

**MID-YEAR ECONOMIC AND  
FISCAL OUTLOOK  
2003-04**

STATEMENT BY  
THE HONOURABLE PETER COSTELLO, M.P.  
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND  
SENATOR THE HONOURABLE NICK MINCHIN  
MINISTER FOR FINANCE AND ADMINISTRATION

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## FOREWORD

The 2003-04 *Mid-Year Economic and Fiscal Outlook* (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report, which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy.

Consistent with these requirements:

- **Part 1: Overview** – contains summary information on the key fiscal and economic indicators.
- **Part 2: Economic outlook** – discusses the domestic and international economic forecasts that underpin the budget estimates.
- **Part 3: Fiscal outlook** – provides a discussion of the budget outlook and a summary of the factors explaining variations in the operating statement, balance sheet and cash flow statement since the 2003-04 Budget. This part also discusses the sensitivity of the forward budget estimates to changes in economic and other parameters.
- **Appendix A: Policy decisions taken since the 2003-04 Budget** – provides details of decisions taken since the 2003-04 Budget that affect revenue, expenses and capital estimates.
- **Appendix B: Government Finance Statistics Statements** – provides the general government and consolidated whole of government financial statements on a GFS basis, consistent with the accrual Uniform Presentation Framework.
- **Appendix C: AAS Financial Statements** – provides AAS31 statements and notes to the financial statements.
- **Appendix D: Statement of Risks** – provides details of general developments or specific events that may have an impact on the fiscal position.
- **Appendix E: Financial reporting standards and budget concepts** – provides a discussion of key budget concepts relevant to the MYEFO and the external reporting standards upon which the MYEFO is based.
- **Appendix F: Historical fiscal data** – provides historical data for the Australian Government's key fiscal aggregates.



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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 2003-04, while the forward years refer to 2004-05, 2005-06 and 2006-07.
- (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:
- |         |   |
|---------|---|
| *       | The nature of this measure is such that a reliable estimate cannot be provided. |
| NEC/nec | not elsewhere classified  |
| -       | 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 1: OVERVIEW

The fiscal outlook has improved since the 2003-04 Budget with the underlying cash surplus estimate increasing in 2003-04 and across the forward estimates. The near term economic outlook has brightened since Budget reflecting increasing signs of global recovery and an easing of drought conditions over much of Australia. Domestic demand continues to retain significant momentum.

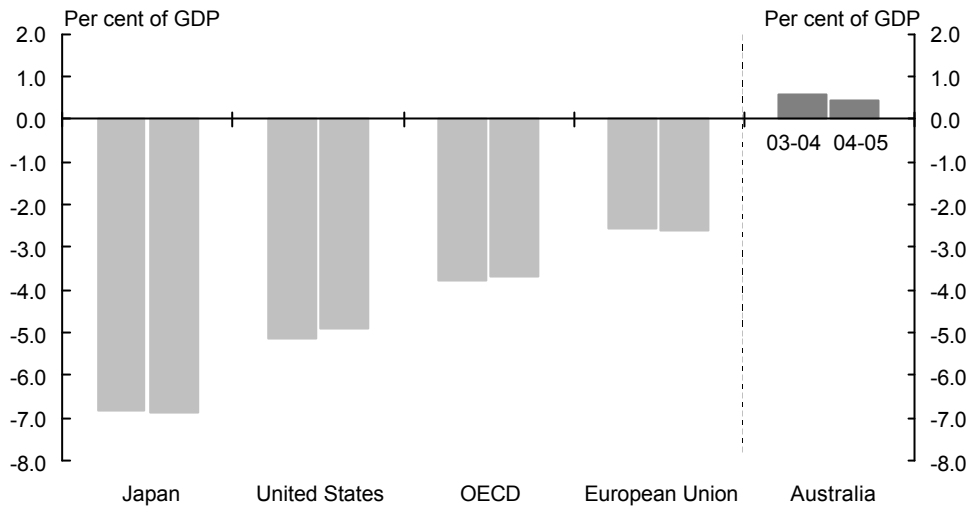
An underlying cash surplus of \$4.6 billion is anticipated in 2003-04, an increase of \$2.5 billion since the 2003-04 Budget. This largely reflects an increase in cash receipts of \$3.7 billion mainly due to higher company tax collections, partially offset by an expected increase in cash payments of \$1.3 billion largely reflecting new policy measures since Budget. Table 1 presents the fiscal and underlying cash balances for 2003-04 and the forward years.

**Table 1: Summary of budget aggregates**

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)</b>	<b>2.2</b>	<b>4.6</b>	<b>1.3</b>	<b>3.8</b>
Per cent of GDP	0.3	0.6	0.2	0.5
<b>Fiscal balance (\$b)</b>	<b>0.7</b>	<b>4.0</b>	<b>-1.1</b>	<b>1.6</b>
Per cent of GDP	0.1	0.5	-0.1	0.2
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)</b>	<b>1.2</b>	<b>4.6</b>	<b>4.7</b>	<b>7.7</b>
Per cent of GDP	0.1	0.5	0.5	0.8
<b>Fiscal balance (\$b)</b>	<b>0.3</b>	<b>3.6</b>	<b>2.8</b>	<b>6.0</b>
Per cent of GDP	0.0	0.4	0.3	0.6

The underlying cash surpluses projected for the future years emphasise Australia's sound fiscal outlook, with many of the major advanced economies continuing to experience significant deficits.

**Chart 1: International comparison of budget balances  
2004 and 2005<sup>(a)</sup>**



(a) International data is for the total general government sector, sourced from OECD Economic Outlook (74) (preliminary edition, November 2003). Australian data is for the Australian Government general government sector.

The increase in estimated total receipts of \$3.7 billion in 2003-04 is largely driven by higher than expected receipts, particularly from tax on companies, reflecting the flow-on effect of the stronger than expected cash receipts for 2002-03 and evidence of continued strength in receipts in early 2003-04.

The increase in estimated cash payments of \$1.3 billion in 2003-04 is largely due to new policy measures. Major new policy measures include MedicarePlus, new listings on the Pharmaceutical Benefits Scheme, additional drought relief funding, and assistance in restoring law and order in the Solomon Islands.

In accrual terms, the fiscal balance is expected to record a surplus of \$4.0 billion in 2003-04, reflecting an increase of \$3.3 billion since the 2003-04 Budget. The fiscal balance is expected to remain in surplus over the forward years.

Further details on the accrual and cash budget estimates are provided in Part 3.

## **DOMESTIC AND INTERNATIONAL ECONOMIC OUTLOOK**

The Australian economy is forecast to grow by  $3\frac{3}{4}$  per cent in 2003-04, an upward revision from the  $3\frac{1}{4}$  per cent forecast at the 2003-04 Budget. The upward revision comes against a backdrop of improving sentiment about domestic and external growth prospects. Generally, the near-term outlook for the Australian economy has brightened since Budget, with increasing signs of global recovery, particularly in the United States, and an easing in drought conditions over much of Australia. Near-term risks

around the outlook have diminished and are now more evenly balanced. However, some medium-term risks around both the domestic and international outlooks have become more pronounced.

The key development in recent months has been the marked improvement in the near-term outlook for the global economy, with the pace of activity accelerating in the United States, and signs of recovery in Asia. Forecasts of world and major trading partner growth have been revised up since Budget. World and major trading partner growth is forecast to be 4 per cent in 2004. Nevertheless, there are a number of risks to the medium-term outlook, with various structural weaknesses and imbalances weighing on prospects for a sustained recovery.

Offsetting the improved global outlook is the sharp appreciation of the \$A exchange rate, which is likely to be a significant drag on the Australian economy over the next year. The expected rise in the terms of trade may provide a partial offset, but this initially boosts incomes and may take some time to be reflected in stronger activity.

Domestic economic conditions are expected to remain robust. Domestic spending has continued to retain significant momentum, underpinned by low interest rates, solid income growth, high levels of confidence and steadily increasing wealth associated with rising house prices. This has provided useful support for the economy during a period of global weakness. However, borrowing against accumulating wealth has increased household debt. The risk of a substantial decline in dwelling investment and household consumption clouds an otherwise positive outlook.

Drought conditions have eased across much of the country, providing a solid boost to the economy from a likely strong rebound in farm production.

Employment growth is forecast to be 1½ per cent in 2003-04, and the unemployment rate is forecast to remain around, or a little below, current levels of 5¾ per cent over the next year. Inflation is expected to be moderate, falling to 2¼ per cent through the year to June 2004.

Looking further ahead, the initial forecast for 2004-05 is for economic growth of around 3½ per cent, a little below the average of recent years. Ongoing global recovery and further increases in rural production should support the external sector. However, consumption growth may ease a little as the pace of wealth accumulation slows or as debt-servicing requirements increase. Dwelling investment is expected to fall as medium-density construction declines and business investment growth is expected to moderate as engineering construction eases from current high levels. Employment is likely to continue to grow steadily and the unemployment rate is expected to remain around, or a little below, current levels. Inflationary pressures should remain subdued, with inflation likely to be around, or a little below, 2 per cent in the year to June 2005.



## PART 2: ECONOMIC OUTLOOK

The Australian economy is forecast to grow by  $3\frac{3}{4}$  per cent in 2003-04, an upward revision from the  $3\frac{1}{4}$  per cent forecast at the 2003-04 Budget. The positive outlook is underpinned by expected robust growth in domestic demand and a stronger performance from the external sector. Non-farm GDP is expected to grow solidly, and farm production is expected to contribute around  $\frac{3}{4}$  of a percentage point to GDP growth. Employment growth should remain moderate, with the unemployment rate remaining steady. Despite the upward revision to activity, the forecast for year-ended inflation in 2003-04 is unchanged from Budget at  $2\frac{1}{4}$  per cent, reflecting the appreciation of the currency since that time, continued moderate wages growth and few signs of emerging tightness in the labour market.

The near-term outlook has brightened since Budget and, after a weak patch in the first half of 2003, economic growth is expected to gather pace through 2003-04. GDP increased by 2.6 per cent in the year to September 2003, but is expected to rise by over 4 per cent through 2003-04, with the recovery in farm production contributing nearly 1 percentage point. The pattern of growth is likely to be more balanced than over the past year and the near-term risks around the outlook also now appear to be more evenly balanced.

A key development since Budget has been a significant improvement in the global economic outlook. The tentative global recovery faltered in the first half of the year, with the war in Iraq and the effects of the Severe Acute Respiratory Syndrome (SARS) epidemic further delaying the expected global upswing. The pace of recovery has subsequently picked up, with the United States growing strongly. In line with the improved outlook, the forecasts for world and major trading partner growth have been revised up since Budget. World and major trading partner growth is forecast to be 4 per cent in 2004. While a solid global recovery is in prospect, the balance of risks around the medium-term outlook remains tilted to the downside.

Offsetting the improved global outlook is the sharp appreciation of the Australian dollar. The Budget forecasts were underpinned by an assumption that the exchange rate would remain around average levels at that time. Since then, the exchange rate has appreciated by over 10 per cent in trade-weighted terms. As a result, the forecast subtraction of net exports from economic growth is now substantially higher than at Budget, notwithstanding the expected recovery in rural exports.

Domestically, a major development since Budget has been the easing of drought conditions over much of the country. The Budget assumed a return to average seasonal conditions, so a substantial recovery was already factored into the forecasts. However, widespread rainfall through much of Australia's grain belt over winter, while not sufficient to fully break the drought, has provided more confidence that farm production will rebound strongly this year. On the basis of ABARE's latest forecasts, farm production is expected to rise by 27 per cent in 2003-04, contributing  $\frac{3}{4}$  of a

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percentage point to overall economic growth. The rebound in farm production is expected to continue into 2004-05, possibly adding another  $\frac{1}{4}$ - $\frac{1}{2}$  of a percentage point to economic growth, as the herd and flock rebuilding process continues, and assuming that water storage is sufficiently replenished to allow a rebound in irrigated crops.

The non-farm sector of the economy also looks set to grow solidly in 2003-04, notwithstanding the recent increases in interest rates. Consumer activity remains buoyant, with spending underpinned by solid income gains and increased wealth. The outlook for private business investment remains firm, with solid profitability, low interest rates and high levels of business confidence. Dwelling investment, which at Budget was expected to fall in 2003-04, looks set to hold up for longer than expected, underpinned by low, albeit rising, interest rates and, in some cases, unrealistic expectations of future capital gains from housing investment.

On the external front, net exports are forecast to subtract around  $1\frac{1}{2}$  percentage points from GDP growth in 2003-04, a larger subtraction than the  $\frac{1}{4}$  of a percentage point forecast at Budget, largely reflecting the ongoing strength in domestic demand and the effects of the exchange rate appreciation. The current account deficit (CAD) is forecast to average around  $5\frac{3}{4}$  per cent of GDP over 2003-04, although it is expected to narrow sharply through the year from current high levels.

The labour market outlook is similar to that at Budget, with employment growing steadily, in line with solid growth in non-farm GDP, and the unemployment rate remaining around current levels. Recovery from the drought should boost employment in rural and regional areas. Employment growth is expected to be around  $1\frac{1}{2}$  per cent in 2003-04 and the unemployment rate is forecast to average around, or possibly a little below, current levels of  $5\frac{3}{4}$  per cent. It is anticipated that ongoing solid growth in activity, against a backdrop of low inflation, could see further reductions in the unemployment rate.

Inflation is forecast to decline to around  $2\frac{3}{4}$  per cent through 2003-04, with the appreciation of the Australian dollar exerting downward pressure on import prices in the near term. Business costs are expected to remain moderate, notwithstanding relatively high levels of capacity utilisation. Wage pressures should remain well contained, with moderate wages growth and solid increases in productivity, further boosting prospects for sustained falls in the unemployment rate.

The initial forecast for 2004-05 is for economic growth of around  $3\frac{1}{2}$  per cent. The outlook is underpinned by solid, although moderating, consumption and business investment and a pick-up in exports in line with the ongoing recovery in world demand and farm production. Consumption growth is likely to ease a little in line with a more subdued pace of wealth accumulation and higher debt servicing requirements, following the build-up in debt in recent years. Business investment growth should also ease, as engineering construction falls from the very high levels of activity reached in 2003-04, following a period of exceptional growth. Dwelling investment is expected to moderate as medium-density construction declines in response to over supply

conditions, constraining growth in the housing sector as a whole. The unemployment rate is forecast to remain at around, or a little below, 5¾ per cent over the course of the year and inflation is expected to stay at around, or below, the bottom of the medium-term inflation target band.

## **RISKS TO THE OUTLOOK**

The risks around the near-term outlook for the domestic economy have diminished since Budget, and are now more evenly balanced. Some of the major downside risks that were clouding the outlook for the world economy have dissipated, domestic spending looks set to hold up better than expected, and drought conditions have eased across much of the country.

Expansionary macroeconomic policy settings in many countries should support a strengthening of the global recovery in the near term. However, the global recovery remains over reliant on US growth. Unbalanced world growth has led to the emergence of large global imbalances, which present a risk to the medium-term outlook. Moreover, this unbalanced growth leaves the global recovery more vulnerable to shocks such as major terrorist attacks, increased geopolitical tensions and sudden rises in energy prices.

On the domestic front, a significant issue is how the current housing cycle plays out, and associated developments with household balance sheets. Positive developments in economic fundamentals – in particular, low inflation, low interest rates and solid income growth – have contributed to house prices rising sharply over the past couple of years, boosting household wealth and spending. Consumer spending has run ahead of income for some time, as people borrow against accumulating wealth.

While household debt levels are not excessive by international standards, and debt servicing levels are presently manageable, households would be affected by significant adverse shocks. Higher interest rates, a deterioration in employment conditions, or a decline in consumer and investor confidence, could see falls in house prices, and cause some over-exposed consumers and investors to pull back on consumption and investment spending. The risk of a sharp decline in dwelling construction, leading to a broader economic slowdown, could also affect an otherwise positive outlook. There is also the risk that above-trend growth in household spending will continue for some time, boosting economic growth by more than expected in the short-term, and lead to a larger correction at a later time.

