management purposes. Debt management strategies in respect of government securities and financial assets are highly dependent on prevailing market conditions and other factors. The balance to be struck between gross debt retirement and financial asset acquisition cannot be accurately estimated in advance.

**Note 15: Taxes**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
	Estimates		Projections	
Total taxes	170180	179797	188507	201042
<i>less</i> payments to States and Territories in relation to revenue replacement	435	0	0	0
<i>less</i> payments to States and Territories in relation to GST revenue	26303	28029	29083	30737
<i>less</i> payments to States and Territories in relation to mirror tax revenue	581	174	181	190
<b>Taxes</b>	<b>142862</b>	<b>151594</b>	<b>159243</b>	<b>170115</b>

**Table C4: Changes to general government expenses by function since the 2000-01 Budget**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %
<b>General public services</b>												
Legislative and executive affairs	480	502	4.6	551	564	2.4	450	466	3.6	440	458	4.1
Financial and fiscal affairs(a)	6601	4076	-38.3	6781	3837	-43.4	6811	3535	-48.1	6973	3511	-49.6
Foreign economic aid	2338	2315	-1.0	2412	2317	-3.9	2147	2057	-4.2	2230	2143	-3.9
General research	1557	1568	0.7	1561	1578	1.1	1571	1591	1.3	1579	1606	1.7
General services	439	457	4.1	446	455	2.0	448	458	2.2	459	467	1.7
Government superannuation benefits(b)	1568	2022	29.0	1357	1404	3.5	1388	1313	-5.4	1381	1506	9.1
<b>Total general public services</b>	<b>12983</b>	<b>10939</b>	<b>-15.7</b>	<b>13108</b>	<b>10154</b>	<b>-22.5</b>	<b>12815</b>	<b>9419</b>	<b>-26.5</b>	<b>13062</b>	<b>9691</b>	<b>-25.8</b>
<b>Defence</b>	<b>10606</b>	<b>10979</b>	<b>3.5</b>	<b>10657</b>	<b>10595</b>	<b>-0.6</b>	<b>11075</b>	<b>10928</b>	<b>-1.3</b>	<b>11533</b>	<b>11377</b>	<b>-1.4</b>
<b>Public order and safety</b>												
Courts and legal services	584	593	1.5	578	600	3.8	577	611	5.9	579	610	5.4
Other public order and safety	584	622	6.5	556	596	7.2	534	582	9.0	537	587	9.3
<b>Total public order and safety</b>	<b>1168</b>	<b>1215</b>	<b>4.0</b>	<b>1133</b>	<b>1196</b>	<b>5.6</b>	<b>1112</b>	<b>1193</b>	<b>7.3</b>	<b>1116</b>	<b>1197</b>	<b>7.3</b>
<b>Education</b>												
Higher education	3932	3953	0.5	3988	4066	2.0	4057	4166	2.7	4123	4274	3.7
Vocational and other education	1119	1165	4.1	1099	1135	3.3	1106	1137	2.8	1110	1146	3.2
Non-government schools	3209	3195	-0.4	3462	3413	-1.4	3734	3683	-1.4	4031	3980	-1.3
Government schools	1871	1913	2.2	1966	1994	1.4	2044	2075	1.5	2149	2188	1.8
<i>Schools</i>	<i>5080</i>	<i>5108</i>	<i>0.6</i>	<i>5428</i>	<i>5407</i>	<i>-0.4</i>	<i>5778</i>	<i>5759</i>	<i>-0.3</i>	<i>6181</i>	<i>6168</i>	<i>-0.2</i>
Student assistance	646	700	8.4	668	656	-1.8	700	666	-4.9	722	672	-6.9
General administration	37	30	-18.9	36	29	-19.4	37	29	-21.6	38	30	-21.1
School education - specific funding	100	100	0.0	103	101	-1.9	104	117	12.5	104	102	-1.9
<b>Total education</b>	<b>10915</b>	<b>11056</b>	<b>1.3</b>	<b>11321</b>	<b>11393</b>	<b>0.6</b>	<b>11783</b>	<b>11875</b>	<b>0.8</b>	<b>12277</b>	<b>12392</b>	<b>0.9</b>

**Table C4: Changes to general government expenses by function since the 2000-01 Budget (continued)**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %
<b>Health</b>												
Medical services and benefits	10215	10550	3.3	10674	10981	2.9	11199	11546	3.1	11704	12090	3.3
Hospital services	1229	1270	3.3	1183	1241	4.9	1227	1277	4.1	1200	1200	0.0
Health care agreements	6243	6334	1.5	6603	6710	1.6	6967	7112	2.1	7414	7496	1.1
<i>Hospital services and health care agreements</i>	<i>7473</i>	<i>7604</i>	<i>1.8</i>	<i>7786</i>	<i>7950</i>	<i>2.1</i>	<i>8194</i>	<i>8389</i>	<i>2.4</i>	<i>8614</i>	<i>8696</i>	<i>1.0</i>
Pharmaceutical services and benefits	4347	4305	-1.0	4540	4511	-0.6	4769	4805	0.8	5098	5170	1.4
Aboriginal and Torres Strait Islander health	189	189	0.0	197	196	-0.5	212	222	4.7	220	240	9.1
Health Services	544	527	-3.1	533	501	-6.0	554	518	-6.5	563	529	-6.0
Other health services	649	866	33.4	670	884	31.9	710	938	32.1	763	985	29.1
<i>Other health services</i>	<i>1193</i>	<i>1394</i>	<i>16.8</i>	<i>1203</i>	<i>1385</i>	<i>15.1</i>	<i>1264</i>	<i>1456</i>	<i>15.2</i>	<i>1325</i>	<i>1514</i>	<i>14.3</i>
General administration	905	926	2.3	950	976	2.7	989	1012	2.3	1019	1038	1.9
Health assistance to the aged(c)	713	517	-27.5	780	596	-23.6	807	622	-22.9	820	643	-21.6
<b>Total health</b>	<b>25035</b>	<b>25485</b>	<b>1.8</b>	<b>26131</b>	<b>26596</b>	<b>1.8</b>	<b>27434</b>	<b>28051</b>	<b>2.2</b>	<b>28800</b>	<b>29390</b>	<b>2.0</b>
<b>Social security and welfare</b>												
Assistance to the aged(c)	23377	24462	4.6	23123	23648	2.3	24477	24900	1.7	25769	26238	1.8
Assistance to veterans and dependents	5227	5199	-0.5	5257	5417	3.0	5389	5427	0.7	5360	5467	2.0
Assistance to people with disabilities	7272	7274	0.0	7677	7731	0.7	7998	8006	0.1	8479	8513	0.4
Assistance to families with children	17970	17974	0.0	18767	18901	0.7	19475	19429	-0.2	20078	20111	0.2
Assistance to the unemployed	5698	5607	-1.6	5491	5349	-2.6	5399	5197	-3.7	5280	5034	-4.7
Assistance to the sick	96	99	3.1	95	89	-6.3	99	91	-8.1	100	94	-6.0
<i>Assistance to the unemployed and the sick</i>	<i>5794</i>	<i>5706</i>	<i>-1.5</i>	<i>5586</i>	<i>5438</i>	<i>-2.6</i>	<i>5499</i>	<i>5289</i>	<i>-3.8</i>	<i>5379</i>	<i>5128</i>	<i>-4.7</i>
Common youth allowance	2211	2099	-5.1	2301	2218	-3.6	2403	2296	-4.5	2455	2370	-3.5
Other welfare programmes	233	314	34.8	217	343	58.1	197	370	87.8	192	385	100.5
Aboriginal advancement (nec)	1259	1238	-1.7	1307	1293	-1.1	1336	1321	-1.1	1366	1355	-0.8
General administration	1983	2190	10.4	1949	2175	11.6	1901	2153	13.3	1888	2158	14.3
<b>Total social security and welfare</b>	<b>65327</b>	<b>66455</b>	<b>1.7</b>	<b>66185</b>	<b>67164</b>	<b>1.5</b>	<b>68674</b>	<b>69191</b>	<b>0.8</b>	<b>70966</b>	<b>71726</b>	<b>1.1</b>