On the external front, conditions have improved substantially, although important risks remain. If the global recovery falters, the exchange rate appreciates further, or major security concerns re-emerge, the external sector will continue to be a major drag on growth. In addition, the drought has not fully broken, despite substantial rain, and there is still a risk, albeit diminishing, that a widespread recovery in rural production will be delayed for another year. On the upside, a vigorous and sustained global

upturn could see Australia's economy grow much faster than forecast over the next year or two.

## INTERNATIONAL ECONOMIC OUTLOOK

World growth prospects have improved since Budget with the easing of a number of risks to the outlook. The tentative global recovery moderated over the first half of 2003 due to geopolitical tensions, uncertainties surrounding the war in Iraq and the effects of the SARS epidemic. As these influences have waned, the pace of recovery has picked up, with the United States growing strongly. While a solid global recovery is in prospect, the balance of risks around the medium-term outlook remains tilted to the downside.

Reflecting the improved outlook, the forecast for world growth for 2003 has been revised up by  $\frac{1}{2}$  of a percentage point from the Budget forecasts and the major trading partner (MTP) growth forecast by  $\frac{3}{4}$  of a percentage point (Table 2). For 2004, the world GDP growth forecast has been increased by  $\frac{1}{2}$  of a percentage point and the MTP growth forecast by one percentage point.

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

	2002 Actual	2003 Forecasts	2004 Forecasts
World	3.0	3 1/2	4
Total OECD	1.8	2 1/4	3
United States	2.4	3	4 1/4
Japan	0.2	2 1/2	1 3/4
Euro area	0.9	1/2	1 3/4
Major Trading Partners	3.0	3 1/4	4
Non-Japan East Asia(c)	4.8	4	5 1/2

(a) Growth rates for the World and Euro area are calculated using GDP weights based on purchasing power parity, while growth rates for Major Trading Partners and non-Japan East Asia are calculated using export trade weights.

(b) Percent change from previous year.

(c) Non-Japan East Asia comprises Korea, Singapore, Taiwan, Hong Kong, China, Indonesia, Malaysia, Thailand, and the Philippines.

Source: National statistical publications, IMF and Treasury.

In the near term, expansionary macroeconomic policy settings in many countries should support a strengthening of the global recovery. Low inflation is expected to allow monetary policy settings to remain accommodative in 2004. However, the global recovery continues to be overly reliant on US growth. Unbalanced world growth has led to the emergence of large global imbalances, which are unlikely to dissipate in the near term and which present a serious risk to the outlook. Moreover, this unbalanced growth leaves the global recovery vulnerable to shocks such as major terrorist attacks, increased geopolitical tensions and sudden rises in energy prices.



The near-term outlook for the **United States** economy has improved markedly since Budget, in part reflecting the easing of uncertainties associated with the war in Iraq. The US recovery has been underpinned by robust consumption growth, which in turn has been supported by tax cuts and record levels of mortgage refinancing. Strong growth in business investment and a rebound in employment are necessary to sustain the recovery. The low cost of capital and apparent recovery in corporate profits should support growth in business investment over 2003-04.

Recently, employment has begun to recover and there are signs that growth will strengthen. However, the recovery in employment has been weak to date, with total employment around 2 million people lower than in early 2001. If employment growth were to continue to languish, there may be a reversal of consumer sentiment which, in turn, might prompt a weakening of consumer spending.

Fiscal expansion and weak economic growth has led to the US federal budget deteriorating by around 6 percentage points of GDP since FY2000. Recent official estimates place the US budget deficit at 3.5 per cent of GDP in FY2003, and forecast no return to surplus, given current policies, before 2012. The US CAD in the June quarter 2003 was only marginally below its historic high of 5.2 per cent of GDP in the previous quarter. In these circumstances, the US CAD will continue to fuel concerns over its sustainability and the possible ramifications of a subsequent correction.

The prospects for growth in the **Euro area** have deteriorated since Budget, with Germany and Italy in recession in the first half of 2003 and France recording negative growth in the June quarter. Domestic demand in the Euro area is expected to remain subdued, with high unemployment and uncertainty over the economic and geopolitical outlook restraining consumption. The appreciation of the euro (around 14 per cent against the US dollar in the year to early December 2003) has dampened export growth, and will continue to weigh on prospects for an increased contribution to growth from the export sector.

The likelihood of a robust recovery in the Euro area is low, with few signs of strong growth over the forecast horizon. However, there are some positive signs with manufacturing surveys suggesting that the worst of the downturn in industrial production may be over and with most Euro economies showing modest growth in September. In addition, the recently announced tax cuts in Germany and France, to take effect from 2004, should provide some support to growth. More generally, structural reform is occurring, albeit slowly, in Germany, Europe's largest economy. Combined with developments elsewhere, this provides some hope that the extensive product and labour market rigidities holding back European growth may ease over the medium term. The outlook for the United Kingdom remains better than for the Euro area, with domestic demand expected to be the major driver of growth.

Growth in **Japan** has surprised on the upside in 2003, underpinned by a rebound in business investment, and solid consumption and export growth. However, the

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strength of activity may be somewhat overstated, with concerns over the reliability of data, ongoing weak employment conditions and continuing deflation. Japanese growth is forecast to ease next year with an upside risk emanating from possible stronger external demand from the US and East Asia.

The outlook for **non-Japan East Asia** has improved since Budget. The region was heavily affected by the SARS epidemic and uncertainties related to the war in Iraq. The dissipation of these risks and the apparent strengthening in the US suggest improved prospects for the region. Exports and domestic demand are expected to grow solidly over next year, supported by expansionary policy settings.

China's exports, which held up well through the first half of 2003, are expected to continue to grow strongly, while continued rapid investment should support domestic activity. Exports are expected to be a major driver of growth in East Asia's newly industrialised economies, supported by a recovery in consumption. In Southeast Asia, consumption and investment are expected to contribute strongly to growth in 2004.

A number of the downside **risks** that were overshadowing the near-term world outlook have abated since Budget. Along with the end of military conflict in Iraq and the associated moderating of oil prices, tensions on the Korean peninsula have eased and the recovery in the US is building momentum. Furthermore, the risk of generalised deflation has eased.

While there has been a marked improvement in the overall balance of risks, a number of risks continue to weigh on prospects for stronger and more broadly-based world growth. These include the still high price of oil, concerns of further major terrorist attacks, the investment overhang in a number of major economies, structural rigidities in Europe and structural weakness in Japan. In addition, large increases in household debt in a number of developed economies have made households more vulnerable to adverse shocks.

A key uncertainty facing the medium-term world economic outlook is the path of adjustment of global current account and fiscal imbalances. The US has been the major driver of world growth in recent years. This unbalanced world growth is reflected in large current account imbalances, with the US CAD at record levels. The steady depreciation of the US dollar since early 2002, if maintained, should assist in the adjustment of these imbalances. However, a reduction in the US CAD may be associated with a period of lower US growth and a large depreciation of the US dollar. A disorderly adjustment involving a sudden withdrawal of funds from the US and a sharp depreciation of the US dollar would have significant negative consequences for the world economy.

## **DOMESTIC FORECASTS**

The forecasts for the domestic economy are underpinned by several key technical assumptions. The exchange rate is assumed to remain around the average level of recent months (a trade weighted index of around 62 and a \$US exchange rate of around 72c). Interest rates are assumed to remain around current levels. World oil prices (West Texas Intermediate) are assumed to fall gradually to around \$US25 per barrel by June 2005, broadly in line with market expectations. The farm sector forecasts are based on an assumption of a return to average seasonal conditions in 2003-04.

### **Domestic economy — 2003-04**

The Australian economy is expected to grow by 3¾ per cent in 2003-04, stronger than at Budget. Non-farm GDP is expected to increase by 3 per cent in 2003-04, and at a substantially quicker pace through the year. However, farm production is set to rebound strongly as drought conditions ease, and is forecast to grow by 27 per cent in 2003-04.

The key domestic macroeconomic forecasts for 2003-04 are summarised in Table 3.

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

	Outcomes(b)	2003-04 Budget	2003-04 MYEFO
	2002-03 Year average	Forecasts Year average	Forecasts Year average
<b>Panel A - Demand and output(c)</b>			
Household consumption	4.1	3 1/4	4 1/2
Private investment			
Dwellings	16.0	-5	3
Total business investment(d)	16.9	7	7
Other buildings and structures(d)	31.9	14	11
Machinery and equipment(d)	16.4	4	5
Intangible fixed assets	5.7	9	4
Private final demand(d)	6.8	3	5
Public final demand(d)	4.2	3 1/4	2 3/4
Total final demand	6.3	3	4 1/2
Change in inventories(e)			
Private non-farm	0.1	0	- 1/4
Farm and public authorities(f)	-0.2	1/2	1/2
Gross national expenditure	6.2	3 1/2	4 3/4
Exports of goods and services	-0.6	6	3
Imports of goods and services	13.5	6	9
Net exports(e)	-3.0	- 1/4	-1 1/2
Gross domestic product	2.8	3 1/4	3 3/4
Non-farm product	4.0	2 3/4	3
Farm product	-28.7	25	27
<b>Panel B - Other selected economic measures</b>			
External accounts			
Terms of trade	2.2	1 3/4	3 1/4
Current account balance			
\$billion	-41.1	-42 3/4	-46
Percentage of GDP	-5.5	-5 1/4	-5 3/4
Labour market			
Employment (labour force survey basis)	2.5	1 3/4	1 1/2
Unemployment rate (per cent)	6.1	6	5 3/4
Participation rate (per cent)	63.9	64	63 3/4
Prices and wages			
Consumer Price Index	3.1	2 3/4	2 1/4
Gross non-farm product deflator	2.7	2 1/4	2 3/4
Average earnings(g)	3.1	4	3 3/4

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

(b) Calculated using original data.

(c) Chain volume measure.

(d) Excluding transfers of second-hand asset sales between the public and private sectors.

(e) Percentage point contribution to growth in GDP.

(f) For presentational purposes, forecast changes in inventories held by privatised marketing authorities are included with the inventories of the farm sector and public marketing authorities.

(g) Average earnings (national accounts basis).

**Household consumption** is forecast to increase by 4½ per cent in 2003-04, an upward revision from the 3¼ per cent forecast in the 2003-04 Budget. Underpinning the upward revision are stronger-than-expected gains in household wealth, largely due to higher house prices, and increased household borrowing. The buoyant outlook for consumer activity should also be supported by robust growth in household income, low interest rates, the 2003-04 Budget income tax cuts, high levels of consumer confidence, and a sharp rebound in rural incomes.

The near-term outlook for **dwelling investment** has also improved since Budget, with activity now forecast to increase by 3 per cent in 2003-04. Continued solid growth in both detached housing and renovation work is expected to be offset by a decline in medium-density housing in the first half of 2004.

In contrast to conditions in the detached housing segment of the market, the level of medium-density activity appears to be unsustainable, with high and rising vacancy rates and low and falling rental yields pointing to significant over supply of apartments. However, there is considerable uncertainty regarding the extent and timing of the expected downturn in medium-density dwelling investment. The expectation of a continuation of capital gains has seen activity remain at high levels in the face of declining fundamentals for some time. However, the expected sharp increase in the number of completed apartments over the next six months will exacerbate the existing over supply in the near term, placing further pressure on vacancy rates and rental yields, and highlighting still further the lack of realism in expectations of ongoing capital gains. The recent increases in interest rates and tentative signs of a plateauing in prices may also help to slow activity in this part of the market.

**Business investment** is expected to grow by 7 per cent in 2003-04, consistent with Budget, underpinned by supportive financial conditions, strong growth in corporate profits over the last year, low interest rates and generally sound corporate balance sheets. Business surveys point to high levels of confidence and capacity utilisation remains relatively high.

In line with these positive fundamentals, plant and equipment investment is expected to grow by 5 per cent in 2003-04, a little stronger than forecast at Budget, although slower than the growth rate in 2002-03, as the aviation industry's fleet upgrade is phased down. Investment in buildings and structures is expected to grow by 11 per cent in 2003-04, driven by the tail-end of the boom in engineering construction, and continuing non-residential building activity.

Investment in private non-farm **inventories** (excluding private marketing authorities) is expected to broadly keep pace with solid sales growth in 2003-04.

**Public final demand** is expected to increase by 2¾ per cent in 2003-04, a slower rate than in 2002-03. Defence and national security spending are expected to remain key contributors to overall growth in Australian Government final demand, although

## *Part 2: Economic Outlook*

expenditure on these items is expected to grow at a slower rate than in 2002-03. At the state and local government level, the expected increase in final demand relates mainly to expenditure on health and law and order. In addition, a number of state and local government funded infrastructure projects are expected to commence.

**Exports** are forecast to rise by 3 per cent in 2003-04 as a whole, and 11 per cent through the year, underpinned by improving global demand, a sharp rise in rural exports following an easing of drought conditions, and modest increases in tourist arrivals as health and security concerns abate. **Imports** are forecast to increase by 9 per cent in 2003-04, in line with the slower pace of domestic demand growth and the phasing down of the aviation industry's fleet upgrade. However, the appreciation of the currency will increase import growth by encouraging some switching of demand from domestic to foreign production.

Taken together, the trade forecasts imply that the external sector is likely to subtract around 1½ percentage points from overall economic growth in 2003-04, significantly greater than the ¼ of a percentage point subtraction forecast at Budget, with the downwards revision largely reflecting the sharp appreciation of the currency since that time.

Despite weak export prices, the **terms of trade** is likely to continue to rise this year, with the trend fall in the prices of imported manufactured goods expected to persist, driven by excess capacity in world goods markets, competitive pressures and ongoing falls in the prices of information and communication technology goods.

The current account deficit is forecast to average 5¾ per cent of GDP in 2003-04, narrowing significantly from 6.4 per cent of GDP in the June quarter 2003 to around 5¾ per cent by the June quarter 2004.

**Labour market** conditions are expected to be solid, although a little weaker in 2003-04 than over the previous year, with employment forecast to grow by around 1¾ per cent to the June quarter 2004, in line with the easing growth rate of non-farm GDP. Contributing to overall employment growth in 2003-04, rural and regional employment is forecast to pick-up sharply, in line with the expected rebound in farm production. The unemployment rate is expected to remain at around, or a little below, 5¾ per cent over the forecast horizon.

**Inflation** is forecast to fall to around 2¼ per cent in year-ended terms in 2003-04, with the possibility that it could even be a little lower if the current exchange rate appreciation is sustained. Wages growth is expected to remain steady which, together with solid productivity growth, should see labour costs remain well contained. Import prices are expected to continue to hold down inflation, reflecting excess capacity in world goods markets and the appreciation of the currency over the last year. Oil prices should fall further in the period ahead. With the non-farm economy expected to grow a little below trend, significant capacity constraints are unlikely to emerge over the

coming year despite high levels of capacity utilisation. Moreover, with domestic competition robust, there appears to be little scope for generalised margin building.

### **Domestic economy — 2004-05**

The initial forecast for 2004-05 is for economic growth of around 3½ per cent. Domestic demand growth is expected to be solid, although a little weaker than in 2003-04, reflecting more moderate growth in household consumption and declines in medium-density dwelling investment and engineering construction. The external sector is forecast to make a zero contribution to growth, a much better outcome than the large subtractions in recent years, with exports forecast to pick up in line with the ongoing recovery in world demand and a further recovery in farm production.

**Household consumption** is expected to grow solidly in 2004-05, broadly in line with household income growth, although the pace of growth is expected to ease from the above-trend rates of recent years. The pace of wealth accumulation is expected to slow, in line with an assumed slowdown in the rate of increase of house prices, and household income growth should moderate a little.

**Dwelling investment** is forecast to ease in 2004-05, with continued growth in both detached housing and renovation work expected to be offset by a long-anticipated decline in medium-density housing activity.

**Business investment** growth is forecast to be solid in 2004-05, with continued growth in plant and equipment investment and non-residential construction. However, engineering construction activity is likely to ease from the high levels reached in 2003-04, as work on projects currently underway is gradually completed.

**Exports** are expected to pick-up further in 2004-05, supported by the ongoing recovery in both global demand and farm production and strong growth in non-rural commodity exports, as new production capacity in the mining sector starts to come on line, following the recent boom in engineering construction. **Import** growth is expected to moderate in line with the slowing pace of domestic demand growth.

The trade forecasts imply that the external sector will not contribute to GDP growth in 2004-05, an improvement from the 3 percentage point subtraction in 2002-03 and the expected 1½ percentage point subtraction forecast for 2003-04. The terms of trade should increase moderately and the current account deficit is expected to narrow.

**Employment** growth is forecast to be 1¼ percent in 2004-05, in line with firmer growth in non-farm GDP. The unemployment rate is forecast to remain at around, or a little below, 5¼ per cent in 2004-05. **Wages** growth should remain firm, but slow a little in 2004-05, in line with solid, albeit easing, employment growth over the forecast horizon and a broadly stable unemployment rate.

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**Inflation** is forecast to fall to 2 per cent through the year to June 2005, consistent with the expected slight easing in wages growth, further anticipated falls in import prices and moderating domestic demand pressures. The scheduled reduction in motor vehicle and textile, clothing and footwear tariffs from 1 January 2005 should also put downward pressure on inflation in 2004-05. If the recent exchange rate appreciation is sustained, and in the absence of any positive shocks, it is likely that inflation will fall below 2 per cent, possibly as low as 1¾ per cent, in the year to June 2005.

### 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 2003-04 and 2004-05, 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 in employment and productivity, while the projections for inflation are consistent with the Government's medium-term inflation target band.

**Table 4: Major economic parameters<sup>(a)</sup>**

	Forecasts		Projections	
	2003-04	2004-05	2005-06	2006-07
Real GDP	3 3/4	3 1/2	3 1/2	3 1/2
Employment(b)	1 1/2	1 3/4	1 1/2	1 1/2
Wages(c)	3 3/4	3 1/2	3 3/4	3 3/4
CPI	2 1/4	2	2 1/2	2 1/2

(a) Percentage change from previous year.

(b) Labour force survey basis.

(c) Average earnings (national accounts basis).



## PART 3: FISCAL OUTLOOK

### OVERVIEW

The underlying cash balance estimate for 2003-04 has improved since the 2003-04 Budget, with an underlying cash surplus of \$4.6 billion expected in 2003-04. The underlying cash balance is expected to remain in surplus over the forward years.

**Table 5: Australian Government general government sector budget aggregates<sup>(a)</sup>**

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>178.3</b>	<b>182.7</b>	<b>185.0</b>	<b>188.8</b>
Per cent of GDP	22.4	22.8	22.0	22.4
<b>Expenses (\$b)</b>	<b>178.0</b>	<b>178.9</b>	<b>186.5</b>	<b>187.6</b>
Per cent of GDP	22.4	22.4	22.2	22.2
Net operating balance (\$b)	0.3	3.8	-1.5	1.2
Net capital investment (\$b)	-0.4	-0.2	-0.4	-0.3
<b>Fiscal balance (\$b)</b>	<b>0.7</b>	<b>4.0</b>	<b>-1.1</b>	<b>1.6</b>
Per cent of GDP	0.1	0.5	-0.1	0.2
<b>Underlying cash balance (\$b)</b>	<b>2.2</b>	<b>4.6</b>	<b>1.3</b>	<b>3.8</b>
Per cent of GDP	0.3	0.6	0.2	0.5
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>1.5</b>	<b>4.0</b>	<b>0.5</b>	<b>2.9</b>
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>194.2</b>	<b>199.6</b>	<b>204.7</b>	<b>210.5</b>
Per cent of GDP	21.9	22.4	21.9	22.4
<b>Expenses (\$b)</b>	<b>194.2</b>	<b>196.0</b>	<b>202.4</b>	<b>204.6</b>
Per cent of GDP	21.9	22.0	21.6	21.8
Net operating balance (\$b)	0.1	3.5	2.4	5.8
Net capital investment (\$b)	-0.3	-0.1	-0.4	-0.2
<b>Fiscal balance (\$b)</b>	<b>0.3</b>	<b>3.6</b>	<b>2.8</b>	<b>6.0</b>
Per cent of GDP	0.0	0.4	0.3	0.6
<b>Underlying cash balance (\$b)</b>	<b>1.2</b>	<b>4.6</b>	<b>4.7</b>	<b>7.7</b>
Per cent of GDP	0.1	0.5	0.5	0.8
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>11.6</b>	<b>14.7</b>	<b>14.8</b>	<b>17.6</b>

(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.

In accrual terms, the fiscal balance estimate has also improved since the 2003-04 Budget, with a fiscal surplus of \$4.0 billion expected in 2003-04. A fiscal surplus is also expected in each of the forward years.

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The \$3.3 billion increase in the fiscal balance estimate for 2003-04 since the 2003-04 Budget is primarily due to higher revenue forecasts of \$4.3 billion, largely driven by higher company tax revenue. The higher revenue forecasts are partly offset by higher estimated expenses and net capital investment of \$1.0 billion, largely reflecting new policy measures announced since the 2003-04 Budget. Major new policy measures include MedicarePlus, new listings on the Pharmaceutical Benefits Scheme, additional drought relief funding, and assistance in restoring law and order in the Solomon Islands.

Table 6 provides a reconciliation of the fiscal balance estimates between the 2003-04 Budget and the 2003-04 MYEFO.

**Table 6: Reconciliation of Australian Government general government sector fiscal balance estimates<sup>(a)</sup>**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>2003-04 Budget fiscal balance</b>	<b>711</b>	<b>-1,148</b>	<b>324</b>	<b>2,812</b>
Per cent of GDP	0.1	-0.1	0.0	0.3
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(b)				
Revenue	-13	55	207	164
Expenses	1,005	1,461	1,224	1,285
Net capital investment	45	18	-3	-3
Net effect of policy decisions	-1,063	-1,423	-1,014	-1,117
Effect of parameter and other variations				
Revenue	4,343	3,768	5,103	5,586
Expenses	-178	-410	638	999
Net capital investment	168	48	130	250
Net effect of parameter and other variations	4,354	4,130	4,335	4,337
<b>2003-04 MYEFO fiscal balance</b>	<b>4,002</b>	<b>1,558</b>	<b>3,645</b>	<b>6,032</b>
Per cent of GDP	0.5	0.2	0.4	0.6

(a) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

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

## REVENUE

Total accrual revenue is expected to be \$182.7 billion in 2003-04, an upward revision of \$4.3 billion since the 2003-04 Budget. The revision is largely driven by higher than expected revenue, particularly from tax on companies, reflecting the flow-on effect of the stronger than expected revenue outcome for 2002-03 and evidence of continued strength in company profitability and revenue collections in early 2003-04.

Policy measures since the 2003-04 Budget have decreased revenue by \$13 million in 2003-04 but increase revenue collections by \$413 million over the period 2003-04 to

2006-07. Significant policy measures affecting revenue over the four year period 2003-04 to 2006-07 include:

- a smaller reduction in the maximum superannuation contributions and termination payments surcharge rates and a delay in commencement of the reduction from 1 July 2002 to 1 July 2003, increasing estimated revenue by \$590 million (\$65 million in 2003-04); and
- a free trade agreement with Thailand, in which both nations have agreed to eliminate tariffs on the majority of each other's goods, lowering estimated revenue by \$290 million over the three years commencing from 2004-05.

A full description of all revenue measures since the 2003-04 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2003-04, compared with the estimates published in the 2003-04 Budget, are provided in Table 7. Detailed cash estimates are listed in Table F3 (Appendix F).

**Table 7: Australian Government general government sector revenue (accrual basis)**

	2003-04			
	Budget estimate \$m	MYEFO estimate \$m	Change on Budget \$m	Change on Budget %
<b>Taxation revenue</b>				
Income tax				
Individuals and other withholding(a)				
Gross income tax withholding(b)	88,650	88,750	100	0.1
Gross other individuals	19,130	19,410	280	1.5
less Refunds	12,200	12,300	100	0.8
Total individuals and other withholding	95,580	95,860	280	0.3
Companies	32,370	35,650	3,280	10.1
Superannuation funds				
Contributions and earnings	4,050	4,400	350	8.6
Superannuation surcharge	950	1,170	220	23.2
Total superannuation funds	5,000	5,570	570	11.4
Petroleum resource rent tax	1,280	1,280	0	0.0
<b>Total income tax</b>	<b>134,230</b>	<b>138,360</b>	<b>4,130</b>	<b>3.1</b>
Indirect tax				
Excise duty				
Petroleum and other fuel products and crude oil	13,280	13,390	110	0.8
Other excise	7,360	7,360	0	0.0
Total excise duty	20,640	20,750	110	0.5
Customs duty	5,915	5,915	0	0.0
Other indirect taxes(c)	930	920	-10	-1.1
<b>Total indirect tax</b>	<b>27,485</b>	<b>27,585</b>	<b>100</b>	<b>0.4</b>
Fringe benefits tax(d)	3,190	3,150	-40	-1.3
Agricultural levies	579	591	12	2.1
Other taxes	999	1,001	2	0.2
<b>Total tax revenue</b>	<b>166,483</b>	<b>170,687</b>	<b>4,204</b>	<b>2.5</b>
Non-tax revenue	11,842	11,969	127	1.1
<b>Total revenue</b>	<b>178,325</b>	<b>182,655</b>	<b>4,331</b>	<b>2.4</b>

(a) Includes Medicare levy revenue.

(b) Gross income tax withholding includes amounts reported under the Pay As You Go (Withholding) arrangements, as well as amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

(c) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (estimated at \$370 million in 2003-04).

Estimated total tax revenue in 2003-04 is expected to be \$4.2 billion higher than anticipated at the 2003-04 Budget, principally due to higher than expected company tax revenue. Estimated company tax revenue has increased by \$3.3 billion since the 2003-04 Budget largely due to the flow-on effect of the higher than expected company tax revenue outcome in 2002-03. Higher profitability contributed to a stronger than expected 2002-03 outcome and there is evidence of ongoing strength in profitability and revenue collections in 2003-04.

Higher estimated tax revenue also reflects:

- an upward revision to revenue from other individuals of \$280 million reflecting an improved outlook for unincorporated small businesses;
- a \$350 million increase in expected revenue from tax on the contributions and earnings of superannuation funds due to a stronger outlook for superannuation fund earnings;
- an expected boost to superannuation surcharge revenue (revised up by \$220 million), arising from a smaller reduction in the surcharge tax rate and a change in the accounting treatment of unfunded liabilities in respect of defined benefits schemes;
- an upward revision of \$110 million to estimated excise revenue, mainly due to the impact of higher oil prices on crude oil excise; and
- an upward revision to income tax withholding of \$100 million, primarily reflecting the impact of a slightly stronger than expected outcome in 2002-03.

## EXPENSES

Estimated accrual expenses in 2003-04 have increased by \$827 million since the 2003-04 Budget. This increase largely reflects the effect of new policy measures of \$1.0 billion in 2003-04, partly offset by economic parameter and other variations of \$178 million.

**Table 8: Reconciliation of Australian Government general government sector expense estimates**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Expenses at 2003-04 Budget</b>	<b>178,031</b>	<b>186,521</b>	<b>194,176</b>	<b>202,351</b>
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(a)	1,005	1,461	1,224	1,285
Effect of economic parameter variations				
Unemployment benefits	4	4	6	4
Prices and wages	-493	-489	-628	-276
Interest and exchange rates	-342	-384	-404	-456
Total economic parameter variations	-831	-868	-1,026	-727
Public debt interest	-122	-71	23	125
Programme specific parameter variations	4	-150	7	248
Slippage	25	78	96	-41
Other variations	745	601	1,539	1,395
Total variations	827	1,050	1,862	2,284
<b>Expenses at 2003-04 MYEFO</b>	<b>178,858</b>	<b>187,571</b>	<b>196,039</b>	<b>204,635</b>

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

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Policy decisions announced since the 2003-04 Budget have increased estimated expenses by \$1.0 billion in 2003-04. Major new policy measures affecting 2003-04 include:

- \$1.5 billion over four years (\$127 million in 2003-04) for MedicarePlus, a comprehensive package of measures to strengthen Medicare. This funding is in addition to the \$917 million provided under *A Fairer Medicare* in the 2003-04 Budget, resulting in a combined package of measures worth a total of \$2.4 billion over the four years to 2006-07;
- \$899 million over four years (\$198 million in 2003-04) for new listings on the Pharmaceutical Benefits Scheme, including the listing of Enbrel (a drug used to treat severe forms of rheumatoid arthritis), Avandia/Actos (drugs for the treatment of Type II diabetes), and the extension of Mabthera (a drug used in combination with chemotherapy to treat non-Hodgkin's lymphomas);
- \$704 million over three years (\$405 million in 2003-04) for additional drought relief funding. This includes \$644 million over three years for further Exceptional Circumstances declarations and \$58 million over two years for interim income assistance;
- \$274 million over two years (\$236 million in 2003-04) to assist in the restoration of law and order in the Solomon Islands; and
- \$208 million over four years (\$12 million in 2003-04) to fund a number of enhancements to the Our Universities higher education package. The enhancements include \$63 million over four years to expand the Commonwealth Accommodation Scholarships programme and \$51 million over four years to assist disadvantaged groups participate in higher education.

A full description of all expense measures since the 2003-04 Budget is provided at Appendix A.

Since the 2003-04 Budget, parameter and other variations have reduced forecast expenses in 2003-04 by \$178 million largely reflecting:

- a \$404 million decrease in general budget assistance to the States and Territories,<sup>1</sup> largely reflecting higher expected GST revenue in 2003-04 following stronger than anticipated collections in the year to date. Revised Budget Balancing Assistance and GST amounts for each State and Territory are shown in Table 9;

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<sup>1</sup> General budget assistance to the States and Territories refers to Budget Balancing Assistance grants adjusted for the effect of an underpayment of GST revenue in 2002-03. See the *Final Budget Outcome 2002-03*, page 79 for further information.

- a \$375 million reduction in superannuation related expenses, largely reflecting the impact of lower estimated inflation on the nominal interest expense for the Australian Government civilian superannuation liabilities;
- a downward revision of \$342 million in foreign exchange expenses, largely reflecting the impact on defence acquisition costs of the appreciation of the Australian dollar;
- a reduction of \$254 million in estimated Family Tax Benefit expenses, mainly reflecting higher than expected customer incomes; and
- a reduction to contingency reserve expense estimates following the inclusion of the provision for underspends in 2003-04. A provision is included each year at the MYEFO to provide for the established tendency of departments and agencies to underspend their budgets in the current financial year.

The above reductions in forecast expenses are partially offset by:

- an increase of \$543 million in expenses for the Pharmaceutical Benefits Scheme, reflecting the use of higher cost drugs in recent prescribing patterns, along with the effect of legislative delays by the Senate in not passing the proposed increase in the Pharmaceutical Benefits Scheme co-payments announced in the 2002-03 Budget;
- an increase in personal benefit payment expenses of \$356 million, largely due to the flow-on effects of a higher than anticipated Male Total Average Weekly Earnings outcome for 2002-03. This variation reflects the Government's ongoing commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings; and
- an increase of \$205 million relating to the reclassification from revenue offsets to expenses of the research and development refundable tax offset for small companies and the refundable tax offset for large-scale film production. This follows advice from the Australian National Audit Office and is fully offset by an equivalent increase in revenue.