**Table C4: Changes to general government expenses by function since the 2000-01 Budget (continued)**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %
<b>Housing and community amenities</b>												
Housing and community amenities	1333	1299	-2.6	1100	1303	18.5	1294	1302	0.6	1198	1204	0.5
Urban and regional development	65	87	33.8	48	71	47.9	26	49	88.5	26	49	88.5
Environment protection	653	556	-14.9	810	609	-24.8	438	338	-22.8	436	315	-27.8
<b>Total housing and community amenities</b>	<b>2050</b>	<b>1943</b>	<b>-5.2</b>	<b>1959</b>	<b>1983</b>	<b>1.2</b>	<b>1759</b>	<b>1689</b>	<b>-4.0</b>	<b>1661</b>	<b>1568</b>	<b>-5.6</b>
<b>Recreation and culture</b>												
Broadcasting	514	582	13.2	523	573	9.6	535	581	8.6	541	588	8.7
Arts and cultural heritage	694	822	18.4	624	661	5.9	581	635	9.3	582	626	7.6
Sport and recreation	135	198	46.7	97	99	2.1	101	103	2.0	102	104	2.0
National estate and parks	151	147	-2.6	112	140	25.0	104	100	-3.8	104	100	-3.8
<b>Total recreation and culture</b>	<b>1493</b>	<b>1748</b>	<b>17.1</b>	<b>1356</b>	<b>1473</b>	<b>8.6</b>	<b>1322</b>	<b>1419</b>	<b>7.3</b>	<b>1329</b>	<b>1418</b>	<b>6.7</b>
<b>Fuel and energy(a)</b>	<b>52</b>	<b>2900</b>	<b>5476.9</b>	<b>38</b>	<b>3187</b>	<b>8286.8</b>	<b>36</b>	<b>3377</b>	<b>9280.6</b>	<b>37</b>	<b>3532</b>	<b>9445.9</b>
<b>Agriculture, forestry and fishing</b>												
Wool industry	119	183	53.8	120	69	-42.5	130	70	-46.2	127	78	-38.6
Grains industry	104	104	0.0	100	104	4.0	97	100	3.1	94	96	2.1
Dairy industry	201	243	20.9	270	274	1.5	273	277	1.5	274	277	1.1
Cattle, sheep and pig industry	107	130	21.5	99	100	1.0	98	100	2.0	100	102	2.0
Fishing, horticulture and other agriculture	129	130	0.8	166	163	-1.8	167	164	-1.8	169	166	-1.8
General assistance not allocated to specific industries	481	617	28.3	445	513	15.3	433	462	6.7	431	440	2.1
Rural assistance	147	179	21.8	127	149	17.3	130	132	1.5	142	140	-1.4
Natural resources development	356	389	9.3	351	313	-10.8	137	126	-8.0	136	124	-8.8
General administration	49	51	4.1	50	46	-8.0	46	42	-8.7	46	43	-6.5
<b>Total agriculture, forestry and fishing</b>	<b>1694</b>	<b>2027</b>	<b>19.7</b>	<b>1729</b>	<b>1731</b>	<b>0.1</b>	<b>1510</b>	<b>1474</b>	<b>-2.4</b>	<b>1518</b>	<b>1466</b>	<b>-3.4</b>

**Table C4: Changes to general government expenses by function since the 2000-01 Budget (continued)**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %
<b>Mining and mineral resources (other than fuels), manufacturing and construction</b>	<b>850</b>	<b>952</b>	<b>12.0</b>	<b>947</b>	<b>1043</b>	<b>10.1</b>	<b>754</b>	<b>852</b>	<b>13.0</b>	<b>684</b>	<b>787</b>	<b>15.1</b>
<b>Transport and communication</b>												
Communication	604	652	7.9	689	732	6.2	566	608	7.4	528	570	8.0
Rail transport	71	108	52.1	161	185	14.9	1	1	0.0	0	0	0.0
Air transport	183	183	0.0	115	112	-2.6	117	115	-1.7	104	101	-2.9
Road transport	927	922	-0.5	1038	1053	1.4	969	981	1.2	882	896	1.6
Sea transport	158	156	-1.3	158	155	-1.9	159	157	-1.3	161	159	-1.2
Other transport and communication	132	136	3.0	132	135	2.3	128	130	1.6	129	132	2.3
<b>Total transport and communication</b>	<b>2074</b>	<b>2157</b>	<b>4.0</b>	<b>2294</b>	<b>2373</b>	<b>3.4</b>	<b>1939</b>	<b>1991</b>	<b>2.7</b>	<b>1805</b>	<b>1858</b>	<b>2.9</b>
<b>Other economic affairs</b>												
Tourism and area promotion	138	130	-5.8	139	130	-6.5	124	117	-5.6	126	120	-4.8
Vocational and industry training	440	440	0.0	437	434	-0.7	438	438	0.0	438	434	-0.9
Labour market assistance to job seekers and industry	1806	1721	-4.7	1808	1721	-4.8	1887	1799	-4.7	1878	1810	-3.6
Industrial relations	112	149	33.0	107	144	34.6	102	139	36.3	102	138	35.3
Immigration	687	701	2.0	671	680	1.3	699	717	2.6	713	701	-1.7
<i>Total labour and employment affairs</i>	<i>3044</i>	<i>3011</i>	<i>-1.1</i>	<i>3024</i>	<i>2978</i>	<i>-1.5</i>	<i>3127</i>	<i>3093</i>	<i>-1.1</i>	<i>3130</i>	<i>3083</i>	<i>-1.5</i>
Other economic affairs (nec)	561	434	-22.6	553	425	-23.1	546	418	-23.4	543	417	-23.2
<b>Total other economic affairs</b>	<b>3743</b>	<b>3575</b>	<b>-4.5</b>	<b>3716</b>	<b>3533</b>	<b>-4.9</b>	<b>3797</b>	<b>3628</b>	<b>-4.5</b>	<b>3799</b>	<b>3620</b>	<b>-4.7</b>

**Table C4: Changes to general government expenses by function since the 2000-01 Budget (continued)**

	2000-01			2001-02			2002-03			2003-04		
	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %	Budget \$ m	MYEFO \$ m	Change on Budget %
<b>Other purposes</b>												
Interest on behalf of the Commonwealth	8575	9386	9.5	7943	7948	0.1	8114	7843	-3.3	7910	7365	-6.9
Interest on behalf of the States and Territories	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0
Interest received on Commonwealth stock	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0
<i>Public debt interest</i>	<i>8575</i>	<i>9386</i>	<i>9.5</i>	<i>7943</i>	<i>7948</i>	<i>0.1</i>	<i>8114</i>	<i>7843</i>	<i>-3.3</i>	<i>7910</i>	<i>7365</i>	<i>-6.9</i>
Nominal superannuation interest(b)	3695	3879	5.0	3706	3896	5.1	3669	4001	9.0	3718	3873	4.2
General revenue assistance - States and Territories	477	477	0.0	730	730	0.0	748	747	-0.1	767	767	0.0
General capital assistance - States and Territories	0	0	0.0	0	0	0.0	0	0	0.0	0	0	0.0
Debt assistance	50	0	-100.0	2	0	-100.0	1	0	-100.0	0	0	0.0
Local government assistance	1322	1321	-0.1	1369	1367	-0.1	1417	1416	-0.1	1466	1465	-0.1
Revenue assistance to the States and Territories	139	139	0.0	147	146	-0.7	151	152	0.7	154	158	2.6
Assistance to other governments	1131	847	-25.1	3235	1871	-42.2	1654	1798	8.7	1065	1224	14.9
<i>General purpose inter-government transactions</i>	<i>3119</i>	<i>2783</i>	<i>-10.8</i>	<i>5481</i>	<i>4114</i>	<i>-24.9</i>	<i>3971</i>	<i>4112</i>	<i>3.6</i>	<i>3453</i>	<i>3613</i>	<i>4.6</i>
Natural disaster relief	64	64	0.0	64	64	0.0	64	64	0.0	64	64	0.0
Contingency reserve	274	-551	-301.1	1960	1950	-0.5	3596	3917	8.9	5330	5778	8.4
Asset sales	15	48	220.0	0	0	0.0	0	0	0.0	0	0	0.0
<b>Total other purposes</b>	<b>15741</b>	<b>15609</b>	<b>-0.8</b>	<b>19154</b>	<b>17972</b>	<b>-6.2</b>	<b>19414</b>	<b>19938</b>	<b>2.7</b>	<b>20474</b>	<b>20694</b>	<b>1.1</b>
<b>Total AAS31 general government expenses</b>	<b>153732</b>	<b>157039</b>	<b>2.2</b>	<b>159728</b>	<b>160392</b>	<b>0.4</b>	<b>163424</b>	<b>165026</b>	<b>1.0</b>	<b>169061</b>	<b>170715</b>	<b>1.0</b>

- (a) The Diesel Fuel Rebate Scheme has been reclassified from Financial and Fiscal Affairs in general Public Services, to Fuel and Energy, following advice from the Australian Bureau of Statistics (ABS) as the expense reduces the cost of fuel to the commercial non-transport sector.
- (b) Nominal Superannuation Interest has been reclassified from Government Superannuation Benefits in General Public Services, to Other Purposes, following advice from the ABS, as other interest expenses are recorded in Other Purposes.
- (c) There has been a reclassification from 1 July 1999 of subsidies paid to aged care facilities (nursing homes), from Health to the Social Security and Welfare function as a result of unifying the nursing homes and hostels systems under reforms of the Residential Aged Care System.

**Table C5: Changes to general government expenses by agency since the 2000-01 Budget**

	2000-01 \$m		2001-02 \$m		2002-03 \$m		2003-04 \$m	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
Aboriginal and Torres Strait Islander Commission	1104	1106	1159	1168	1189	1197	1220	1231
Attorney-General's Department	465	439	448	433	440	438	445	434
AusAID	1497	1547	1571	1552	1297	1277	1351	1331
Australian Broadcasting Corporation	683	685	714	726	736	745	753	761
Australian Bureau of Statistics	280	279	371	372	279	282	269	271
Australian Customs Service	626	625	632	632	642	644	649	654
Australian Electoral Commission	104	108	185	186	96	98	98	100
Australian Federal Police	366	377	345	351	327	337	329	340
Australian Greenhouse Office	0	232	0	231	0	237	0	212
Australian Nuclear Science and Technology Organisation	115	120	120	125	124	127	118	124
Australian Office of Financial Management	8685	9448	7997	7999	8152	7879	7953	7406
Australian Securities and Investments Commission	163	162	161	163	160	163	158	161
Australian Sports Commission	99	100	90	91	93	95	94	96
Australian Taxation Office	5290	5397	5466	5489	5607	5491	5770	5619
Australian Tourist Commission	130	123	131	124	116	111	118	113
Australian Trade Commission	331	337	332	335	180	183	180	184
Australian Wool Research and Promotion Organisation	119	138	120	0	130	0	127	0
Centrelink	1753	1744	1716	1728	1680	1709	1655	1703
Civil Aviation Authority	91	92	87	91	89	94	94	98
Comcare Australia	160	177	174	187	178	192	189	200
Commonwealth Scientific and Industrial Research Organisation	773	776	798	804	821	829	829	839
Defence Housing Authority	261	259	279	277	281	289	275	291
Department of Agriculture, Fisheries and Forestry	1323	1355	1322	1241	1317	1189	1357	1220
Department of Communications, Information Technology and the Arts	639	745	644	652	465	492	420	433



**Table C5: Changes to general government expenses by agency since the 2000-01 Budget (continued)**

	2000-01 \$m		2001-02 \$m		2002-03 \$m		2003-04 \$m	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
Department of Defence	13564	14708	13661	13815	14152	14225	14773	14817
Department of Education, Training and Youth Affairs	11552	11643	11993	12090	12473	12622	12962	13153
Department of Employment, Workplace Relations and Small Business	1734	1739	1726	1736	1774	1787	1762	1795
Department of Environment and Heritage	883	920	847	924	450	437	444	428
Department of Family and Community Services	55932	56649	56316	56658	58432	58370	60449	60515
Department of Finance and Administration	4160	4422	3892	4101	3805	4012	3687	3908
Department of Foreign Affairs and Trade	787	805	788	799	799	814	829	845
Department of Health and Aged Care	26313	27110	27716	28427	29085	29944	30485	31372
Department of Immigration and Multicultural Affairs	895	938	876	906	904	941	923	923
Department of Industry, Science and Resources	1024	1203	1009	1072	949	974	876	882
Department of Prime Minister and Cabinet	87	88	82	85	67	70	56	59
Department of the Treasury	1866	1522	4139	2810	2685	2837	2118	2290
Department of Transport and Regional Services	2812	2959	3012	3057	2704	2747	2652	2697
Department of Veteran's Affairs	8452	8320	8554	8680	8864	8889	9023	9068
Family Court of Australia	113	111	114	112	115	114	113	113
Grain Research and Development Corporation	103	103	99	103	96	99	93	95
Health Insurance Commission	13273	390	13794	383	14353	385	15063	389
Office of Asset Sales and IT Outsourcing	15	48	0	0	0	0	0	0
Special Broadcasting Service Corporation	131	165	131	145	134	147	132	145
Whole of Government and Inter Agency amounts(a)	-15022	-3173	-13881	-466	-12816	1514	-11831	3399
<b>Total general government expenses</b>	<b>153732</b>	<b>157039</b>	<b>159728</b>	<b>160392</b>	<b>163424</b>	<b>165026</b>	<b>169061</b>	<b>170715</b>

(a) The Whole of Government portfolio includes elimination entries for transactions between agencies within the general government sector. These transactions will include grant payments, supply payments, superannuation payments and monies appropriated from the Official Public Account.

**Table C6: Changes to net capital investment by portfolio since the 2000-01 Budget**

	2000-01 \$m		2001-02 \$m		2002-03 \$m		2003-04 \$m	
	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO
Agriculture, Fisheries and Forestry	-15	-44	-5	-2	-5	-2	-7	-5
Attorney-General's	11	71	-24	-14	-22	-34	-15	-21
Communications, Information Technology and the Arts	14	-99	67	68	10	12	-17	24
Defence	27	-709	376	497	547	379	452	303
Education, Training and Youth Affairs	0	0	1	-1	0	-5	0	1
Employment, Workplace Relations and Small Business	11	3	-2	1	-2	2	0	2
Environment and Heritage	-7	-10	-8	-1	-7	-5	-8	-10
Family and Community Services	14	16	20	6	8	7	-15	-31
Finance and Administration	-295	-295	-119	-166	-82	-87	87	87
Foreign Affairs and Trade	-11	-20	-6	-6	-12	-12	-13	-13
Health and Aged Care	29	1	3	6	-14	-12	-4	-4
Immigration and Multicultural Affairs	-7	5	5	5	-1	-9	-34	-16
Industry, Science and Resources	113	181	101	96	41	17	67	42
Parliament	0	0	0	0	0	0	0	0
Prime Minister and Cabinet	-1	-1	-1	-1	-1	-1	0	0
Transport and Regional Services	-19	-5	1	10	-9	3	-15	-3
Treasury	104	129	20	-4	-55	-50	-36	-11
Veteran's Affairs	8	9	2	4	2	6	3	6
Whole of Government	230	354	227	578	162	1328	410	2039
<b>Total general government net capital investment</b>	<b>206</b>	<b>-412</b>	<b>659</b>	<b>1075</b>	<b>560</b>	<b>1536</b>	<b>853</b>	<b>2390</b>

## Appendix D: Commonwealth Government Finance Statistics Statements

The Commonwealth *Charter of Budget Honesty Act 1998* requires that the MYEFO be based on external reporting standards, and that departures from applicable external reporting standards be identified. The major external standards used in this document are Australian Accounting Standards (AAS31) and the ABS accrual GFS framework.

The Commonwealth, States and Territories also have an agreement — the *Uniform Presentation Framework* (UPF) — that all jurisdictions publish a common core of GFS consistent financial information in their budget papers.

This appendix presents Commonwealth data on a GFS basis, as required by the UPF. Statistical tables are presented below, showing an operating statement, balance sheet and cash flow statement for the Commonwealth general government, public non-financial sector corporations (PNFC) and total non-financial public sectors. The tables were produced by the Department of Finance and Administration (DOFA) in consultation with the ABS.

GST is collected by the Commonwealth, as an agent for the States and Territories, and appropriated to the States. As such, it is not shown as Commonwealth revenue elsewhere throughout this MYEFO. However, the tables in this appendix are presented consistent with ABS standards, on an accrual UPF reporting basis, and show GST as revenue in and expenses out.

Consistent with ABS practice, transactions between the Commonwealth general government and PNFC sectors are included in the tables produced for these sectors, but are removed from the total non-financial sector tables as they are transactions internal to that sector.

Transactions between the Commonwealth public financial corporations (PFC) sector and the general government and PNFC sectors are included in the relevant tables. These transactions include income transfers such as dividends paid to general government, net advances paid by general government to PFCs and taxes paid by PFCs.

Conceptually, the surplus/deficit aggregate contained in the cash flow statement is the same as the deficit measure obtained under the cash GFS framework that was used prior to 1999-2000. However, in practice, the process of deriving these aggregates differs so that the measures are not directly comparable. Time series data created by splicing these measures together should therefore be used with caution.

## GOVERNMENT FINANCE STATISTICS STATEMENTS

**Table D1: Commonwealth general government operating statement**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
General Government				
<b>GFS revenue</b>				
Taxation revenue	173645	178263	187129	200510
Sales of goods and services	2941	2931	2970	2991
Interest income	1055	1481	2395	3382
Current grants and subsidies	0	0	0	0
Other	6291	6438	6078	5583
<b>Total GFS revenue(a)</b>	<b>183932</b>	<b>189112</b>	<b>198573</b>	<b>212465</b>
<b>GFS expenses</b>				
Gross operating expenses				
Depreciation	1392	1374	1437	1501
Superannuation	1443	1217	1185	1117
Other operating expenses	44342	46187	47283	49001
<b>Total gross operating expenses</b>	<b>47177</b>	<b>48778</b>	<b>49905</b>	<b>51619</b>
Nominal superannuation interest expense	3879	3896	4001	3873
Other interest expenses	6074	5496	5317	4869
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	58239	62344	63332	65330
Subsidy expenses	3813	4237	4389	4481
Other current transfers	59790	61223	64941	68946
<b>Total current transfers</b>	<b>121842</b>	<b>127804</b>	<b>132661</b>	<b>138756</b>
Capital transfers	200	200	200	200
<b>Total GFS expenses(b)</b>	<b>179172</b>	<b>186173</b>	<b>192084</b>	<b>199317</b>
<b>Net operating balance</b>	<b>4761</b>	<b>2939</b>	<b>6489</b>	<b>13149</b>
<b>Net acquisition of non-financial assets</b>				
Gross fixed capital formation	205	1002	1088	1660
<i>less</i> Depreciation	1392	1374	1437	1501
<i>plus</i> Change in inventories	125	153	109	425
<i>plus</i> Other movements in non-financial assets	-2584	-126	-41	-265
<b>Total net acquisition of non-financial assets</b>	<b>-3646</b>	<b>-346</b>	<b>-280</b>	<b>320</b>
<b>Net lending/fiscal balance(c)</b>	<b>8407</b>	<b>3285</b>	<b>6769</b>	<b>12829</b>

- (a) GFS revenue does not equal AAS31 revenue. GFS revenue includes all (mutually agreed) transactions that increase net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS revenue. Asset sales, which involve a transfer of a non-financial asset for a financial asset, are also excluded.
- (b) GFS expenses do not equal AAS31 expenses. GFS expenses include all (mutually agreed) transactions that decrease net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS expenses.
- (c) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