**Table 9: Forward estimates of Budget Balancing Assistance and States' gains from tax reform<sup>(a)</sup>**

<b>2003-04 (\$m)</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>	<b>Total</b>
Guaranteed Minimum Amount	9,777.9	6,868.8	6,046.9	3,008.0	3,046.4	1,313.3	624.3	1,568.8	32,254.4
GST Revenue	9,461.9	6,812.1	6,381.2	3,082.2	3,073.0	1,350.7	648.7	1,647.4	32,457.0
Budget Balancing Assistance	<b>316.1</b>	<b>56.7</b>	0.0	0.0	0.0	0.0	0.0	0.0	<b>372.8</b>
GST in excess of Guaranteed Minimum Amount	<b>0.0</b>	<b>0.0</b>	<b>334.3</b>	<b>74.2</b>	<b>26.6</b>	<b>37.3</b>	<b>24.4</b>	<b>78.6</b>	<b>575.4</b>
<b>2004-05 (\$m)</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>	<b>Total</b>
Guaranteed Minimum Amount	9,965.5	7,074.4	6,288.7	3,123.4	3,167.7	1,377.6	645.5	1,673.7	33,316.6
GST Revenue	9,873.5	7,176.2	6,779.4	3,262.6	3,218.3	1,414.7	676.1	1,719.2	34,120.0
Budget Balancing Assistance	<b>92.0</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>92.0</b>
GST in excess of Guaranteed Minimum Amount	<b>0.0</b>	<b>101.8</b>	<b>490.7</b>	<b>139.3</b>	<b>50.6</b>	<b>37.1</b>	<b>30.5</b>	<b>45.4</b>	<b>895.4</b>
<b>2005-06 (\$m)</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>	<b>Total</b>
Guaranteed Minimum Amount	10,507.3	7,629.6	6,861.7	3,318.8	3,327.6	1,446.0	687.5	1,749.0	35,527.5
GST Revenue	10,441.8	7,652.4	7,190.8	3,419.5	3,368.8	1,476.0	718.5	1,802.2	36,070.0
Budget Balancing Assistance	<b>65.4</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>65.4</b>
GST in excess of Guaranteed Minimum Amount(b)	<b>0.0</b>	<b>22.8</b>	<b>329.1</b>	<b>100.7</b>	<b>41.2</b>	<b>30.0</b>	<b>31.0</b>	<b>53.2</b>	<b>608.0</b>
<b>2006-07 (\$m)</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>	<b>Total</b>
Guaranteed Minimum Amount	10,810.0	8,009.9	7,061.2	3,406.3	3,446.4	1,492.4	712.6	1,823.7	36,762.6
GST Revenue	10,983.4	8,183.6	7,616.7	3,603.3	3,557.7	1,550.9	758.4	1,896.0	38,150.0
Budget Balancing Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GST in excess of Guaranteed Minimum Amount	<b>173.4</b>	<b>173.7</b>	<b>555.5</b>	<b>197.0</b>	<b>111.3</b>	<b>58.4</b>	<b>45.8</b>	<b>72.3</b>	<b>1,387.4</b>

(a) Projections from 2004-05 will be affected by variations in Guaranteed Minimum Amount components, GST revenue growth and recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the States and Territories in future years. See Budget Paper No 3, *Federal Financial Relations 2003-04* for details of the Guaranteed Minimum Amount and the distribution of GST revenue among the States and Territories.

(b) In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, Bank Account Debits tax is scheduled to be abolished by 1 July 2005. The revenue forgone by the States and Territories is included in each State's and Territory's Guaranteed Minimum Amount from 2005-06 to ensure the States are no worse off. Accordingly, the amount by which GST exceeds the Guaranteed Minimum Amount decreases in 2005-06 compared to 2004-05.



## NET CAPITAL INVESTMENT

Estimated net capital investment in 2003-04 has increased by \$212 million since the 2003-04 Budget. This increase represents the combined effect of:

- new policy decisions (\$45 million), including \$32 million allocated across a number of portfolios to assist in the restoration of law and order in the Solomon Islands; and
- parameter and other variations (\$168 million), including \$31 million for the Department of Immigration and Multicultural and Indigenous Affairs reflecting delays in the refurbishment of detention centres, delays in land purchases and adjustments to the Department's capital plan.

**Table 10: Reconciliation of Australian Government general government sector net capital investment estimates<sup>(a)</sup>**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Net capital investment at 2003-04 Budget</b>	<b>-417</b>	<b>-381</b>	<b>-256</b>	<b>-448</b>
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions	45	18	-3	-3
Effect of parameter and other variations	168	48	130	250
Total variations	212	66	127	247
<b>Net capital investment at 2003-04 MYEFO</b>	<b>-205</b>	<b>-315</b>	<b>-129</b>	<b>-201</b>

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

## CASH FLOWS

In 2003-04, the underlying cash balance is expected to be a surplus of \$4.6 billion.

**Table 11: Summary of Australian Government general government sector cash flows (\$b)<sup>(a)</sup>**

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	177.8	181.5	186.3	190.1
Capital cash receipts(b)	1.1	1.1	0.8	0.8
Total cash receipts	178.9	182.6	187.1	190.9
Cash payments				
Operating cash payments	174.1	175.2	183.4	184.6
Capital cash payments(c)	2.6	2.8	2.4	2.5
Total cash payments	176.7	178.0	185.8	187.1
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>Underlying cash balance</b>	<b>2.2</b>	<b>4.6</b>	<b>1.3</b>	<b>3.8</b>
Per cent of GDP	0.3	0.6	0.2	0.5
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	-0.7	-0.7	-0.8	-1.0
<b>Headline cash balance</b>	<b>1.5</b>	<b>4.0</b>	<b>0.5</b>	<b>2.9</b>
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	194.5	199.5	204.7	210.0
Capital cash receipts(b)	0.4	0.4	0.4	0.3
Total cash receipts	194.9	199.9	205.2	210.3
Cash payments				
Operating cash payments	191.4	192.9	198.4	200.4
Capital cash payments(c)	2.3	2.4	2.0	2.2
Total cash payments	193.7	195.3	200.5	202.6
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>Underlying cash balance</b>	<b>1.2</b>	<b>4.6</b>	<b>4.7</b>	<b>7.7</b>
Per cent of GDP	0.1	0.5	0.5	0.8
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(e)	10.4	10.1	10.1	9.8
<b>Headline cash balance</b>	<b>11.6</b>	<b>14.7</b>	<b>14.8</b>	<b>17.6</b>

(a) Cash flows are derived from the accrual GFS framework excluding GST.

(b) Equivalent to cash receipts from the sale of non-financial assets in the GFS cash flow statement.

(c) Equivalent to cash payments for purchases of new and second-hand non-financial assets in the GFS cash flow statement.

(d) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

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

The underlying cash surplus estimate for 2003-04 has increased since the 2003-04 Budget by \$2.5 billion. This reflects higher estimated tax receipts largely driven by company tax receipts, partially offset by new policy decisions since the 2003-04 Budget.

Table 12 provides a reconciliation of the variations in the underlying cash balance estimates.

**Table 12: Reconciliation of Australian Government general government sector underlying cash balance estimates**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>2003-04 Budget underlying cash balance</b>	<b>2,172</b>	<b>1,325</b>	<b>1,235</b>	<b>4,668</b>
Per cent of GDP	0.3	0.2	0.1	0.5
<i>Changes between 2003-04 Budget and MYEFO</i>				
Effect of policy decisions(a)	-1,012	-1,116	-738	-832
Net effect of parameter and other variations	3,475	3,621	4,110	3,897
Total variations	2,463	2,504	3,372	3,064
<b>2003-04 MYEFO underlying cash balance</b>	<b>4,635</b>	<b>3,829</b>	<b>4,608</b>	<b>7,733</b>
Per cent of GDP	0.6	0.5	0.5	0.8

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

While the 2003-04 underlying cash balance estimate has improved by \$2.5 billion since the 2003-04 Budget, the estimated fiscal balance has improved by \$3.3 billion. Major new policy decisions impacting on the underlying cash balance in 2003-04 are largely the same as those impacting on the fiscal balance. While parameter and other variations generally have similar cash and accrual effects, variations that improve the 2003-04 fiscal balance estimate relative to the underlying cash balance include:

- an expected increase in the level of revenue recognised but not expected to be paid in 2003-04 in relation to income tax withholding, other individuals and company tax. This improves the fiscal balance by \$680 million relative to the underlying cash balance; and
- a reduction in estimated superannuation related expenses, largely due to the impact of lower estimated inflation. This improves the fiscal balance by \$375 million relative to the underlying cash balance.

### Headline cash balance

A headline cash surplus of \$4.0 billion is forecast for 2003-04, compared with the surplus of \$1.5 billion expected at the 2003-04 Budget. The increase in the 2003-04 headline cash surplus estimate since the 2003-04 Budget largely reflects the improvement in the estimated underlying cash balance.

The headline cash balances in the forward years remain in surplus, and generally increase in line with the improvement in the underlying cash balance.

## NET DEBT AND NET WORTH

With the budget remaining in surplus, net debt is expected to continue to fall in 2003-04 and the forward years. Since the 2003-04 Budget, the estimated level of net debt for 2003-04 has fallen from \$29.8 billion to \$23.3 billion mainly reflecting the higher than anticipated final budget outcome for 2002-03 and an upward revision to the projected surplus for 2003-04.

As a result of the lower level of net debt, estimated net interest payments are also expected to continue to fall in 2003-04 and the forward years. Having peaked at \$8.4 billion in 1996-97, net interest payments are expected to decline to \$3.1 billion in 2003-04.

Australian Government general government sector net worth is expected to improve to -\$43.3 billion in 2003-04, compared with -\$46.1 billion expected at the 2003-04 Budget, reflecting an improvement in the fiscal outlook since the 2003-04 Budget.

**Table 13: Australian Government general government sector net worth, net debt and net interest payments (\$b)**

	2003-04		2004-05	
	Budget	MYEFO	Budget	MYEFO
Financial assets	96.1	96.0	96.9	96.5
Non-financial assets	35.5	36.4	35.1	36.2
<b>Total assets</b>	<b>131.5</b>	<b>132.3</b>	<b>132.0</b>	<b>132.7</b>
<b>Total liabilities</b>	<b>177.6</b>	<b>175.6</b>	<b>179.7</b>	<b>174.9</b>
<b>Net worth</b>	<b>-46.1</b>	<b>-43.3</b>	<b>-47.8</b>	<b>-42.3</b>
<b>Net debt(a)</b>	<b>29.8</b>	<b>23.3</b>	<b>27.6</b>	<b>18.7</b>
Per cent of GDP	3.7	2.9	3.3	2.2
<b>Net interest payments(c)</b>	<b>3.4</b>	<b>3.1</b>	<b>3.2</b>	<b>2.8</b>
Per cent of GDP	0.4	0.4	0.4	0.3
	2005-06		2006-07	
	Budget	MYEFO	Budget	MYEFO
Financial assets	86.4	88.6	76.7	79.3
Non-financial assets	34.9	36.2	34.6	36.1
<b>Total assets</b>	<b>121.4</b>	<b>124.8</b>	<b>111.3</b>	<b>115.4</b>
<b>Total liabilities</b>	<b>169.4</b>	<b>162.0</b>	<b>157.4</b>	<b>147.5</b>
<b>Net worth</b>	<b>-48.1</b>	<b>-37.1</b>	<b>-46.1</b>	<b>-32.2</b>
<b>Net debt(a)(b)</b>	<b>14.1</b>	<b>2.4</b>	<b>-1.8</b>	<b>-16.5</b>
Per cent of GDP	1.6	0.3	-0.2	-1.8
<b>Net interest payments(c)</b>	<b>3.7</b>	<b>3.1</b>	<b>2.1</b>	<b>1.2</b>
Per cent of GDP	0.4	0.3	0.2	0.1

(a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

(b) Includes the impact of the further sale of the Australian Government's shareholding in Telstra.

(c) Australian Government cash interest payments less cash interest receipts. The 2005-06 projections include the recognition in cash terms of the capital growth on inflation indexed bonds maturing in that year.

## Attachment A

### REPORTING STANDARDS

The *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 (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31).

#### Departures from external reporting standards

MYEFO tables, with the exception of tables in Appendix B, do not include goods and services tax (GST) collections and equivalent payments to the States. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the States and Territories, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Table E2 of Appendix E.

The ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0.55.001 released on 10 October 2003) requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

The AAS31 financial statements currently record International Monetary Fund (IMF) Special Drawing Rights (SDRs) as a liability. The GFS statements also record SDRs as a liability. However, IMF SDRs are not treated as a liability in the ABS accrual GFS manual. The current accounting treatment will remain in place pending a review of all financial relationships with international organisations prior to the 2004-05 Budget.

Similarly, the GFS financial statements currently adopt the AAS31 financial statements' treatment for circulating coins, whereby revenue is recognised upon the issue of coins and no liability is recorded. However, in the ABS accrual GFS manual, coins on issue are treated as a liability and no revenue is recognised. The current accounting treatment will remain in place pending further discussions with the ABS prior to the 2004-05 Budget.

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The ABS GFS publication also requires defence weapons be treated as expenses. Defence weapons inventories are recorded as capital investment rather than expenses until such inventories can be reliably identified from other defence inventories and measured. This treatment does not affect the underlying cash or fiscal balances.

Public access communication assets, computer software and other intangibles are recorded at historic cost, as market value information, or suitable proxies for market value, are not readily observable for these items.

In order to ensure the reporting of reliable AAS and GFS budget estimates and outcomes, taxation revenue is recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service. Accordingly, for most categories of taxation revenue, there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs and when the revenue is recognised. Longer lags of up to a year occur for some elements of company and superannuation funds taxation.

Additional information on the reporting standards and budget concepts is provided in Appendix E.

**Attachment B**

**BUDGET FINANCIAL STATEMENTS**

The budget financial statements consist of an operating statement, balance sheet, cash flow statement and statement of other economic flows (reconciliation of net worth) for the Australian Government general government sector. The budget financial statements are based on GFS standards with the exception of the departures discussed in Attachment A.

**Table 14: Australian Government general government sector operating statement**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Revenue</b>				
Taxation revenue	170,687	178,411	188,523	198,755
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,106	4,241	4,378	4,531
Interest income	1,146	1,197	1,707	2,662
Dividend income	4,103	2,386	2,313	1,828
Other	2,613	2,580	2,634	2,689
<b>Total revenue</b>	<b>182,655</b>	<b>188,814</b>	<b>199,554</b>	<b>210,466</b>
<b>Expenses</b>				
Gross operating expenses				
Depreciation	1,882	1,903	2,059	2,118
Superannuation	2,041	2,098	2,111	2,131
Salaries and wages	11,607	12,175	12,163	12,613
Payment for supply of goods and services	40,030	41,063	42,956	44,891
Other operating expenses	2,161	2,190	2,152	2,160
<i>Total gross operating expenses</i>	<i>57,721</i>	<i>59,429</i>	<i>61,442</i>	<i>63,912</i>
Nominal superannuation interest expense	4,913	5,248	5,686	5,785
Other interest expenses	4,259	4,056	3,702	3,620
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	34,669	36,642	38,308	38,899
Subsidy expenses	5,757	5,917	6,037	6,327
Personal benefit payments in cash	68,491	72,950	77,710	82,977
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>108,918</i>	<i>115,509</i>	<i>122,054</i>	<i>128,203</i>
Capital transfers	3,047	3,330	3,155	3,115
<b>Total expenses</b>	<b>178,858</b>	<b>187,571</b>	<b>196,039</b>	<b>204,635</b>
<b>Net operating balance</b>	<b>3,798</b>	<b>1,243</b>	<b>3,515</b>	<b>5,831</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	2,727	2,443	2,373	2,177
<i>less</i> Sales of non-financial assets	<i>893</i>	<i>755</i>	<i>424</i>	<i>329</i>
<i>less</i> Depreciation	<i>1,882</i>	<i>1,903</i>	<i>2,059</i>	<i>2,118</i>
<i>plus</i> Change in inventories	<i>-20</i>	<i>-54</i>	<i>-59</i>	<i>49</i>
<i>plus</i> Other movements in non-financial assets	<i>-136</i>	<i>-46</i>	<i>40</i>	<i>20</i>
<b>Total net acquisition of non-financial assets</b>	<b>-205</b>	<b>-315</b>	<b>-129</b>	<b>-201</b>
<b>Net lending/fiscal balance(a)</b>	<b>4,002</b>	<b>1,558</b>	<b>3,645</b>	<b>6,032</b>

(a) The term fiscal balance is not used by the ABS.