**Table D2: Commonwealth general government sector balance sheet**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
General Government				
<b>GFS assets</b>				
Financial assets				
Cash and deposits	3498	2920	1927	591
Advances paid	13220	13943	14705	15172
Investments, loans and placements	9841	9966	10161	10333
Other non-equity assets	12494	17753	16497	9174
Equity	55691	42157	28602	28591
<b>Total financial assets</b>	<b>94744</b>	<b>86740</b>	<b>71891</b>	<b>63862</b>
Non-financial assets				
Land and fixed assets	27965	28214	29097	30961
Other non-financial assets	1737	1741	1792	1798
<b>Total non-financial assets</b>	<b>29702</b>	<b>29956</b>	<b>30889</b>	<b>32759</b>
<b>Total GFS assets</b>	<b>124446</b>	<b>116695</b>	<b>102780</b>	<b>96621</b>
<b>GFS liabilities</b>				
Deposits held	10	10	10	10
Advances received	0	0	0	0
Borrowing	70192	56359	32678	12410
Unfunded superannuation liability	76543	76616	76469	76518
Other employee entitlements and provisions	5793	5805	5826	5822
Other non-equity liabilities	12805	13122	13150	13312
<b>Total GFS liabilities</b>	<b>165343</b>	<b>151912</b>	<b>128133</b>	<b>108072</b>
<b>Net worth(a)</b>	<b>-40898</b>	<b>-35216</b>	<b>-25353</b>	<b>-11450</b>
Net financial worth(b)	-70599	-65172	-56242	-44210
Net debt(c)	43643	29540	5895	-13676

- (a) Net worth is calculated as assets minus liabilities.  
(b) Net financial worth equals total financial assets minus total liabilities.  
(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table D3: Commonwealth general government sector cash flow statement<sup>(a)</sup>**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
General Government				
<b>Cash receipts from operating activities</b>				
Taxes received	168546	179170	187937	200506
Receipts from sales of goods and services	2749	3040	2963	3030
Grants/subsidies received	0	0	0	0
Other receipts	9636	9530	9896	10360
<b>Total receipts</b>	<b>180931</b>	<b>191739</b>	<b>200796</b>	<b>213895</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services	-25763	-26561	-27007	-27816
Grants and subsidies paid	-62245	-66362	-67787	-69908
Interest paid	-6329	-5398	-5016	-4826
Other payments for operating activities	-84582	-87803	-92379	-97054
<b>Total payments</b>	<b>-178918</b>	<b>-186124</b>	<b>-192188</b>	<b>-199605</b>
<b>Cash flows from operating activities</b>	<b>2013</b>	<b>5615</b>	<b>8608</b>	<b>14291</b>
<b>Cash Flows from investments in non-financial assets</b>				
Sales of non-financial assets	4388	817	707	636
<i>less</i> purchases of new & second-hand non-financial assets	-2071	-1694	-1755	-2031
<b>Net cash flows from investments in non-financial assets</b>	<b>2316</b>	<b>-877</b>	<b>-1048</b>	<b>-1395</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>6533</b>	<b>8873</b>	<b>15648</b>	<b>6166</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	9351	-338	-391	-197
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>9351</b>	<b>-338</b>	<b>-391</b>	<b>-197</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	0	0	0	0
Borrowing (net)	-19773	-13005	-23318	-19578
Deposits received (net)	0	0	0	0
Other financing (net)	-498	-846	-492	-622
<b>Net cash flows from financing activities</b>	<b>-20271</b>	<b>-13850</b>	<b>-23810</b>	<b>-20200</b>
<b>Net increase/decrease in cash held</b>	<b>-58</b>	<b>-578</b>	<b>-994</b>	<b>-1336</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>4329</b>	<b>4738</b>	<b>7560</b>	<b>12895</b>
<i>plus</i> Finance leases and similar arrangements(b)	0	0	0	0
<b>Equals Surplus(+)/Deficit(-)</b>	<b>4329</b>	<b>4738</b>	<b>7560</b>	<b>12895</b>

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) Finance leases are shown with a negative sign as they are deducted in compiling the surplus/deficit.

**Table D4: Commonwealth public non-financial corporations operating statement**

	2000-01 \$m
<b>GFS revenue</b>	
Current grants and subsidies	28
Sales of goods and services	25732
Interest income	77
Other	37
<b>Total GFS revenue(a)</b>	<b>25874</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	3256
Other operating expenses	15061
<b>Total gross operating expenses</b>	<b>18317</b>
Interest expenses	834
Other property expenses	2769
Current transfers	
Tax expenses	2611
Other current transfers	0
<b>Total current transfers</b>	<b>2611</b>
Capital transfers	0
<b>Total GFS expenses(b)</b>	<b>24531</b>
<b>Net operating balance</b>	<b>1343</b>
<b>Net acquisition of non-financial assets</b>	
Gross fixed capital formation	5093
<i>less</i> Depreciation	3256
<i>plus</i> Change in inventories	57
<i>equals Total net capital formation</i>	<i>1894</i>
<i>plus</i> Other movements in non-financial assets	473
<b>Total net acquisition of non-financial assets</b>	<b>2367</b>
<b>Net lending/fiscal balance(c)</b>	<b>-1024</b>

- (a) GFS revenue does not equal AAS31 revenue. GFS revenue includes all (mutually agreed) transactions that increase net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS revenue. Asset sales, which involve a transfer of a non-financial asset for a financial asset, are also excluded.
- (b) GFS expenses do not equal AAS31 expenses. GFS expenses include all (mutually agreed) transactions that decrease net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS expenses.
- (c) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

**Table D5: Commonwealth public non-financial corporations balance sheet**

	2000-01 \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	1435
Advances paid	107
Investments, loans and placements	1416
Other non-equity assets	3260
Equity	0
<b>Total financial assets</b>	<b>6218</b>
Non-financial assets	
Land and fixed assets	31774
Other non-financial assets	2179
<b>Total non-financial assets</b>	<b>33953</b>
<b>Total GFS assets</b>	<b>40171</b>
<b>GFS liabilities</b>	
Deposits held	0
Advances received	0
Borrowing	8416
Provisions (other than depreciation and bad debts)	6569
Other non-equity liabilities	3812
<b>Total GFS liabilities</b>	<b>18797</b>
<b>Shares and other contributed capital</b>	<b>87052</b>
<b>Net worth(a)</b>	<b>-65678</b>
Net financial worth(b)	-99631
Net debt(c)	5458

- (a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Commonwealth corporations by the sharemarket than the value of net assets recorded by those corporations.
- (b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.
- (c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.



**Table D6: Commonwealth public non-financial corporations cash flow statement<sup>(a)</sup>**

	2000-01 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	26110
Grants and subsidies received	29
Other receipts	111
<b>Total receipts</b>	<b>26250</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-830
Interest paid	-16243
Other payments for operating activities(b)	-4454
<b>Total payments</b>	<b>-21527</b>
<b>Net cash flows from operating activities</b>	<b>4723</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	163
<i>less</i> purchases of new and secondhand non-financial assets	-5256
<b>Net cash flows from investments in non-financial assets</b>	<b>-5093</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	836
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>836</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	1
Borrowing (net)	-460
Deposits received (net)	0
Distributions paid (net)(c)	-1284
Other financing (net)	1272
<b>Net cash flows from financing activities</b>	<b>-471</b>
<b>Net increase/decrease in cash held</b>	<b>-5</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-370</b>
<i>plus</i> Finance leases and similar arrangements(d)	0
<i>plus</i> Distributions paid	-1284
<b>Equals Surplus(+)/Deficit(-)</b>	<b>-1654</b>

- (a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.  
(b) 'Other payments for operating activities' includes the cash flow to the general government sector from PNFC distributions paid.  
(c) 'Distributions paid' comprise PNFC dividends to external shareholders.  
(d) Finance leases are shown with a negative sign as they are deducted in compiling the surplus/deficit.

**Table D7: Commonwealth total non-financial public sector operating statement**

	2000-01 \$m
<b>GFS revenue</b>	
Taxation revenue	171035
Current grants and subsidies	0
Sales of goods and services	28673
Interest income	1109
Other	4843
<b>Total GFS revenue(a)</b>	<b>205659</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	4648
Other operating expenses	60846
<b>Total gross operating expenses</b>	<b>65494</b>
Nominal superannuation interest expense	3879
Other interest expenses	6885
Other property expenses	1284
Current transfers	
Grant expenses	58239
Subsidy expenses	3785
Other current transfers	59790
<b>Total current transfers</b>	<b>121814</b>
Capital transfers	200
<b>Total GFS expenses(b)</b>	<b>199557</b>
<b>Net operating balance</b>	<b>6104</b>
<b>Net acquisition of non-financial assets</b>	
Gross fixed capital formation	5297
<i>less</i> Depreciation	4648
<i>plus</i> Change in inventories	182
<i>plus</i> Other movements in non-financial assets	-2111
<b>Total net acquisition of non-financial assets</b>	<b>-1279</b>
<b>Net lending/fiscal balance(c)</b>	<b>7383</b>

- (a) GFS revenue does not equal AAS31 revenue. GFS revenue includes all (mutually agreed) transactions that increase net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS revenue. Asset sales, which involve a transfer of a non-financial asset for a financial asset, are also excluded.
- (b) GFS expenses do not equal AAS31 expenses. GFS expenses include all (mutually agreed) transactions that decrease net worth. Revaluations are not considered mutually agreed transactions and so are excluded from GFS expenses.
- (c) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

**Table D8: Commonwealth total non-financial public sector balance sheet**

	2000-01 \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	4933
Advances paid	13326
Investments, loans and placements	11257
Other non-equity assets	15754
Equity	9088
<b>Total financial assets</b>	<b>54357</b>
Non-financial assets	
Land and fixed assets	59739
Other non-financial assets	3916
<b>Total non-financial assets</b>	<b>63655</b>
<b>Total GFS Assets</b>	<b>118012</b>
<b>GFS liabilities</b>	
Deposits held	10
Advances received	-1
Borrowing	78608
Unfunded superannuation liability	76543
Other employee entitlements and provisions	12362
Other non-equity liabilities	16617
<b>Total GFS liabilities</b>	<b>184139</b>
<b>Shares and other contributed capital</b>	<b>40449</b>
<b>Net worth(a)</b>	<b>-106577</b>
Net financial worth(b)	-170231
Net debt(c)	49102

- (a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital.
- (b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.
- (c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements

**Table D9: Commonwealth total non-financial public sector cash flow statement<sup>(a)</sup>**

	2000-01 \$m
<b>Cash receipts from operating activities</b>	
Taxes received	165935
Receipts from sales of goods and services	28859
Grants and subsidies received	0
Other receipts	8239
<b>Total receipts</b>	<b>203034</b>
<b>Cash payments for operating activities</b>	
Payments for goods and services	-42005
Grants and subsidies paid	-62217
Interest paid	-7136
Other payments for operating activities	-84940
<b>Total payments</b>	<b>-196297</b>
<b>Net cash flows from operating activities</b>	<b>6737</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	4551
<i>less</i> purchases of new and secondhand non-financial assets	-7327
<b>Net cash flows from investments in non-financial assets</b>	<b>-2776</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>6535</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	10187
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>10187</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-20233
Deposits received (net)	0
Distributions paid (net)(b)	-1284
Other financing (net)	773
<b>Net cash flows from financing activities</b>	<b>-20743</b>
<b>Net increase/decrease in cash held</b>	<b>-61</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>3960</b>
<i>plus</i> Finance leases and similar arrangements(c)	0
<i>plus</i> Distributions paid	-1284
<b>Equals Surplus(+)/Deficit(-)(d)</b>	<b>2676</b>

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) 'Distributions paid' comprise PNFC dividends to external shareholders.

(c) Finance leases are shown with a negative sign as they are deducted in compiling the surplus/deficit.

(d) Time series of surplus/deficit data should be used with caution, as they incorporate cash data for years up to and including 1998-99, and accrual data from 1999-2000 onwards.

The UPF also requires publication of data on general government sector expenses by function. The data are not shown in this part as they have been published earlier, in Table 18 in Part V. However, the data in Part V treat the GST as a State tax, and hence Table 18 excludes GST payments to the States.

## **LOAN COUNCIL ALLOCATION**

Under Loan Council arrangements, every year the Commonwealth and each State and Territory nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector cash deficit (made up of the deficits from the general government and public non-financial corporations sectors);
- net cash flows from investments in financial assets for policy purposes. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets; and
- memorandum items, such as transactions that, while not formally borrowings, have many of the characteristics of borrowing.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

The Commonwealth nominated, and the Loan Council endorsed, an LCA surplus for 2000-01 of \$6.9 billion. In its May 2000 Budget, the Commonwealth estimated an increased LCA surplus of \$8.5 billion, with the change primarily reflecting improvements in the estimated general government surplus.

Table D10 presents a revised estimate of the Commonwealth's 2000-01 LCA, updating the budget estimate provided in *2000-01 Budget Paper No. 3, Federal Financial Relations*. The increase in the Commonwealth's estimated LCA surplus since the Budget mainly reflects an improvement in the general government cash surplus. However, the Commonwealth does not expect to exceed its tolerance limit of 2 per cent of non-financial public sector receipts from operating activities which applies on either side of its budget LCA estimate.

**Table D10: Commonwealth's loan council allocation for 2000-01**

	Budget Estimate \$m	MYEFO Estimate \$m
General government sector cash deficit(+)/surplus(-)	-2844	-4329
PNFC sector cash deficit(+)/surplus(-)	-988	1654
Non-financial public sector cash deficit(+)/surplus(-)	-3832	-2676
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(a)	5163	6535
<i>plus</i> Memorandum items(b)	482	-904
Loan council allocation	-8513	-10114

- (a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash inflow from investments in financial assets for policy purposes has implications for a government's call on financial markets.
- (b) For the Commonwealth, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), university borrowings, overfunding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the LCA.

## Appendix E: Sensitivity of Fiscal Aggregates to Economic Developments and Statement of Risks

### Sensitivity of fiscal aggregates to economic developments

Table E1 provides a guide to the sensitivity of the forward estimates of GFS expenses and GFS revenue to variations in economic parameters in 2000-01. It is important to recognise that such guides provide only a 'rule of thumb' indication of the impact on the budget of changes in economic and other parameters.

**Table E1: Sensitivity of financial aggregates to changes in economic parameters**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Expenses</b>				
Prices	90	530	640	600
Wages	0	180	340	350
Unemployment benefit recipients	130	250	250	240
Safety net adjustments	15	110	220	330
<b>Revenue</b>				
Prices	10	200	220	230
Wages	540	1150	1240	1330
Employment	350	750	810	870
Private final demand	130	280	290	310

### **EXPENSES**

On the expenses side, the sensitivity analysis of the estimates provides for the following assumptions about changes to four broad groups of parameters:

- prices — all price deflators are assumed to change by one percentage point at the start of the March quarter 2001, with wage deflators left unchanged;
- wages — all wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2001, with price deflators left unchanged;
- unemployment benefit recipients (includes Newstart Allowance and unemployed Youth Allowance recipients) — the total number of recipients is assumed to change by 5 per cent from the beginning of the March quarter 2001; and
- Safety Net Adjustment — the Safety Net Adjustment (SNA) determined by the Australian Industrial Relations Commission (AIRC) is assumed to increase by \$2 per week in the March quarter 2001, and each year after that. The SNA is used in the calculation of the Wage Cost Indices.

For expenses, an increase in any of the above parameters will lead to an increase in expenses, and similarly, a decrease in any of the parameters will lead to a reduction in expenses.

Projected expenses 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 Male Total Average Weekly Earnings (MTAWE) 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 MTAWE.

In addition, about \$40 billion of expenses, comprising agency departmental expenses, other Commonwealth Own Purpose Expenses and Specific Purpose Payments to the States of a departmental expense nature, are indexed to weighted averages of movements in inflation and the SNA determined by the AIRC.

The wages effect in the table above is based on the increase in Commonwealth administered expenses which are linked to wage and salary indices. It does not include changes to wage and salary payments in Commonwealth Departmental expenses.

The number of unemployment benefit recipients, and therefore the total spending on benefits, are affected by economic growth and employment growth. However, the relationship between GDP growth and unemployment benefit recipients is highly variable and difficult to quantify. For this reason, Table E1 only includes the impact of changes in the number of unemployment benefit recipients (includes Newstart Allowance and unemployed Youth Allowance recipients) on the estimates.

## **REVENUE**

The assumptions underlying the sensitivity of the revenue estimates to changes in prices and wages are similar to those used for expenses. In each case, the analysis presents the estimated effects of a change in one economic variable only, and does not attempt to capture the linkages between economic variables that characterise changes in the economy more broadly.

The revenue effects of changes in employment and private final demand show the effect of the following assumptions:

- employment — the level of employment is assumed to change by one percentage point from the beginning of the March quarter 2001, with no change in the composition of demand; and
- private final demand (consumption plus investment) — the level of private final demand is assumed to change by one percentage point from the beginning of the March quarter 2001, with no change in the composition of demand.

For the purposes of this analysis:



- changes in prices affect revenue primarily through changes in excise revenue;
- changes in wages and employment feed through into tax revenue largely through increases in PAYG Withholding tax collections; and
- changes in private final demand affect revenue predominantly through changes in excise and customs collections.

An increase in any of the parameters considered will lead to an increase in revenue, and a decrease in any of the parameters will lead to a reduction in revenue.

# Statement of risks

## OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Statement 4 of *Budget Paper No. 1 Budget Strategy and Outlook 2000-01*. The Statement of Risks included in the MYEFO provides an update of that material, presenting changes since the 2000-01 Budget to fiscal risks and quantifiable and unquantifiable contingent liabilities.

The forward estimates of revenues and expenses at the 2000-01 MYEFO incorporate assumptions and judgements based on information at the time of publication. A range of factors may influence the actual budget outcome in future years. *The Charter of Budget Honesty Act 1998* requires that these be disclosed in each Economic and Fiscal Outlook report. This disclosure brings greater transparency to the fiscal projections.

Events that 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
- realisation of contingent liabilities.

## Economic and other parameters

Some degree of uncertainty is attached to estimates of both revenues and expenses. While MYEFO estimates are prepared with the benefit of some revenue outcomes for the early months of the Budget year — which in general tend to reduce forecast errors — substantial uncertainties nevertheless remain. Moreover, the difficulties associated with such estimation will generally increase in accordance with extension of the forecast horizon over the forward estimates period. The sensitivity of the estimates to major economic parameters (but not other parameters) is discussed earlier in this Appendix.

## Fiscal risks

Fiscal risks are general developments or specific events that 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 expenses and/or revenue and may be positive or negative.

## **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 exposure to contingent liabilities arises out of legislation providing guarantees over certain liabilities of Commonwealth controlled financial institutions (that is, the Reserve Bank of Australia and the 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 Telstra Superannuation Scheme.

## **DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES**

Fiscal risks in relation to expenses that have arisen or changed since the 2000-01 Budget are outlined below. There are no substantive changes to fiscal risks associated with revenue.

### **FISCAL RISKS — EXPENSES**

#### **Defence**

##### ***Litigation cases in train***

The Department of Defence is involved in several cases covering a wide range of litigation where either the cases have not been heard or damages and costs have not been awarded. The litigation involves Common Law liability and claims before the Human Rights and Equal Opportunity Commission. Litigation also involves asbestos litigation, and alleged defective administration by the Department. Since the 2000-01 Budget, the number of claims has decreased from 574 to 459, and in total, all of these claims are now valued at around \$59 million.