**Table 15: Australian Government general government sector balance sheet**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Assets</b>				
Financial assets				
Cash and deposits	3,022	3,058	3,021	3,031
Advances paid	19,295	20,589	20,930	21,903
Investments, loans and placements	9,701	9,563	9,517	9,479
Other non-equity assets	16,251	15,689	16,237	17,252
Equity(a)	47,681	47,571	38,900	27,601
<b>Total financial assets</b>	<b>95,950</b>	<b>96,471</b>	<b>88,605</b>	<b>79,266</b>
Non-financial assets				
Land	4,609	4,461	4,531	4,655
Buildings	13,436	13,366	13,413	13,281
Plant, equipment and infrastructure(b)	7,768	7,887	8,040	7,895
Inventories	4,023	3,969	3,910	3,958
Heritage buildings and collections(b)	4,761	4,761	4,763	4,766
Other non-financial assets	1,765	1,765	1,575	1,533
<b>Total non-financial assets</b>	<b>36,362</b>	<b>36,209</b>	<b>36,231</b>	<b>36,088</b>
<b>Total assets</b>	<b>132,312</b>	<b>132,680</b>	<b>124,836</b>	<b>115,355</b>
<b>Liabilities</b>				
Deposits held	325	325	325	325
Advances received	0	0	0	0
Government securities	49,163	46,022	30,158	12,433
Loans	5,678	5,447	5,257	5,082
Other borrowing	183	155	115	106
Superannuation liability	91,597	94,004	96,740	99,404
Other employee entitlements and provisions	7,972	8,111	8,229	8,348
Other non-equity liabilities	20,728	20,869	21,145	21,836
<b>Total liabilities</b>	<b>175,648</b>	<b>174,934</b>	<b>161,970</b>	<b>147,534</b>
<b>Net worth(c)</b>	<b>-43,336</b>	<b>-42,254</b>	<b>-37,134</b>	<b>-32,179</b>
<b>Net debt(d)</b>	<b>23,332</b>	<b>18,739</b>	<b>2,387</b>	<b>-16,467</b>

(a) Equity includes the valuation of the Telstra shareholding, which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price.

(b) Heritage and cultural assets were previously included in plant, equipment and infrastructure.

(c) Net worth is calculated as total assets minus total liabilities.

(d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table 16: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Cash receipts from operating activities</b>				
Taxes received	168,223	176,295	186,233	196,002
Receipts from sales of goods and services	4,224	4,387	4,524	4,673
Grants and subsidies received	0	0	0	0
Interest receipts	1,014	1,116	1,457	2,397
Dividends	3,139	3,350	2,313	1,828
GST input credits received by general government	2,449	2,482	2,509	2,592
Other receipts	2,476	2,452	2,468	2,521
<b>Total receipts</b>	<b>181,526</b>	<b>190,081</b>	<b>199,504</b>	<b>210,012</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services	-43,804	-44,751	-46,674	-48,714
Grants and subsidies paid	-41,640	-44,468	-46,040	-46,895
Interest paid	-4,118	-3,878	-4,520	-3,634
Personal benefit payments	-68,453	-73,606	-77,728	-82,602
Salaries, wages and other entitlements	-16,264	-17,046	-16,916	-17,552
GST payments by general government to taxation authority	-138	-140	-143	-146
Other payments for operating activities	-797	-720	-886	-869
<b>Total payments</b>	<b>-175,214</b>	<b>-184,610</b>	<b>-192,907</b>	<b>-200,411</b>
<b>Net cash flows from operating activities</b>	<b>6,312</b>	<b>5,471</b>	<b>6,597</b>	<b>9,601</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	1,113	830	429	334
Purchases of new and secondhand non-financial assets	-2,792	-2,466	-2,411	-2,193
<b>Net cash flows from investments in non-financial assets</b>	<b>-1,679</b>	<b>-1,635</b>	<b>-1,982</b>	<b>-1,860</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-666</b>	<b>-953</b>	<b>10,061</b>	<b>9,837</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-4	51	2	-23
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-4</b>	<b>51</b>	<b>2</b>	<b>-23</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,969	-2,873	-15,011	-17,808
Deposits received (net)	-1	0	0	0
Other financing (net)	-308	-25	296	263
<b>Net cash flows from financing activities</b>	<b>-3,278</b>	<b>-2,898</b>	<b>-14,715</b>	<b>-17,546</b>
<b>Net increase/decrease in cash held</b>	<b>684</b>	<b>36</b>	<b>-37</b>	<b>10</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>4,633</b>	<b>3,836</b>	<b>4,615</b>	<b>7,741</b>
Finance leases and similar arrangements <sup>(b)</sup>	3	-6	-7	-8
<b>Equals underlying cash balance</b>	<b>4,635</b>	<b>3,829</b>	<b>4,608</b>	<b>7,733</b>
plus net cash flows from investments in financial assets for policy purposes	-666	-953	10,061	9,837
<b>Equals headline cash balance</b>	<b>3,969</b>	<b>2,877</b>	<b>14,668</b>	<b>17,570</b>

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

**Table 17: Australian Government general government sector statement of other economic flows (reconciliation of net worth)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Opening net worth</b>	<b>-50,442</b>	<b>-43,336</b>	<b>-42,254</b>	<b>-37,134</b>
<b>Opening net worth adjustments</b>	<b>-891</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjusted opening net worth(a)</b>	<b>-51,333</b>	<b>-43,336</b>	<b>-42,254</b>	<b>-37,134</b>
<b>Change in net worth from operating transactions</b>	<b>3,798</b>	<b>1,243</b>	<b>3,515</b>	<b>5,831</b>
<b>Change in net worth from other economic flows</b>				
Revaluation of equity(b)	3,663	99	2,650	21
Net writedowns of assets (including bad and doubtful debts)	-2,080	-1,250	-1,893	-1,596
Assets recognised for the first time	281	2	2	2
Defence weapon platform adjustment(c)	100	100	100	100
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	237	0	0	0
Net swap interest received	381	310	278	250
Market valuation of debt	1,449	466	332	217
Other economic revaluations(d)	169	112	137	130
<b>Total other economic flows</b>	<b>4,200</b>	<b>-161</b>	<b>1,605</b>	<b>-877</b>
<b>Closing net worth</b>	<b>-43,336</b>	<b>-42,254</b>	<b>-37,134</b>	<b>-32,179</b>

(a) Includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Defence weapons are treated as expenses rather than assets under the GFS framework, hence changes in value do not contribute to net worth and are not included in other economic flows. This component represents the removal of defence weapons included in net writedowns and other movements.

(d) Largely reflects revaluation of assets.

## SENSITIVITY OF FISCAL AGGREGATES TO ECONOMIC DEVELOPMENTS

Table 18 provides a guide to the sensitivity of the forward estimates of expenses and revenue to variations in economic parameters in 2003–04. It is important to note that the sensitivity analysis gives only a ‘rule of thumb’ indication of the impact on the budget of changes in prices, wages and other parameters. 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.

**Table 18: Sensitivity of financial aggregates to changes in economic parameters**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Expenses				
Prices	970	540	790	820
Wages	0	290	400	410
Unemployment benefit recipients	140	280	290	280
Safety net adjustments	0	50	110	180
Revenue				
Prices	10	110	110	110
Wages	750	1,610	1,720	1,840
Employment	510	1,250	1,490	1,460
Private final demand	130	270	280	290
Profit	80	270	280	300

### Expenses

On the expenses side, the sensitivity analysis of the estimates provides for the following assumptions about changes to four broad groups of parameters. An increase in any of the parameters considered will lead to an increase in expenses, and a decrease in any parameter will lead to a reduction in expenses.

#### Prices

All price deflators are assumed to change by one percentage point at the start of the March quarter 2004, with wage deflators left unchanged.

- The effect of a change in prices is due to the indexation of Australian Government expenses and a change in the nominal superannuation interest expense.

#### Wages

All wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2004, with price deflators left unchanged.

- The effect of a change in wage and salary growth rates is largely due to the Government's commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings. The wages effect in Table 18 above does not include changes to wage and salary payments in Australian Government departmental expenses.

#### **Unemployment Benefit Recipients (includes Newstart Allowance and unemployed Youth Allowance recipients)**

The total number of recipients is assumed to change by 2.5 per cent in the Budget year and by 5 per cent in all the forward years.

#### **Safety Net Adjustment**

The Safety Net Adjustment (SNA) determined by the Australian Industrial Relations Commission (AIRC) is assumed to change by \$2 per week, taking effect from the beginning of the March quarter 2004, and each year after that.

- About \$45 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 the CPI and the SNA.

#### **Revenue**

On the revenue side, the sensitivity analysis of the estimates provides for the following assumptions about changes to five broad groups of parameters. 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.

#### **Prices**

All price deflators are assumed to change by one percentage point at the start of the March quarter 2004, with wage deflators left unchanged.

- A change in prices affects revenue primarily through changes in other excise collections.

#### **Wages**

All wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2004, with price deflators left unchanged.

- A change in wage and salary growth rates affects revenue through changes in gross income tax withholding and fringe benefits tax collections.

**Employment**

The level of employment is assumed to change by one percentage point from the beginning of the March quarter 2004, with no change in the composition of employment.

- A change in employment affects revenue through changes in gross income tax withholding collections.

**Private final demand**

The level of private final demand (consumption plus investment) is assumed to change by one percentage point from the beginning of the March quarter 2004, with no change in the composition of demand.

- A change in private final demand affects revenue primarily through changes in excise and customs duty collections.

**Profits**

The level of company profits is assumed to change by one percentage point from the beginning of the March quarter 2004.

- A change in the level of company profits affects revenue through changes in company tax collections.

## Attachment D

## 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 offset, 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 19 provides details on tax expenditures as a proportion of GDP for the period 1999-2000 to 2006-07.

**Table 19: Tax expenditures as a proportion of GDP 1999-2000 to 2006-07<sup>(a)</sup>**

Year	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditures as a proportion of GDP (%)
1999-00 (est)	10 210	18 197	28 407	4.5
2000-01 (est)	9 210	20 492	29 702	4.4
2001-02 (est)	8 740	20 978	29 718	4.2
2002-03 (est)	9 590	20 388	29 978	4.0
2003-04 (proj)	10 460	19 964	30 424	3.8
2004-05 (proj)	11 270	19 956	31 226	3.7
2005-06 (proj)	12 110	20 337	32 447	3.7
2006-07 (proj)	12 920	20 866	33 786	3.6

(a) Preliminary estimates only — final estimates will be published in the *2003 Tax Expenditures Statement*.

Measured tax expenditures as a proportion of GDP are estimated to decline from around 4.5 per cent in 1999-2000 to around 3.6 per cent by 2006-07. This decline largely reflects the impact of the policy decision to remove accelerated depreciation for plant and equipment. Further detail on tax expenditures will be provided in the *2003 Tax Expenditures Statement*.

**SUPPLEMENTARY EXPENSE TABLES AND THE CONTINGENCY RESERVE**

**Expenses**

Table 20 shows estimates of Australian Government general government sector expenses by function and sub-function for 2003-04 and the forward years.



**Table 20: Estimates of Australian Government general government sector expenses by function**

	2003-04			2004-05			2005-06			2006-07		
	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	752	751	0	842	843	0	760	768	1	765	773	1
Financial and fiscal affairs(a)	3,407	3,338	-2	3,516	3,612	3	3,749	3,841	2	3,722	3,760	1
Foreign affairs and economic aid	2,157	2,241	4	2,252	2,310	3	2,314	2,367	2	2,219	2,273	2
General research	2,034	2,024	0	2,108	2,118	0	2,318	2,349	1	2,210	2,265	2
General services	580	567	-2	596	588	-1	594	602	1	601	613	2
Government superannuation benefits	2,120	2,041	-4	2,186	2,098	-4	2,197	2,111	-4	2,204	2,131	-3
<b>Defence</b>	13,970	13,936	0	14,125	13,920	-1	14,555	14,283	-2	15,529	15,162	-2
<b>Public order and safety</b>	2,353	2,428	3	2,237	2,251	1	2,256	2,237	-1	2,259	2,234	-1
<b>Education</b>	13,160	13,447	2	13,928	14,064	1	14,776	14,883	1	15,674	15,749	0
<b>Health(a)</b>	31,365	32,155	3	33,033	33,770	2	34,514	35,259	2	36,095	36,819	2
<b>Social security and welfare(a)</b>	75,455	75,860	1	79,114	79,388	0	82,553	82,779	0	85,922	86,282	0
<b>Housing and community amenities</b>	1,662	1,671	1	1,632	1,644	1	1,598	1,604	0	1,560	1,566	0
<b>Recreation and culture</b>	2,185	2,242	3	2,201	2,249	2	2,209	2,262	2	2,207	2,256	2
<b>Fuel and energy(a)</b>	3,549	3,734	5	3,603	3,881	8	3,655	3,941	8	3,715	4,089	10
<b>Agriculture, fisheries and forestry</b>	1,974	2,444	24	1,831	2,160	18	1,598	1,673	5	1,466	1,543	5
<b>Mining and mineral resources (other than fuels), manufacturing and construction</b>	1,628	1,748	7	1,558	1,756	13	1,404	1,775	26	1,204	1,527	27
<b>Transport and communication</b>	2,272	2,302	1	2,330	2,401	3	1,778	1,849	4	1,667	1,697	2
<b>Other economic affairs</b>												
Tourism and area promotion	126	144	14	130	169	30	131	169	29	118	158	34
Labour and employment affairs	3,381	3,369	0	3,302	3,306	0	3,339	3,338	0	3,416	3,423	0
Other economic affairs nec	750	776	3	749	764	2	751	771	3	741	766	3

**Table 20: Estimates of Australian Government general government sector expenses by function (continued)**

	2003-04			2004-05			2005-06			2006-07		
	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	4,144	4,004	-3	3,949	3,798	-4	3,501	3,447	-2	3,331	3,366	1
Nominal superannuation interest	5,209	4,913	-6	5,507	5,248	-5	5,591	5,686	2	5,773	5,785	0
General purpose inter-government transactions	3,641	3,066	-16	3,399	2,957	-13	3,712	3,027	-18	2,628	2,239	-15
Natural disaster relief	107	144	35	92	92	0	92	92	0	92	92	0
Contingency reserve	52	-488	-1,038	2,301	2,185	-5	4,231	4,924	16	7,233	8,069	12
<b>Total expenses</b>	<b>178,031</b>	<b>178,858</b>	<b>0</b>	<b>186,521</b>	<b>187,571</b>	<b>1</b>	<b>194,176</b>	<b>196,039</b>	<b>1</b>	<b>202,351</b>	<b>204,635</b>	<b>1</b>

(a) This table reflects the corrigendum numbers issued on 27 May 2003 due to a misclassification between expense functions in the 2003-04 Budget. The misclassification affected the Financial and fiscal affairs, Health, Social security and welfare and Fuel and energy functions in this table, but did not affect the aggregate budget figures.

## **CONTINGENCY RESERVE**

The Contingency Reserve is an allowance, included in aggregate expenses figuring, to reflect anticipated events that cannot be assigned to individual programmes in the preparation of the Australian Government budget estimates. The reserve is an estimating device used to ensure that the budget estimates are based on the best information available at the time of the MYEFO. It is not a general policy reserve.

While the reserve ensures that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the reserve can only be drawn upon once they have been appropriated by Parliament.