#### **Finance and Administration**

##### ***Arbitration in train — DASFLEET***

Macquarie Fleet Leasing Pty Ltd, as purchaser of DASFLEET, have disputed the valuation methodology adopted by the Commonwealth in the Completion Asset and Liability Statement in relation to the vehicle fleet. The Commonwealth is also in dispute with Macquarie Fleet Leasing Pty Ltd on matters associated with the Tied Contract. These matters are subject to arbitration.

### ***Asset sales — Telstra***

The Budget and forward estimates include the effect of the sale of the Commonwealth's shareholding in Telstra, noting that the level of proceeds will depend, *inter alia*, on the prevailing levels of world equity markets at the time of the sale. The sale of the Commonwealth's remaining shareholding in Telstra is dependent on the passage of legislation through the Parliament. The Government has committed not to introduce such legislation until its plan of action in relation to the independent telecommunications service inquiry into the adequacy of service levels has been fully considered and made public.

## **Health and Aged Care**

### ***Australian health care agreements***

The Commonwealth and all States and Territories have signed Australian Health Care Agreements for the five years to 2002-03 that incorporate a risk-sharing arrangement in case of changes in the private health insurance participation rate. Under this formula, Commonwealth grants to the States and Territories will be increased by \$82 million a year from 1999-2000 for each percentage point decrease below the December 1998 level. This is based on current estimates of movements in population, price indexation, and assuming that those leaving private health insurance have the same age/sex profile as those remaining. While the Australian Health Care Agreements provide for grants to be decreased in the event of increases in the participation rate above a certain point, the Government made a commitment that none of the States would be worse off as the result of a rise in the private health insurance participation rate. This commitment took into account public hospital revenue from both privately insured patients and veterans. The Government has decided to exclude veterans from these calculations.

### ***Immunisation funding mechanism***

Future vaccine technology will result in new vaccines substituting for ones already in use (multivalent vaccines which combine several vaccines into one, for example) and, as a consequence, could result in higher unit costs of vaccines within the routine schedule. Given the nature of current vaccine technology and the possible introduction of new vaccines, specific costs cannot be precisely quantified at this stage. The possible inclusion of new conjugate vaccines since the 2000-01 Budget, for pneumococcal and meningococcal disease, and vaccines for varicella (chicken pox) and hepatitis A within the routine schedule now has the potential to increase Commonwealth expenses by up to \$240 million over the next four years.

## **Immigration and Multicultural Affairs**

### ***Unauthorised boat arrivals***

During 1999-2000, Australia experienced unprecedented numbers of unauthorised boat arrivals. The Budget and forward estimates include an allowance for the level of arrivals to continue at a higher rate than has been the experience in previous years.

The number of unauthorised boat arrivals early in 2000-01 has been less than anticipated at the time the 2000-01 Budget was prepared. Whilst there is as yet insufficient evidence to conclude that this trend will continue, if a reduced outcome is achieved, this will reduce expenses in the Budget and forward years.

## **Industry, Science and Resources**

### ***Repayment of Snowy Mountains Hydro-Electric Scheme debt***

At the 2000-01 Budget, the corporatisation of the Scheme was expected to occur in 2000-01. It is now expected to occur in 2001-02 and will involve the refinancing and early repayment of debt to the Commonwealth. The estimated market value of the debt remains unchanged since the 2000-01 Budget and is in the order of \$900 million. Detailed arrangements are to be finalised between the Commonwealth, New South Wales and Victorian Governments, as shareholders in the new company. Electricity prices and the financial markets will influence the timing and amount of payments following corporatisation.

## **Transport and Regional Services**

### ***Maritime industry reform***

On 18 August 1998 the Commonwealth provided a guarantee to cover borrowings made by the Maritime Industry Finance Company (MIFCo) to finance redundancy related payments in the stevedoring and maritime industries. MIFCo's borrowing facility, negotiated with its bankers, was \$220 million. As at 30 September 2000, approximately \$195 million has been drawn down, reflecting an increase of \$2 million since the 2000-01 Budget. The *Stevedoring Levy (Collection) Act 1998* has been amended to increase the expenditure cap in the legislation from \$250 million to \$300 million.

## **Treasury**

### ***International Monetary Fund (IMF) assistance to Thailand, Indonesia and the Republic of Korea***

In response to instability in regional financial markets, in 1997-98 Australia offered to provide bilateral financing in support for the IMF programmes in Thailand, Indonesia and the Republic of Korea. Only the Thailand facility has been used. This took the form of a series of currency swaps between the Reserve Bank of Australia (RBA) and the

Bank of Thailand for up to \$US1 billion. Under the swap arrangement, the RBA provided US dollars to the Bank of Thailand in exchange for Thai baht. Australia has provided bilateral support of \$US862 million. The Bank of Thailand indicated in October 1999 that it did not intend to draw down any further financing. The facility expired in June 2000. Repayment of swaps drawn under the facility is to commence from March 2001, with repayment in full occurring no later than July 2004.

### ***Transitional arrangements for reforms to Commonwealth-State financial relations***

The Commonwealth has guaranteed that in each of the transitional years following the introduction of *The New Tax System*, each State's budgetary position will be no worse off than had the reforms to Commonwealth-State financial relations not been implemented. To meet this commitment, the Commonwealth has implemented transitional arrangements. As a result of these arrangements, a shortfall in estimated GST revenue over the forward estimates period may result in increased expenses to the Commonwealth.

## **CONTINGENT LIABILITIES — QUANTIFIABLE**

### **Communications, Information Technology and the Arts**

#### ***Australian Broadcasting Corporation (ABC)***

The Commonwealth has guaranteed loans by the ABC. These loans were largely used to meet costs relating to the construction of premises for the ABC at Southbank in Melbourne and Ultimo in Sydney. The principal amount covered by the guarantee as at 30 September 2000 was \$90 million, a decrease of \$53 million since the 2000-01 Budget.

#### ***Telstra Corporation Limited — superannuation guarantee***

Telstra Corporation Limited had agreed to make additional employer contributions to the Telstra Superannuation Scheme (TSS). The Commonwealth had guaranteed any outstanding additional employer contributions in the event that Telstra became insolvent. Since the 2000-01 Budget, Telstra has reached agreement with the Trustee of the TSS and the Government to release it from the obligation to make additional payments. As part of this arrangement, the Commonwealth's guarantee (and thus the risk) no longer applies.

### **Defence**

#### ***Military Compensation***

Contingent liabilities exist in relation to military compensation claims to the value of some \$27 million, which is \$1 million lower than the 2000-01 Budget estimate. The total

amount relates to outstanding claims for non-economic loss as a consequence of the Federal Court decision in *Schlenert v the Australian and Overseas Telephone Corporation 1995*.

## **Education, Training and Youth Affairs**

### ***Commonwealth loan guarantees – group training***

The Minister for Education, Training and Youth Affairs is authorised to issue Commonwealth guarantees on a limited number of loans made to Commonwealth-endorsed Group Training companies. These loans provide access to additional working capital required to expand the number of apprentices and trainees that may be employed through Group Training companies. The maximum guarantee of each loan is \$175,000 with the total value of all guarantees capped at \$30 million. As of 30 June 2000, two Commonwealth Loan Guarantees for \$175,000 each were issued by the Commonwealth. Two applications for a Guarantee are currently under consideration.

## **Treasury**

### ***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 related to Notes (that is, 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. As at 30 June 2000, Notes on Issue totalled \$25,434 million. In total, the guarantee for the Reserve Bank was \$45,249 million as at 30 June 2000, reflecting an increase of around \$3 million since the 2000-01 Budget.

### ***Uncalled Capital Subscriptions – International Financial Institutions***

The liability relates to the value of the uncalled portion of the Commonwealth's shares at 30 June 2000 in the International Bank for Reconstruction and Development (\$US2,769 million — estimated value \$A4,627 million), the Asian Development Bank (\$US2,448 million — estimated value \$A4,089 million), the European Bank for Reconstruction and Development (EBRD) (\$US82 million — estimated value \$A136 million), and the Multilateral Investment Guarantee Agency (MIGA) (\$US15 million — estimated value \$A25 million). Australia will subscribe to General Capital Increases for both the EBRD and MIGA in 2000-01. When this occurs, the uncalled capital portion of the subscriptions will increase by \$US98 million for the EBRD and by \$US12 million for MIGA (with estimated values of \$A164 million and \$A19 million respectively using the 30 June 2000 exchange rate). This will not affect the fiscal balance or the underlying cash balance as the transactions involved are considered to be financing transactions.

### ***International Monetary Fund (IMF) allocation of Special Drawing Rights (SDRs)***

IMF members are currently considering a special one-time allocation of SDRs under the proposed Fourth Amendment to the IMF's Articles of Agreement. The proposed amendment will be in force for all IMF members as at the date at which the IMF certifies that three fifths of IMF members (109 members), having eighty-five per cent of the total votes, have accepted the proposed Fourth Amendment. The Joint Standing Committee on Treaties has recommended that Australia take binding treaty action to approve the proposed amendment and legislation has been introduced into Parliament to reflect this. If the proposed amendment is approved by the required majority of IMF members and Australia accepts the SDR allocation, the Commonwealth would receive approximately SDR213 million or \$A476 million, based on the \$A/SDR exchange rate on 30 June 2000. This will not affect the fiscal balance or the underlying cash balance as the transactions involved are considered to be financing transactions.