The Contingency Reserve makes allowance in 2003-04 and the forward years for anticipated events, including the following:

- an allowance for the tendency for estimates of expenses for existing government policy to be revised upwards in the forward years;
- an allowance for the tendency for the estimates of administered expenses for some specific agencies or functions to be overstated in the budget year;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately;
- decisions made too late for inclusion against individual agency estimates;
- the effect on the budget and forward estimates of economic parameter revisions received late in the process and hence not able to be allocated to individual agencies or functions; and
- provision for lapsing programmes and other pressures for funding where the Government has not yet made a final decision but is reasonably expected to do so.

The contingency reserve also includes expenses associated with the Government's major asset sales and associated administration costs.



## APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2003-04 BUDGET

### Summary of policy decisions taken since the 2003-04 Budget

**Table A1: Revenue measures since the 2003-04 Budget<sup>(a)</sup>**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>ATTORNEY-GENERAL'S</b>				
Australia-Thailand Closer Economic Relations – Free Trade Agreement	-	-90.0	-100.0	-100.0
<i>Customs duty –</i>				
changes to Australia's duty free concessions	..	..	..	..
extension of concessions for goods used in the oil and gas sector	..	..	..	..
textile, clothing and footwear tariff reductions	-	-	-	-
<i>Textile, clothing and footwear assistance package post-2005 –</i>				
extension of the Expanded Overseas Assembly Provision scheme(c)	-	-	-5.0	-5.0
Import Credit Scheme(c)	-	-	-	-5.0
<b>Portfolio total</b>	<b>..</b>	<b>-90.0</b>	<b>-105.0</b>	<b>-110.0</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
Postal Industry Ombudsman – establishment(c)	-	0.3	0.3	0.3
Regional Telecommunications Inquiry – cost recovery for enhanced regional telecommunications monitoring(c)	-	1.7	1.1	1.2
<b>Portfolio total</b>	<b>-</b>	<b>2.0</b>	<b>1.4</b>	<b>1.4</b>
<b>HEALTH AND AGEING</b>				
Medical Indemnity – Incurred-But-Not-Reported (IBNR) Indemnity Scheme Levy	*	*	*	*
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Our Universities –</i>				
Commonwealth Grants Scheme - increased flexibility(c)	-	-	0.4	1.1
enhancements to higher education reform package(c)	-	-	-	2.4
Higher Education Loans Programme (HELP) extension extension(d)	-	-	0.1	0.2
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>3.7</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
Air Passenger Ticket Levy – discontinuation	-96.7	-	-	-
<b>Portfolio total</b>	<b>-96.7</b>	<b>-</b>	<b>-</b>	<b>-</b>

Appendix A: Policy decisions taken since the 2003-04 Budget

**Table A1: Revenue measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>TREASURY</b>				
<b>Income tax</b>				
Asset financing arrangements involving tax-preferred entities	-	*	*	*
<i>Capital gains tax –</i>				
demutualisation of friendly societies	..	..	..	..
preservation of pre-CGT interests in entities that demerge	-	-	-	-
small business concessions and discretionary trusts	*	*	*	*
Company tax loss recoupment rules	-	-	-	-
Concessions for Australian Defence Force personnel serving overseas	-11.0	-	-	-
<i>Deductible gift recipients –</i>				
changes to eligible organisations	*	*	*	*
deductions for contributions with an associated minor benefit	-	-	-3.0	-3.0
Family Tax Benefit – income tax deduction for the cost of tax agent fees(c)	-0.1	-	-	-
Farm Management Deposits scheme – clarifying eligibility rules	-	-	-	-
Foreign Investment Fund rules – additional approved stock exchange	..	..	..	..
Imputation – simplified rules for life insurance companies	..	..	..	..
International taxation – not proceeding with the foreign income tax exemption for temporary residents	40.0	40.0	45.0	45.0
<i>Superannuation –</i>				
changes to the taxation of overseas superannuation transfers	-	1.1	0.1	0.1
deferral of pension and annuity changes by three months	*	*	*	*
delayed replacement of the personal superannuation contributions rebate	-10.0	-	-	-
smaller reduction in the Superannuation Surcharge rate	65.0	145.0	205.0	175.0
<i>Tax administration –</i>				
amendments to the <i>Crimes (Taxation Offences) Act 1980</i>	-	-	-	-
changes to hardship provisions	..	..	..	..
new civil penalty to deter the promotion of tax avoidance schemes	-	-	15.0	25.0
Tax treatment of a payment out of the National Guarantee Fund	-	-	-	-
<i>Taxation of financial arrangements –</i>				
backdating elections under the foreign currency rules	-	..	-	-
deferral of reforms to commodity hedging taxation arrangements	*	*	*	*
<b>Fringe benefits tax</b>				
Transition arrangements for payments to worker entitlement funds	-	-	-	-
<b>Portfolio total</b>	<b>83.9</b>	<b>186.1</b>	<b>262.1</b>	<b>242.1</b>
Decisions taken but not yet announced	-	-43.0	48.0	27.0
<b>Total impact of revenue measures(b)</b>	<b>-12.8</b>	<b>55.1</b>	<b>206.9</b>	<b>164.2</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- nil

nfp not for publication

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

(b) Measures may not add due to rounding.

(c) Details of this measure may be found under Expenses.

(d) Details of this measure may be found under Capital.

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup>**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
Drought assistance - Exceptional Circumstances assistance	333.4	264.1	12.1	-
Drought assistance - interim support	50.3	7.2	-	-
National Water Initiative - addressing water over-allocation in the Murray-Darling Basin	-	*	*	*
Rotterdam and Stockholm Conventions - ratification	-	-	-	-
<b>Portfolio total</b>	<b>383.7</b>	<b>271.3</b>	<b>12.1</b>	<b>0.0</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Attorney-General's Department</i>				
Combating trafficking in persons - whole of government strategy	0.2	0.1	0.1	0.1
National Threat Assessment Centre - establishment	0.1	0.4	0.3	0.3
<i>Australian Customs Service</i>				
Aviation security - enhancement	-	0.8	1.7	-
<i>Australian Federal Police</i>				
Aviation security - enhancement	-	3.6	2.8	2.9
Combating trafficking in persons - whole of government strategy	1.2	1.6	1.6	1.7
East Timor - support for the police and justice institutions	-	4.4	4.9	4.0
Solomon Islands - Regional Assistance Mission	80.3	25.0	-	-
<i>Australian Security Intelligence Organisation</i>				
Aviation security - enhancement	-	1.3	1.4	1.4
National Threat Assessment Centre - establishment	2.9	8.5	8.4	8.7
<i>Office of the Director of Public Prosecutions</i>				
HIH Insurance Group - collapse related prosecutions	2.8	5.8	5.5	-
<b>Portfolio total</b>	<b>87.4</b>	<b>51.5</b>	<b>26.5</b>	<b>18.9</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Communications Authority</i>				
Regional Telecommunications Inquiry - enhanced regional telecommunications monitoring	1.7	1.1	1.2	1.2
Unsolicited electronic messaging (spam) regulatory regime	-	-	-	-
<i>Australian Sports Commission</i>				
Australian soccer – interim assistance	3.0	3.0	3.0	-
Inaugural World Peace Game – contribution	0.1	-	-	-
<i>Department of Communications, Information Technology and the Arts</i>				
Deaflympic Games - assistance	-	4.0	-	-
<i>Regional Telecommunications Inquiry -</i>				
Higher Bandwidth Incentive Scheme	4.2	15.0	35.7	17.9
information technology training and support	2.1	3.2	3.0	1.8
other Inquiry recommendations	6.6	0.2	0.2	1.8

Appendix A: Policy decisions taken since the 2003-04 Budget

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup>(continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued)</b>				
Satellite Phone Handset Subsidy Scheme	0.9	1.2	1.2	0.7
terrestrial mobile phone coverage	2.4	7.6	3.9	2.0
<i>National Office for the Information Economy</i>				
<i>Regional Telecommunications Inquiry -</i>				
broadband demand aggregation brokers	2.2	3.2	3.0	-
Coordinated Communications Infrastructure Fund	2.4	8.5	8.5	4.3
National Broadband Strategy Implementation Group	1.0	0.7	0.6	0.5
<b>Portfolio total</b>	<b>26.6</b>	<b>47.8</b>	<b>60.2</b>	<b>30.1</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
National Threat Assessment Centre - establishment	0.7	0.5	0.5	0.5
Solomon Islands - Regional Assistance Mission	97.7	12.6	-	-
<b>Portfolio total</b>	<b>98.3</b>	<b>13.1</b>	<b>0.5</b>	<b>0.5</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Department of Education, Science and Training</i>				
James Cook University - rehabilitation sciences facility	3.7	2.4	-	-
<i>Our Universities -</i>				
Commonwealth Grants Scheme - increased flexibility enhancements to higher education reform package	-	11.0	11.6	9.8
regional universities loading extension	6.0	40.4	47.4	59.7
4.7	4.8	5.1	5.3	
Pensioner Education Supplement - continuation of payment through study breaks	0.6	0.9	0.8	0.7
<b>Portfolio total</b>	<b>15.0</b>	<b>59.4</b>	<b>64.8</b>	<b>75.4</b>
<b>EMPLOYMENT AND WORKPLACE RELATIONS</b>				
<i>Department of Employment and Workplace Relations</i>				
Air Passenger Ticket Levy - discontinuation(d)	-0.2	-	-	-
<b>Portfolio total</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>ENVIRONMENT AND HERITAGE</b>				
<i>Department of the Environment and Heritage</i>				
Mandatory National Water Efficiency Labelling and Standards Scheme	-	-	-	-
Regional Natural Heritage Programme	1.0	4.5	4.5	-
Rotterdam and Stockholm Conventions - ratification	-	-	-	-
<b>Portfolio total</b>	<b>1.0</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0</b>
<b>FAMILY AND COMMUNITY SERVICES</b>				
<i>Department of Family and Community Services</i>				
Bali Terrorist Attacks - assistance for victims and family members of victims	7.9	2.7	1.7	1.7
Carer Allowance (child) - enhanced qualification for automatic access	2.2	2.4	2.5	2.6
Combating trafficking in persons - whole of government strategy	0.3	0.4	0.7	0.7



**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>FAMILY AND COMMUNITY SERVICES (continued)</b>				
Drought assistance - Exceptional Circumstances assistance	9.5	7.1	1.8	-
Family Tax Benefit and Child Care Benefit - extension of time for top-up payments and claims	45.1	24.5	24.6	24.7
King Island and the Furneaux Group of Islands - ex gratia payments in lieu of Remote Area Allowance	1.7	-	-	-
Military Rehabilitation and Compensation Scheme	-	0.8	2.5	4.4
Our Universities - income support treatment of fee-exempt scholarships	1.0	1.7	1.7	1.9
Pensioner Education Supplement - continuation of payment through study breaks	5.6	10.2	10.4	10.7
Personal counselling services in drought affected rural areas - funding extension	2.0	-	-	-
Stronger Families and Communities Strategy	-	-	-	-
<b>Portfolio total</b>	<b>75.2</b>	<b>49.8</b>	<b>45.8</b>	<b>46.7</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Australian Electoral Commission</i>				
Federal elections - improving the integrity of the electoral roll and increasing voter participation	3.9	6.3	3.9	3.7
<i>Department of Finance and Administration</i>				
New superannuation arrangements for Australian Government civilian employees	-	-	-	-
<b>Portfolio total</b>	<b>3.9</b>	<b>6.3</b>	<b>3.9</b>	<b>3.7</b>
<b>FOREIGN AFFAIRS AND TRADE</b>				
<i>Australian Agency for International Development</i>				
Bougainville - Transition Team as the successor to the Peace Monitoring Group	-	-	-	-
East Timor - support for the police and justice institutions	-	-	-	-
Iraq - additional reconstruction assistance	-	-	-	-
Nauru - extension of the Memorandum of Understanding to address unauthorised arrivals	nfp	nfp	nfp	-
Philippines - counter-terrorism assistance	-	-	-	-
Regional Trade and Financial Security Fund - Australian contribution	-	-	-	-
Solomon Islands - Regional Assistance Mission	53.9	-	-	-
<i>Australian Secret Intelligence Service</i>				
National Threat Assessment Centre - establishment	-	0.6	0.5	0.5
<i>Department of Foreign Affairs and Trade</i>				
2005 World Expo in Aichi, Japan - Australian participation	1.7	26.8	6.5	-
Bali Terrorist Attacks - assistance for victims and family members of victims	0.8	-	-	-
National Threat Assessment Centre - establishment	-	-	-	-
Open Source Collection Unit - expansion	0.8	1.6	1.6	1.7
Solomon Islands - Regional Assistance Mission	3.9	-	-	-
<b>Portfolio total</b>	<b>61.1</b>	<b>28.9</b>	<b>8.6</b>	<b>2.2</b>

Appendix A: Policy decisions taken since the 2003-04 Budget

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>HEALTH AND AGEING</b>				
<i>Department of Health and Ageing</i>				
<i>A Fairer Medicare -</i>				
removal of GP Access Scheme	-47.3	-79.7	-102.5	-115.0
removal of private health insurance safety net for out-of-hospital Medicare expenses	-9.8	-24.2	-23.5	-24.3
removal of reducing up front costs for GP visits	-5.6	-1.9	-1.7	-1.7
removal of signage from improved information and practice management	-0.6	-0.2	-0.2	-0.2
Bali Terrorist Attacks - assistance to States and Territories for the initial treatment of victims	1.3	-	-	-
Combating trafficking in persons - whole of government strategy	0.2	0.1	0.2	0.2
Deano's Bone Marrow Donor Institute Walk for Leukaemia - contribution	-	-	-	-
Drought assistance - Exceptional Circumstances assistance	10.0	6.3	-	-
Hazel Hawke Alzheimer's Research and Care Fund - donation	-	-	-	-
Life Savings Drugs Programme - widening access to Cerezyme	2.1	4.9	5.5	6.2
Medical Indemnity - Exceptional Claims Scheme	0.6	0.2	0.6	0.1
Medical Indemnity - extension of High Cost Claims Scheme	14.4	21.4	22.4	23.5
Medical Indemnity Policy Review	0.7	-	-	-
Medical Indemnity Subsidy Scheme – extension	1.2	1.2	1.2	1.2
<i>MedicarePlus -</i>				
assistance for GPs and specialists re-entering the workforce	0.3	4.4	8.7	13.4
better access to medical care for residents of aged care homes	0.2	15.8	14.2	17.7
grants to GP and specialist practices to encourage take up of HIC Online	1.0	2.4	2.9	0.8
higher rebates for patients of certain non-vocationally registered GPs	3.0	6.4	6.4	6.5
increased recruitment of qualified health professionals from overseas	10.7	77.7	152.0	192.1
more pre-vocational doctors to outer metropolitan, regional, rural and remote areas	2.4	21.7	22.5	23.7
payment for GPs who bulk bill children under 16 and concession card holders	136.0	263.8	273.7	283.1
safety net for major out-of-pocket medical costs outside hospital	21.3	55.9	58.2	63.8
support for additional accredited GP training practices and GP supervisors	1.5	3.6	3.0	3.1
support for practice nurses through a new Medicare Benefits Schedule item	5.6	19.5	24.4	26.5
support for rural and remote GPs	8.6	30.3	30.8	31.4

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>HEALTH AND AGEING (continued)</b>				
<i>Pharmaceutical Benefits Scheme -</i>				
extension to the listing of Glivec	9.0	18.8	19.0	18.2
extension to the listing of Mabthera	25.1	25.8	26.5	27.2
listing of Avandia and Actos	25.3	46.5	57.0	62.4
listing of Enbrel	90.4	90.3	90.3	90.3
listing of EpiPen	7.0	10.5	10.6	10.6
listing of Remicade	17.8	15.2	8.0	6.5
Rotterdam and Stockholm Conventions - ratification	-	-	-	-
Therapeutic Goods Administration - costs				
associated with the Pan Pharmaceutical recall	2.6	-	-	-
Tough on Drugs - Indigenous Communities Initiative	-	-	-	-
<i>Health Insurance Commission</i>				
<i>Pharmaceutical Benefits Scheme -</i>				
extension to the listing of Glivec	0.5	0.1	0.1	0.1
listing of Enbrel	4.0	2.9	2.8	2.8
listing of Remicade	1.6	0.7	0.4	0.3
<b>Portfolio total</b>	<b>341.2</b>	<b>640.4</b>	<b>713.3</b>	<b>770.3</b>
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
<i>Department of Immigration and Multicultural and Indigenous Affairs</i>				
Alternative detention arrangements - Port Hedland	2.3	-	-	-
Combating Maritime People Smuggling	0.7	1.7	1.7	1.7
Combating trafficking in persons - whole of government strategy	0.3	0.4	0.4	0.4
Philippines - counter-terrorism assistance	-	-	-	-
<b>Portfolio total</b>	<b>3.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
<b>INDUSTRY, TOURISM AND RESOURCES</b>				
<i>Australian Tourist Commission</i>				
International marketing initiatives for Australian tourism	-	-	-	-
Tourism White Paper	12.0	30.7	30.7	30.8
<i>Department of Industry, Tourism and Resources</i>				
Biofuels Capital Grant Programme	24.3	13.3	-	-
Textiles, clothing and footwear assistance package post-2005	0.2	3.5	8.1	109.9
Strategic Investment Incentive to GTL Resources	0.6	26.8	8.0	-
Tourism White Paper	3.0	22.9	23.7	25.3
<b>Portfolio total</b>	<b>40.0</b>	<b>97.1</b>	<b>70.4</b>	<b>165.9</b>
<b>PRIME MINISTER AND CABINET</b>				
<i>Australian Public Service Commission</i>				
Australian Public Service Indigenous employment strategy	0.2	0.2	0.1	0.1
Australian Public Service - integrated leadership strategy	0.9	0.8	0.5	0.1

Appendix A: Policy decisions taken since the 2003-04 Budget

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>PRIME MINISTER AND CABINET (continued)</b>				
<i>Department of the Prime Minister and Cabinet</i>				
A more informed public - improved research capabilities and accessibility to the website	0.4	0.5	0.6	0.6
Combating trafficking in persons - whole of government strategy	-	-	0.8	0.8
Policy co-ordination - increased activities and new taskforces	3.2	1.6	1.6	1.7
<i>Office of the Commonwealth Ombudsman</i>				
Postal Industry Ombudsman - establishment	-	0.3	0.3	0.3
<i>Office of the Official Secretary to the Governor-General</i>				
Governor-General - improved support	0.5	0.6	0.6	0.6
<i>Office of National Assessments</i>				
National Threat Assessment Centre - establishment	-	-	-	-
<b>Portfolio total</b>	<b>5.3</b>	<b>4.0</b>	<b>4.3</b>	<b>4.0</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Aviation security – enhancement	2.3	19.4	20.1	10.2
National Threat Assessment Centre - establishment	0.5	0.4	0.4	0.4
<b>Portfolio total</b>	<b>2.8</b>	<b>19.7</b>	<b>20.5</b>	<b>10.5</b>
<b>TREASURY</b>				
<i>Australian Competition and Consumer Commission</i>				
Australian Competition and Consumer Commission - additional funding	6.8	-	-	-
<i>Australian Taxation Office</i>				
Baby Bonus adoptions	..	..	..	..
Family Tax Benefit and Child Care Benefit - extension of time for top-up payments and claims	-	20.7	20.8	20.9
Refundable film tax offset - amendment	-	-	-	-
Superannuation - extended Government superannuation co-contribution for low income earners	-125.0	95.0	120.0	110.0
<i>Department of the Treasury</i>				
<i>Budget Balancing Assistance - amendments to the A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>				
changes to Australia's duty free concessions	8.8	5.7	5.7	-
compulsory third party schemes	*	*	*	*
treatment of first aid and life saving courses	4.6	1.0	1.0	-
variation to New South Wales' Guaranteed Minimum Amount	-	15.0	15.0	-
HIH Claims Support Scheme - closure	-	-	-	-
<b>Portfolio total</b>	<b>-104.8</b>	<b>137.4</b>	<b>162.5</b>	<b>130.9</b>

**Table A2: Expense measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>VETERANS' AFFAIRS</b>				
<i>Department of Veterans' Affairs</i>				
Military Rehabilitation and Compensation Scheme	1.2	1.0	0.7	1.7
<i>Pharmaceutical Benefits Scheme -</i>				
extension to the listing of Glivec	1.0	2.1	2.1	2.0
extension to the listing of Mabthera	2.8	2.9	2.9	3.0
listing of Avandia and Actos	1.2	2.2	2.7	2.9
listing of Enbrel	9.6	9.7	9.7	9.7
listing of EpiPen	0.4	0.6	0.6	0.6
listing of Remicade	2.0	1.7	0.9	0.7
<b>Portfolio total</b>	<b>18.2</b>	<b>20.1</b>	<b>19.4</b>	<b>20.5</b>
Decisions taken but not yet announced	-53.9	4.1	0.2	-
<b>Depreciation Expense(b)</b>	<b>0.7</b>	<b>4.0</b>	<b>4.8</b>	<b>3.8</b>
<b>Total Expense Measures(c)</b>	<b>1,004.7</b>	<b>1,461.4</b>	<b>1,224.2</b>	<b>1,285.3</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- nil

nfp not for publication

(a) A minus sign before an estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(b) Aggregate depreciation expenses in relation to capital measures.

(c) Measures may not add due to rounding.

(d) Details of this measure may be found under Revenue.

Appendix A: Policy decisions taken since the 2003-04 Budget

**Table A3: Capital measures since the 2003-04 Budget<sup>(a)</sup>**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
Wheat Export Authority - operating loan	-	-	-	-
<b>Portfolio total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Australian Customs Service</i>				
Australian Customs Service - additional funding	-	-	-	-
Aviation security – enhancement(d)	-	4.8	1.1	-
<i>Australian Federal Police</i>				
Aviation security – enhancement(d)	-	0.3	-	-
Combating trafficking in persons - whole of government strategy(d)	0.5	-	-	-
Solomon Islands - Regional Assistance Mission(d)	16.7	-	-	-
<i>Australian Security Intelligence Organisation</i>				
Aviation security – enhancement(d)	-	1.2	-	-
National Threat Assessment Centre - establishment(d)	1.5	0.9	0.2	0.2
<b>Portfolio total</b>	<b>18.7</b>	<b>7.2</b>	<b>1.3</b>	<b>0.2</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Sports Commission</i>				
Australian soccer – interim assistance(d)	-	-	-	-
<b>Portfolio total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
Solomon Islands - Regional Assistance Mission(d)	13.4	9.6	-	-
<b>Portfolio total</b>	<b>13.4</b>	<b>9.6</b>	<b>0.0</b>	<b>0.0</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Department of Education, Science and Training</i>				
<i>Our Universities -</i>				
Commonwealth Grants Scheme - increased flexibility(d)	-	-	-	-
enhancements to the higher education reform package(d)	-	-	-	-
Higher Education Loans Programme (HELP) extension	-	-	-	-
Radioactive waste management facility – security and access road construction	4.8	-	-	-
<b>Portfolio total</b>	<b>4.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Australian Electoral Commission</i>				
Federal Elections - improving the integrity of the electoral roll and increasing voter participation(d)	1.5	1.3	0.1	0.1
<b>Portfolio total</b>	<b>1.5</b>	<b>1.3</b>	<b>0.1</b>	<b>0.1</b>

**Table A3: Capital measures since the 2003-04 Budget<sup>(a)</sup> (continued)**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>FOREIGN AFFAIRS AND TRADE</b>				
<i>Department of Foreign Affairs and Trade</i>				
Export Finance Investment Corporation - divestment of short term export credit business	-	-	-	-
Open Source Collection Unit - expansion(d)	0.1	-	-	-
Solomon Islands - Regional Assistance Mission(d)	1.5	-	-	-
<b>Portfolio total</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
<i>Department of Immigration and Multicultural and Indigenous Affairs</i>				
Alternative Detention Arrangements - Port Hedland(d)	0.2	-	-	-
Combating Maritime People Smuggling(d)	0.3	-	-	-
Combating trafficking in persons - whole of government strategy(d)	..	-	-	-
<b>Portfolio total</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>PRIME MINISTER AND CABINET</b>				
<i>Department of the Prime Minister and Cabinet</i>				
A more informed public - improved research capabilities and accessibility to the website(d)	..	-	-	-
<b>Portfolio total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Aviation security - enhancement(d)	0.8	3.4	-	-
<i>National Capital Authority</i>				
National Capital Authority - additional funding	0.6	-	-	-
<b>Portfolio total</b>	<b>1.5</b>	<b>3.4</b>	<b>0.0</b>	<b>0.0</b>
<b>VETERANS' AFFAIRS</b>				
<i>Department of Veterans' Affairs</i>				
Military Rehabilitation and Compensation Scheme(d)	3.1	-	-	-
<b>Portfolio total</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Depreciation Expense(b)</b>	<b>-0.7</b>	<b>-4.0</b>	<b>-4.8</b>	<b>-3.8</b>
<b>Total Capital Measures(c)</b>	<b>44.5</b>	<b>17.5</b>	<b>-3.4</b>	<b>-3.5</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- nil

nfp Not for publication

(a) A minus sign before an estimate indicates a reduction in capital, no sign before an estimate indicates a capital increase.

(b) Net capital investment is reduced by depreciation expenses.

(c) Measures may not add due to rounding.

(d) Details of this measure may be found under Expenses

## Revenue measures

### ATTORNEY-GENERAL'S

#### Australia-Thailand Closer Economic Relations — Free Trade Agreement

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-	-90.0	-100.0	-100.0

On 19 October 2003, the Prime Ministers of Australia and Thailand announced the Australia-Thailand Closer Economic Relations – Free Trade Agreement. The agreement is expected to come into force in the second half of 2004. As part of the comprehensive agreement, both nations have agreed to eliminate tariffs on the majority of each other's goods. This will result in a reduction in tariff revenue collected in Australia.

Closer Economic Relations – Free Trade Agreement builds on Australia's strong economic partnership with Thailand and will provide significant benefits to the Australian economy. Specific sectors to benefit from the agreement will include the agriculture sector (including exporters of beef, sheep meat, dairy products, wheat and other grains), processed food and wine producers, and the manufacturing sector (especially the automotive sector). The agreement provides a strong foundation for expansion in the services sector including increased access for Australian investors in the mining sector and a range of services exporters.

Further information can be found in the press release of 20 October 2003 issued by the Minister for Trade.

#### Customs duty — changes to Australia's duty free concessions

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	..	..	..	..

The Government will make changes to the duty free concessions available to passengers and Australian-domiciled crew members. The measure will have effect from the date of commencement of the Customs by-laws.

These changes will simplify Customs processes and streamline passenger and crew processing. The changes include:

- an increase in the general concession from \$400 to \$900 for adult travellers and from \$200 to \$450 for minors;



*Appendix A: Policy decisions taken since the 2003-04 Budget*

- an increase in the alcohol concession from 1.125 litres to 2.25 litres;
- the carriage of one carton (being the current concession) and one opened packet (maximum 25 sticks) without the requirement for duty collection within the tobacco concession; and
- the adoption of the same concession regime for crew members as for passengers, but with a general concession amount of \$450.

The \$50 waiver provision for all passengers will be replaced with a requirement that goods and services tax and/or duty be payable on the full value of goods within any category where the concession limit for that category is exceeded.

Further information can be found in the joint press release of 18 September 2003 issued by the Minister for Justice and Customs and the Minister for Small Business and Tourism.

**Customs duty — extension of concessions for goods used in the oil and gas sector**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	..	..	..	..

The Government has made amendments to the Customs laws to extend the duty-free treatment of goods used in the oil and gas sector to accommodate recent changes in technology, with effect from 18 October 2003.

Previously, goods for use in connection with the exploration for oil or natural gas or in the development of oil or natural gas wells were duty-free.

The amendments extend duty-free treatment to goods that are used in the process of re-entering an existing well, extending the well into a new oil or natural gas zone and workovers for the maintenance of the well. To address industry concerns, the concession will apply only to goods that have no identified Australian producers of substitutable goods.

The additional equipment that will be eligible for duty-free treatment is the 'christmas tree' — a set of valves, spools and fittings connected to the top of an oil or natural gas well to direct and control the flow of formation fluids from the well.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Customs duty — textile, clothing and footwear tariff reductions**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-	-	-	-

The Government will reduce customs duty tariffs for most textile and footwear products to 5 per cent, with effect from 1 January 2010. Tariffs on clothing and certain finished textiles will be reduced to 10 per cent from 1 January 2010 and then to 5 per cent from 1 January 2015.

In addition, the Government will implement a long-term package of initiatives costing \$747 million, for the period 2005-06 to 2015-16, to assist the textile, clothing and footwear industry adjust to the lower tariff environment and to become more internationally competitive.

Further information can be found in the press release of 27 November 2003 issued by the Minister for Industry, Tourism and Resources.

See also the related expense measure titled *Textile, clothing and footwear assistance package post-2005* in the Industry, Tourism and Resources portfolio.

## HEALTH AND AGEING

### Medical Indemnity — Incurred-But-Not-Reported Indemnity Scheme Levy

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	*	*	*	*

As part of a package of measures to help address difficulties in medical indemnity insurance, the Prime Minister announced on 23 October 2002 that the Government would assume the unfunded Incurred-But-Not-Reported (IBNR) liabilities of medical defence organisations (MDOs) and then recoup the amounts from members of those organisations. The Minister for Health and Ageing determined that UMP/AMIL would be the only MDO to participate in the IBNR Scheme in 2003-04. Levy notices were issued to members of UMP/AMIL in August 2003.

On 3 October 2003, the Government announced an 18 month moratorium on payments of annual IBNR indemnity contribution payments over \$1,000 and a Medical Indemnity Policy Review on broader medical indemnity issues. This Review will report to the Prime Minister by 10 December 2003. On 10 October 2003, the Government announced the withdrawal of the current IBNR indemnity contribution invoices and the refund of contributions already paid, and stated that new levy notices will not be issued until after completion of the Review.

The Government also announced a range of further exemptions from the IBNR contributions for:

- all doctors aged 65 and over;
- all doctors employed by public hospitals or where their private medical income is returned to those hospitals;
- all doctors who retire early due to disability or permanent injury; and
- the estates of deceased doctors.

Costs associated with these announcements will be finalised following the Government's response to the Review.

Further information can be found in the press release of 1 August 2003 issued by the Minister for Revenue and Assistant Treasurer, the joint press release of 3 October 2003 issued by the Hon. Tony Abbott MP and the Minister for Revenue and Assistant Treasurer and the press releases of 10 and 16 October 2003 issued by the Minister for Health and Ageing.

## TRANSPORT AND REGIONAL SERVICES

### Air Passenger Ticket Levy — discontinuation

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Transport and Regional Services	-96.7	-	-	-
Related expense(a) (\$m)				
Department of Employment and Workplace Relations	-0.2	-	-	-

(a) A negative number for expenses indicates an increase in the fiscal balance.

On 10 June 2003, the Government announced the discontinuation from 1 July 2003 of the \$10 Air Passenger Ticket Levy. This announcement followed the receipt of advice that the Government would be likely to receive sufficient funds from the Ansett Group of Companies (subject to a Deed of Company Arrangement) to repay the shortfall between levy collections to date and monies provided to former Ansett staff under the Special Employee Entitlements Scheme for Ansett (SEESA). This measure results in a reduction in revenue estimates of \$96.7 million in 2003-04.

The Government established SEESA to ensure that former employees of the companies in the Ansett Group received all of their basic entitlements – including unpaid wages, annual leave, long service leave, pay-in-lieu of notice and redundancy entitlements up to the community standard of eight weeks – earlier than would otherwise have occurred under normal insolvency arrangements.