## **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

### **Defence**

#### ***HMAS Melbourne, HMAS Voyager and HMAS Stalwart damages claims***

Some former crewmembers of HMAS Melbourne have instituted legal proceedings against the Commonwealth claiming damages for injuries relating to the collision with HMAS Voyager on 10 February 1964. To date, 103 claims remain current, down from 113 at the time of the 2000-01 Budget. A number of dependency claims arising from that collision have also been made or foreshadowed by the dependants of deceased members of the crew of HMAS Voyager. To date, a number of claims from dependants have been settled and 33 additional claims have been foreshadowed. There is a possibility that further claims will be made by former crewmembers of HMAS Melbourne and the dependants of deceased members of the crew of HMAS Voyager.

There is also a claim against the Commonwealth for damages for injuries allegedly sustained as a result of the HMAS Melbourne/USS Frank E Evans collision of 3 June 1969. It is possible that further claims will be made by former crew of HMAS Melbourne arising out of that collision.

Twenty-five claims for damages for injuries allegedly arising out of an incident aboard HMAS Stalwart that occurred on 22 October 1985 have been settled. Another five claims are currently the subject of legal proceedings. It is possible that former crew of HMAS Stalwart and the dependants of deceased members of the crew will make further claims.



## **Environment and Heritage**

### ***Newcrest Mining (WA) Limited and BHP Minerals Limited v the Commonwealth of Australia and the Director of National Parks and Wildlife***

In August 1997, the High Court of Australia found that the declarations of Stage 3 Kakadu National Park in 1987, 1989 and 1991 were technically invalid with respect to 23 small areas in the south-east of the park covered by existing mineral leases held by the Newcrest group of companies. The reason for this decision was that the declaration over these areas had, with the absolute prohibition on mining activities in Kakadu under the *National Parks and Wildlife Conservation Act 1975*, affected an acquisition of property without payment of just terms compensation, as required by the Australian Constitution.

The Minister for Environment and Heritage has indicated that the lease areas need to be re-incorporated within the Park and that the Government will address the issue of 'just terms' compensation. The Government has entered a dialogue with mining company representatives about the matter. The process was still underway as at October 2000.

## **Finance and Administration**

### ***Commonwealth Civilian Superannuation Liability***

Every three years an actuarial review of the Commonwealth's unfunded liability in respect of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme is undertaken. Subsequent to the 2000-01 Budget, the review based on data at 30 June 1999 has been completed and the results have been taken into account in the current estimates of the unfunded liability. The next review will be undertaken in 2002-03 based on data at 30 June 2002.



## Appendix F: Historical Fiscal Data

This appendix provides historical data for Commonwealth fiscal aggregates.

Table F1 provides details of the cash revenue, outlays and surplus for the period 1969-70 to 2003-04. Table F2 provides details of tax, non-tax and total revenue on a cash basis for the period 1969-70 to 2003-04.

Estimates up to and including 1998-99 are on cash terms, while those for 1999-2000 and onwards are cash proxies derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.

There are other structural breaks within the data set prior to the shift to accrual reporting. Classification differences and revisions, as well as changes to the structure of the budget, can impact on comparisons over such an extended period.

Following recent changes to the Australian National Accounts standards, the general government surplus measures in this appendix, from 1998-99 onwards, incorporate payments by the Commonwealth general government sector in respect of accumulated public non-financial corporations' (PNFC) superannuation liabilities. Figures for the years prior to 1998-99 do not incorporate these payments.

Other factors which affect the comparability of fiscal aggregates between years include:

- classification differences in the data relating to the period prior to 1976-77 (which mean that data for the earlier period may not be entirely consistent with data for 1976-77 and later years);
- adjustments in the coverage of agencies included in the accounts of the different sectors;
- the reclassification of Central Banking Authorities from the general government to the PFC sector in 1998-99, and subsequent backcasting to account for this change;
- the revaluation of Telstra, in 1999-2000, from book value to market value (which only impacts on net worth);
- the 1998-99 reclassification of fees and fines out of the broader taxes, fees and fines category used in previous years;
- 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 cash revenues and outlays as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing outlays) reduce both cash outlays and revenue.

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

Table F3 provides details of Commonwealth general government net debt outcomes from 1974-75 to 1999-2000 and estimates out to 2003-04.

Table F4 details Commonwealth net worth outcomes by sector from 1996-97 to 1999-2000, and estimates out to 2003-04.

Tables F5 to F7 provide details of Commonwealth accrual fiscal aggregates for the period 1996-97 to 2000-01 for the general government sector, the PNFC sector, and the non-financial public sector (NFPS). Estimates of Commonwealth general government sector accrual fiscal aggregates are also provided out to 2003-04.

**Table F1: Commonwealth general government sector cash revenue, outlays and surplus<sup>(a)</sup>**

	Revenue			Outlays			Cash Surplus(b)	
	\$m	Per cent		\$m	Per cent		\$m	Per cent
		Real Growth	Per cent of GDP		Real Growth	Per cent of GDP		
1969-70	7,097	8.8	21.1	6,131	2.3	18.2	966	2.9
1970-71	8,000	6.1	21.5	7,176	10.1	19.3	824	2.2
1971-72	8,827	3.5	21.5	7,987	4.4	19.4	840	2.0
1972-73	9,414	0.2	20.3	9,120	7.2	19.7	294	0.6
1973-74	11,890	10.5	21.3	10,829	3.9	19.4	1,061	1.9
1974-75	15,325	5.3	22.9	15,275	15.2	22.9	50	0.1
1975-76	18,316	3.3	23.2	19,876	12.5	25.2	-1,560	-2.0
1976-77	21,418	4.4	23.6	22,657	1.8	24.9	-1,239	-1.4
1977-78	23,491	0.9	23.7	25,489	3.5	25.7	-1,998	-2.0
1978-79	25,666	3.2	22.8	27,753	2.8	24.7	-2,087	-1.9
1979-80	29,780	5.6	23.3	31,041	1.8	24.3	-1,261	-1.0
1980-81	35,148	6.7	24.2	35,260	2.7	24.3	-112	-0.1
1981-82	40,831	3.5	24.6	40,394	2.1	24.3	437	0.3
1982-83	44,675	-1.8	24.9	47,907	6.4	26.7	-3,232	-1.8
1983-84	49,102	3.3	24.3	55,966	9.7	27.6	-6,864	-3.4
1984-85	57,758	11.2	25.7	63,639	7.5	28.4	-5,881	-2.6
1985-86	64,845	5.6	26.2	69,838	3.2	28.2	-4,993	-2.0
1986-87	73,145	5.5	26.9	75,392	1.0	27.7	-2,247	-0.8
1987-88	81,217	3.2	26.2	79,440	-2.1	25.6	1,777	0.6
1988-89	88,369	0.5	25.2	82,202	-4.4	23.4	6,167	1.8
1989-90	95,517	1.5	24.9	88,882	1.6	23.1	6,635	1.7
1990-91	97,705	-2.1	24.6	97,333	4.8	24.5	372	0.1
1991-92	92,966	-6.9	22.9	104,551	5.1	25.8	-11,585	-2.9
1992-93	94,448	0.1	22.1	111,484	5.0	26.1	-17,036	-4.0
1993-94	100,142	4.9	22.3	117,252	4.0	26.1	-17,110	-3.8
1994-95	109,720	9.2	23.2	122,901	4.4	26.0	-13,181	-2.8
1995-96	121,105	7.3	23.9	131,182	3.8	25.9	-10,077	-2.0
1996-97	129,845	5.3	24.4	135,126	1.2	25.4	-5,281	-1.0
1997-98	135,779	3.2	24.0	134,608	-1.6	23.8	1,171	0.2
1998-99	146,521	7.6	24.6	141,033	4.5	23.7	4,190	0.7
1999-00	165,828	na	26.2	153,157	na	24.2	12,671	2.0
<b>2000-01(e)</b>	<b>159,016</b>	<b>-7.0</b>	<b>23.4</b>	<b>154,687</b>	<b>-2.0</b>	<b>22.8</b>	<b>4,329</b>	<b>0.6</b>
2001-02(e)	164,527	2.4	23.1	159,789	2.2	22.5	4,738	0.7
2002-03(p)	172,420	2.3	22.8	164,861	0.7	21.8	7,560	1.0
2003-04(p)	183,794	4.0	23.0	170,899	1.2	21.4	12,895	1.6

- (a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework, with revenues proxied by receipts from operating activities and sales of non-financial assets, and outlays proxied by payments for operating activities and purchases of non-financial assets. Due to methodological and data-source changes associated with the change, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.
- (b) Following recent changes to the Australian National Accounts standards, the surplus measures in this table, from 1998-99 onwards, incorporate payments by the general government sector in respect of accumulated PNFC superannuation liabilities. Payments prior to 1998-99 do not incorporate these payments.

**Table F2: Commonwealth general government sector cash taxation revenue, non-taxation revenue and total revenue<sup>(a)</sup>**

	Taxation Revenue			Non-taxation Revenue			Total Revenue		
	\$m	Per cent		\$m	Per cent		\$m	Per cent	
		Real Growth	Per cent of GDP		Real Growth	Per cent of GDP		Real Growth	Per cent of GDP
1969-70	6,341	9.3	18.8	756	4.9	2.2	7,097	8.8	21.1
1970-71	7,148	6.1	19.2	852	6.1	2.3	8,000	6.1	21.5
1971-72	7,887	3.5	19.2	940	3.5	2.3	8,827	3.5	21.5
1972-73	8,411	0.1	18.2	1,003	0.2	2.2	9,414	0.2	20.3
1973-74	10,832	12.7	19.4	1,058	-7.7	1.9	11,890	10.5	21.3
1974-75	14,141	6.6	21.2	1,184	-8.6	1.8	15,325	5.3	22.9
1975-76	16,920	3.4	21.5	1,396	1.9	1.8	18,316	3.3	23.2
1976-77	19,714	4.1	21.7	1,704	9.0	1.9	21,418	4.4	23.6
1977-78	21,428	0.0	21.6	2,063	11.4	2.1	23,491	0.9	23.7
1978-79	23,409	3.1	20.8	2,257	3.3	2.0	25,666	3.2	22.8
1979-80	27,473	6.8	21.5	2,307	-6.9	1.8	29,780	5.6	23.3
1980-81	32,641	7.4	22.5	2,507	-1.7	1.7	35,148	6.7	24.2
1981-82	37,880	3.4	22.8	2,951	4.9	1.8	40,831	3.5	24.6
1982-83	41,025	-2.8	22.9	3,650	11.0	2.0	44,675	-1.8	24.9
1983-84	44,849	2.7	22.2	4,253	9.5	2.1	49,102	3.3	24.3
1984-85	52,970	11.6	23.6	4,788	6.4	2.1	57,758	11.2	25.7
1985-86	58,841	4.5	23.7	6,004	18.0	2.4	64,845	5.6	26.2
1986-87	66,467	5.7	24.4	6,678	4.0	2.5	73,145	5.5	26.9
1987-88	75,076	5.0	24.2	6,141	-14.6	2.0	81,217	3.2	26.2
1988-89	83,452	2.7	23.8	4,917	-26.0	1.4	88,369	0.5	25.2
1989-90	90,773	2.2	23.6	4,744	-9.4	1.2	95,517	1.5	24.9
1990-91	92,739	-2.2	23.4	4,966	0.2	1.3	97,705	-2.1	24.6
1991-92	87,364	-7.9	21.5	5,602	10.3	1.4	92,966	-6.9	22.9
1992-93	88,760	0.1	20.8	5,688	0.0	1.3	94,448	0.1	22.1
1993-94	93,362	4.0	20.8	6,780	17.9	1.5	100,142	4.9	22.3
1994-95	104,921	12.0	22.2	4,799	-29.5	1.0	109,720	9.2	23.2
1995-96	115,700	7.2	22.8	5,405	9.5	1.1	121,105	7.3	23.9
1996-97	124,559	5.8	23.4	5,286	-3.9	1.0	129,845	5.3	24.4
1997-98	130,984	3.8	23.2	4,795	-10.4	0.8	135,779	3.2	24.0
1998-99	141,105	7.4	23.7	5,416	12.6	0.9	146,521	7.6	24.6
1999-00	150,695	na	23.8	15,133	na	2.4	165,828	na	26.2
<b>2000-01(e)</b>	<b>142,243</b>	<b>-8.4</b>	<b>21.0</b>	<b>16,772</b>	<b>7.5</b>	<b>2.5</b>	<b>159,016</b>	<b>-7.0</b>	<b>23.4</b>
2001-02(e)	151,140	5.1	21.2	13,387	-21.0	1.9	164,527	2.4	23.1
2002-03(p)	158,854	2.6	21.1	13,566	-1.1	1.8	172,420	2.3	22.8
2003-04(p)	169,768	4.3	21.2	14,026	0.9	1.8	183,794	4.0	23.0

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1999-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework, with total revenue proxied by receipts from operating activities and sales of non-financial assets. Due to methodological and data-source changes associated with the change, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.

**Table F3: Commonwealth general government net debt  
(as at end of financial year)<sup>(a)</sup>**

	\$b	Per cent of GDP
1974-75	-1.9	-2.8
1975-76	-0.3	-0.4
1976-77	0.9	1.0
1977-78	2.9	2.9
1978-79	5.0	4.4
1979-80	6.2	4.9
1980-81	6.4	4.4
1981-82	5.9	3.6
1982-83	9.2	5.1
1983-84	16.0	7.9
1984-85	21.9	9.8
1985-86	26.9	10.8
1986-87	29.1	10.7
1987-88	27.4	8.8
1988-89	22.0	6.3
1989-90	16.1	4.2
1990-91	16.9	4.3
1991-92	31.1	7.7
1992-93	55.2	12.9
1993-94	70.2	15.6
1994-95	83.5	17.6
1995-96	95.8	18.9
1996-97	96.3	18.1
1997-98	82.9	14.7
1998-99	70.6	11.9
1999-00	53.1	8.4
<b>2000-01(e)</b>	<b>43.6</b>	<b>6.4</b>
2001-02(e)	29.5	4.2
2002-03(p)	5.9	0.8
2003-04(p)	-13.7	-1.7

(a) The net debt series used in this table incorporates Treasury estimates for the period 1974-75 to 1986-87 and published ABS data for the period 1987-88 to 1999-2000 (*Public Sector Financial Assets and Liabilities*, Cat. No. 5513.0). Comparable net debt data have been collected by the ABS only since 1987-88. Treasury estimates were constructed by deducting annual net borrowing — defined as the ABS cash deficit — from the ABS measure of the stock of net debt at end June 1988.

**Table F4: Commonwealth net worth by sector (as at end of financial year)<sup>(a)</sup>**

	General Government		PNFCs		Non-financial Public Sector	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1996-97	-74.4	-14.0	18.1	3.4	-56.3	-10.6
1997-98	-68.5	-12.1	18.1	3.2	-50.5	-8.9
1998-99	-76.2	-12.8	7.4	1.2	-68.8	-11.5
1999-00 (b)	-11.6	-1.8	-75.6	-12.0	-87.2	-13.8
<b>2000-01(e)</b>	<b>-40.9</b>	<b>-6.0</b>	<b>-65.7</b>	<b>-9.7</b>	<b>-106.6</b>	<b>-15.7</b>
2001-02(e)	-35.2	-4.9	na	na	na	na
2002-03(p)	-25.4	-3.4	na	na	na	na
2003-04(p)	-11.5	-1.4	na	na	na	na

(a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(b) The changes in net worth over 1999-2000 are largely attributable to the revaluation of Telstra at market rather than book value.

na Data not available.



**Table F5: Commonwealth general government sector GFS revenue, GFS expenses, net capital investment and fiscal balance**

	GFS Revenue			GFS Expenses			Net Capital Investment		Fiscal Balance(a)	
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
		Real Growth			Real Growth					
1996-97	143,108	na	26.9	146,964	na	27.6	355	0.1	-4,211	-0.8
1997-98	148,197	2.2	26.2	154,692	3.9	27.4	-4,522	-0.8	-1,973	-0.3
1998-99	151,922	2.2	25.5	146,620	-5.5	24.6	1,433	0.2	3,869	0.6
1999-00	166,617	7.8	26.4	153,217	<b>2.7</b>	24.2	-69	0.0	13,469	2.1
<b>2000-01(e)</b>	<b>157,630</b>	<b>-8.2</b>	<b>23.2</b>	<b>152,869</b>	<b>-3.2</b>	<b>22.5</b>	<b>-3,646</b>	<b>-0.5</b>	<b>8,407</b>	<b>1.2</b>
2001-02(e)	161,083	1.1	22.6	158,144	2.4	22.2	-346	0.0	3,285	0.5
2002-03(p)	169,490	2.7	22.5	163,001	0.6	21.6	-280	0.0	6,769	0.9
2003-04(p)	181,728	4.6	22.7	168,579	0.9	21.1	320	0.0	12,829	1.6

(a) Fiscal balance equals GFS revenue less GFS expenses less net capital investment.

na Data not available.

**Table F6: Commonwealth PNFC GFS revenue, GFS expenses, net capital investment and fiscal balance**

	GFS Revenue			GFS Expenses			Net Capital Investment		Fiscal Balance(a)	
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
		Real Growth			Real Growth					
1996-97	27,431	na	5.2	26,015	na	4.9	1,747	0.3	-331	-0.1
1997-98	29,618	6.6	5.2	26,999	2.5	4.8	259	0.0	2,360	0.4
1998-99	27,687	-6.8	4.7	26,088	-3.7	4.4	2,415	0.4	-816	-0.1
1999-00	25,270	-10.3	4.0	23,327	-12.1	3.7	881	0.1	1,062	0.2
<b>2000-01(e)</b>	<b>25,874</b>	<b>-0.7</b>	<b>3.8</b>	<b>24,531</b>	<b>2.0</b>	<b>3.6</b>	<b>2,367</b>	<b>0.3</b>	<b>-1,024</b>	<b>-0.2</b>

(a) Fiscal balance equals GFS revenue less GFS expenses less net capital investment.

na Data not available.

**Table F7: Commonwealth NFPS GFS revenue, GFS expenses, net capital investment and fiscal balance**

	GFS Revenue			GFS Expenses			Net Capital Investment		Fiscal Balance(a)	
	\$m	Per cent Real Growth	Per cent of GDP	\$m	Per cent Real Growth	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	na	na	na	na	na	na	2,102	0	-4,542	-0.9
1997-98	na	na	na	na	na	na	-4,263	-1	387	0.1
1998-99	175,707	na	29.5	168,806	na	28.4	3,848	0.6	3,053	0.5
1999-00	188,368	5.3	29.8	173,026	0.7	27.4	812	0.1	14,530	2.3
<b>2000-01(e)</b>	<b>179,357</b>	<b>-7.6</b>	<b>26.4</b>	<b>173,254</b>	<b>-2.9</b>	<b>25.5</b>	<b>-1,279</b>	<b>-0.2</b>	<b>7,383</b>	<b>1.1</b>

(a) Fiscal balance equals GFS revenue less GFS expenses less net capital investment.

na Data not available.