Under the *Air Passenger Ticket Levy (Collection) Act 2001*, the Department of Employment and Workplace Relations met costs incurred in administering the levy. The discontinuation of the levy results in a reduction in administrative expenses of \$0.2 million in 2003-04.

Further information can be found in the press release of 1 July 2003 issued by the Minister for Transport and Regional Services.

## TREASURY

### Income tax

#### Asset financing arrangements involving tax-preferred entities

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	*	*	*

The Government will replace the current rules that apply to asset financing arrangements involving tax-preferred entities (such as government and non-resident entities). The new rules will deny capital allowance deductions for asset financing arrangements where the tax-preferred entity has the predominant level of economic risk in the asset. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently a complex set of tests determines the tax treatment that applies to asset financing arrangements involving tax-preferred entities. The measure will clarify the circumstances under which deductions will be denied, such as where the owner of the asset does not bear sufficient risk in the asset. Taxpayers who are denied deductions will be eligible for a 'notional loan treatment'.

Further information can be found in the press release of 26 June 2003 issued by the Minister for Revenue and Assistant Treasurer.

#### Capital gains tax — demutualisation of friendly societies

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will allow friendly societies that principally carry on life insurance business to qualify for the capital gains tax (CGT) concessions that apply to other insurance companies that demutualise, with effect from 1 July 2000. These concessions set a cost base for shares received in the demutualised entity and allow a CGT roll-over until the disposal of the shares.

Further information can be found in the press release of 16 October 2003 issued by the Minister for Revenue and Assistant Treasurer.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Capital gains tax — preservation of pre-CGT interests in entities that demerge**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will modify the capital gains tax (CGT) provisions in the income tax law to preserve the pre-CGT interests of shareholders who hold interests in entities that demerge, with effect from 1 July 2002.

The measure will ensure that a CGT liability does not arise on the disposal of interests acquired in a demerged entity if it would not have arisen from disposal of the corresponding interests before the demerger.

Further information can be found in the press release of 16 October 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Capital gains tax — small business concessions and discretionary trusts**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will modify the control test for access to the small business capital gains tax (CGT) concessions where a small business operates through a discretionary trust, with effect from 21 September 1999.

Broadly, from the 2002-03 income year, an entity will be taken to control a discretionary trust if the distributions made by the trust to the entity during the year amount to at least 40 per cent of the trust's total distributions for that year. Transitional provisions will apply for earlier income years.

Distributions to tax exempt entities and tax deductible gift recipients will be ignored for the purposes of applying the new control test.

This will ensure that small businesses that operate through a discretionary trust can more readily benefit from the small business CGT concessions.

Further information can be found in the press release of 16 October 2003 issued by the Minister for Revenue and Assistant Treasurer.

### Company tax loss recoupment rules

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will change the company tax loss recoupment rules to take account of recent reforms to the regulation of the medical indemnity industry, with effect from 1 July 2003.

This change will enable medical defence organisations to recoup prior year losses by applying the same business test despite changes made to their business prior to 1 July 2003 in order to satisfy the requirements of the *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*.

The Government has also introduced new rules to ensure that companies are not prevented from accessing the same business test because they cannot determine a date on which the continuity of ownership test was failed. These rules have effect from the 1997-98 income year. The Government will amend these rules to clarify that they will apply to companies that do not have shares, and that they will not deny losses deducted under established administrative practices of the Australian Taxation Office.

Further information can be found in the press release of 11 September 2003 issued by the Minister for Revenue and Assistant Treasurer.

### Concessions for Australian Defence Force personnel serving overseas

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-11.0	-	-	-

Since the 2003-04 Budget, the Minister for Defence has declared duty for a number of Australian Defence Force (ADF) operations to be 'warlike'. As a result, ADF personnel certified as serving in a specified area of operation will be eligible for an income tax exemption for their ADF pay and allowances during the period of the operation.

These operations are:

- Operation Palate – the ADF contribution to the United Nations Assistance Mission in Afghanistan (from 18 April 2003); and
- Operation Catalyst – the ADF contribution to the coalition to disarm Iraq (from 16 July 2003).

In addition, the Government has authorised a tax offset for eligible ADF personnel serving in other specified areas of operation. The tax offset is set at the same level as the remote area Zone A offset.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

These operations are:

- Operation Paladin – the ADF contribution to the United Nations Truce Supervision Organisation in the Middle East; and
- Operation Anode – the ADF contribution to the Australian-led Regional Assistance Mission to the Solomon Islands.

Further information can be found in the press release of 15 July 2003 issued by the Minister Assisting the Minister for Defence and the press release of 1 August 2003 issued by the Minister for Defence.

**Deductible gift recipients — changes to eligible organisations**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

Since the 2003-04 Budget, the Government has announced that donations and gifts of \$2 or more to the following organisations have been made tax deductible:

- Crime Stoppers Australia Limited;
- Crime Stoppers South Australia Incorporated;
- The Alcohol Education and Rehabilitation Foundation Limited;
- The Constitution Education Fund;
- The Country Education Foundation of Australia Limited;
- The Lowy Institute for International Policy; and
- The Dunn and Lewis Youth Development Foundation.

In addition, since the 2003-04 Budget there have been:

- 58 additions to the Register of Cultural Organisations and 10 deletions; and
- 13 admissions to the Register of Environmental Organisations and 6 removals.

The Register of Cultural Organisations can be found on the Department of Communications, Information Technology and the Arts website at [www.dcita.gov.au](http://www.dcita.gov.au). The Register of Environmental Organisations can be found on the Department of Environment and Heritage website at [www.ea.gov.au](http://www.ea.gov.au).



**Deductible gift recipients — deductions for contributions with an associated minor benefit**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-3.0	-3.0

The Government will broaden the range of tax concessions available to assist the fund raising efforts of deductible gift recipients (DGRs), with effect from 1 July 2004.

Currently, no tax deduction is available where a benefit is received in return for a contribution to a DGR. This measure will allow taxpayers to claim an income tax deduction for the net amount of contributions made to a DGR where the taxpayer receives an associated minor benefit. Under this measure, deductions for contributions with associated minor benefits are limited to:

- contributions of property purchased more than 12 months before the contribution and worth more than \$5,000; or
- contributions of cash and other property above \$250.

To be eligible for a deduction, the market value of the benefit received by the donor cannot be more than 10 per cent of the contribution or \$100, whichever is less. The deduction available is the contribution less the market value of the minor benefit.

This measure will benefit the charitable sector and will ensure that a minor advantage or benefit received by donors when making a contribution does not prevent their eligibility to claim a tax deduction.

Further information can be found in the press release of 9 September 2003 issued by the Prime Minister.

**Farm Management Deposits scheme — clarifying eligibility rules**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government has clarified the eligibility criteria of the Farm Management Deposit (FMD) scheme to allow primary producers to more easily determine whether the financial institution is eligible to accept a FMD, with effect from 1 July 2003.

Under the new criteria, authorised deposit-taking institutions (ADIs) for the purposes of the *Banking Act 1959* and institutions with a State or Territory guarantee will be eligible to accept a FMD.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Under the transitional arrangements, deposits made with any non-ADIs before 1 July 2003 are deemed to be FMDs, provided all other requirements of the FMD scheme are met and they are transferred to an eligible financial institution within the transfer period (between 1 July 2003 and 1 July 2007). This amendment protects primary producers who have made deposits with non-ADIs in good faith, and allows for a managed transfer of funds to an eligible financial institution.

Further information can be found in the press release of 17 June 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Foreign Investment Fund rules— additional approved stock exchange**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government has added the Stock Exchange of Newcastle Limited to the list of stock exchanges approved for the purposes of the Foreign Investment Fund (FIF) rules in the income tax law, with effect from 1 July 2002.

The list of approved stock exchanges assists Australian investors in foreign companies to comply with the FIF rules. The addition of the Newcastle Stock Exchange will assist it to compete with other exchanges for the listing of foreign companies.

Further information can be found in the press release of 13 June 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Imputation — simplified rules for life insurance companies**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government has simplified and improved the imputation rules relating to life insurance companies, with effect from 1 July 2002.

These changes have corrected a number of minor defects in the imputation rules for life insurance companies and removed the penalty for the over-estimation of franking credits. These improvements were made in response to anomalies in the current law identified during consultation between Treasury, the Australian Taxation Office and industry and will significantly reduce compliance costs for industry.

**International taxation — not proceeding with the foreign income tax exemption for temporary residents**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	40.0	40.0	45.0	45.0

The Government will not proceed with the measure to provide a four-year income tax exemption for temporary residents for most foreign source income, including capital gains, as a result of the failure of the relevant legislation to achieve passage through Parliament.

The original measure, announced as part of *The New Business Tax System*, aimed to make it easier for Australian companies to draw on global markets for highly skilled labour by reducing the compliance and tax burden on first-time temporary residents for the defined types of foreign income. The original measure also included removing interest withholding tax obligations for temporary residents, and making temporary residents exempt from the Foreign Investment Fund rules regardless of the period of residence.

The Government has twice introduced legislation into the Parliament to implement the arrangements. However, on both occasions the relevant legislation failed to achieve passage through the Senate. Against this background, and to provide certainty for taxpayers, the Government has decided not to proceed with the measure.

**Superannuation — changes to the taxation of overseas superannuation transfers**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	1.1	0.1	0.1

The Government will treat the growth in superannuation transferred from an overseas superannuation fund to an Australian superannuation fund, since the individual became an Australian resident, as a taxable contribution to the Australian fund. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, the growth in an overseas superannuation fund is taxable at the taxpayer's marginal tax rate if transferred into Australia more than six months after the individual becomes an Australian resident, and the tax liability is paid without access to the superannuation benefit.

This change will encourage the transfer of superannuation into Australia by reducing the tax burden on individuals who make such transfers.

Transfers made within six months of residency will remain tax-free.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Further information can be found in the press release of 30 September 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Superannuation — deferral of pension and annuity changes by three months**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government has deferred the commencement of changes to superannuation pension and annuity regulations by three months to 1 October 2003. The deferral applies to the measures *Modify 6 month rule for complying pensions and annuities* and *Require a minimum payment from a commuted pension or annuity* announced in the *Mid-Year Economic and Fiscal Outlook 2002-03*.

The commencement of the measures was deferred, as a result of consultations with industry representatives, to provide industry with reasonable time to implement systems changes necessary to comply with the new rules.

Further information can be found in the press release of 27 June 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Superannuation — delayed replacement of the personal superannuation contributions rebate**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-10.0	-	-	-

The Government has delayed the replacement of the existing superannuation rebate for low income earners with the Government superannuation co-contribution from 1 July 2002 to 1 July 2003. This delay reflects the failure of certain superannuation legislation to achieve passage through Parliament prior to 30 June 2003.

The 2002-03 Budget included the replacement of the low income earner rebate with a more generous Government co-contribution for low income earners, with effect from 1 July 2002.

Low income earners are entitled to a maximum rebate of \$100 in respect of personal undeducted superannuation contributions made prior to 1 July 2003. Eligible persons are still able to claim the rebate in respect of those contributions made up to 30 June 2003.

Further information can be found in the press release of 7 September 2003 issued by the Minister for Revenue and Assistant Treasurer.

Appendix A: Policy decisions taken since the 2003-04 Budget

See also the related expense measure titled *Superannuation – extended Government superannuation co-contribution for low income earners* in the Treasury portfolio.

**Superannuation — smaller reduction in the Superannuation Surcharge rate**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	65.0	145.0	205.0	175.0

The 2002-03 Budget included the Government's 2001 election commitment to reduce the maximum surcharge rates to 10.5 per cent over three years commencing from 1 July 2002. However, in negotiations to obtain passage of the relevant legislation through the Senate, the Government could only obtain agreement to reduce the maximum surcharge rates to 14.5 per cent in 2003-04, 13.5 per cent in 2004-05 and 12.5 per cent in 2005-06 and succeeding years.

Further information can be found in the press release of 7 September 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Tax administration — amendments to the *Crimes (Taxation Offences) Act 1980***

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will correct certain provisions of the *Crimes (Taxation Offences) Act 1980* (the Act) to ensure they operate effectively with *The New Tax System*. The provisions concerned enable the prosecution of persons who enter into arrangements to avoid, or aid and abet persons to avoid, payment of certain taxes and charges. The measure will have effect from the day following Royal Assent of the enabling legislation.

The amendments ensure that the existing provisions in the Act, which extend offence provisions relevant to the previous sales tax regime to other taxes and charges, will operate as intended.

The Act will also be amended to harmonise the offence provisions with the Criminal Code, which provides a uniform interpretation for offence provisions in all Commonwealth legislation. The amendments will ensure that the application of the Criminal Code will not change the interpretation of any of the offence provisions contained in the Act.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Tax administration — changes to hardship provisions**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government has streamlined the procedures under which an individual taxpayer can be released from a tax liability where payment would entail serious hardship. In addition, the scope of relief has been broadened to include Pay As You Go instalments and fringe benefits tax instalments. The measure has effect from 1 September 2003.

These changes transfer the authority to grant relief from a tax liability from the tax relief boards to the Commissioner of Taxation. As part of this measure, the Government also introduced a new right to have tax relief decisions reviewed internally by the Australian Taxation Office and by the Administrative Appeals Tribunal sitting as the Small Taxation Claims Tribunal.

The streamlining of these procedures was undertaken to increase the efficiency and flexibility of the system for taxpayers to seek relief from tax debts. Prior to 1 September 2003, the release arrangements applied principally to tax assessment debt and did not apply to debt arising from unpaid instalments.

**Tax administration — new civil penalty to deter the promotion of tax avoidance schemes**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	15.0	25.0

The Government will introduce a civil penalty regime to deter the promotion of tax avoidance and tax evasion schemes. The civil penalty will apply to lead promoters of tax schemes that are first offered to investors on or after 1 July 2004.

Currently there are no civil or administrative penalties in the tax laws that apply to promoters in their capacity of designing, marketing, selling or implementing tax avoidance schemes.

The new penalty will apply to any person who:

- is the lead promoter of a tax avoidance or tax evasion scheme; or
- implements a tax scheme that has been promoted on the basis of its conformity with a taxation product ruling in a materially different way to that described in its product ruling.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

The Government will also allow the Commissioner of Taxation to apply to a court for an injunction, or to enter into voluntary out of court arrangements with promoters, to counter the promotion of tax avoidance schemes.

**Tax treatment of a payment out of the National Guarantee Fund**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

As a part of arrangements to restructure the investor protection and clearing support roles of the National Guarantee Fund (NGF), the Government will ensure that no taxation consequences will arise from a payment from the NGF to a prescribed body that will undertake clearing and settlement facility support. This measure will apply to a payment made on or after the date of introduction into Parliament of the enabling legislation.

The *Corporations Act 2001* provides a mechanism for the Minister to direct a payment out of the NGF to a newly created fund responsible for clearing and settlement facility support operations. The NGF will then only remain responsible for funding investor protection operations.

**Taxation of financial arrangements — backdating elections under the foreign currency rules**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	..	-	-

As a transitional measure, the Government will allow elections made under the foreign currency rules to be backdated to 1 July 2003 or, for some elections, a later date. The measure will apply to elections made within 30 days of Royal Assent of the enabling legislation for the foreign currency rules.

The elections in the foreign currency rules permit taxpayers to access concessional regimes designed to reduce their compliance costs. The elections were originally required to be made either before the concessional regime could be utilised or, depending on the election, within 90 days of the rules' applicable commencement date (1 July 2003 for most taxpayers). The measure allows taxpayers to access the foreign currency concessions between 1 July 2003 and the date of Royal Assent.

Further information can be found in the press release of 13 October 2003 issued by the Minister for Revenue and Assistant Treasurer.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Taxation of financial arrangements — deferral of reforms to commodity hedging taxation arrangements**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government has deferred the commencement of proposed reforms to commodity hedging taxation arrangements.

The deferral takes into account issues raised in consultations undertaken with industry and recognises that the proposed reforms may be affected by the forthcoming transition by companies to international accounting standards.

A revised commencement date for the reforms, which comprise the third stage of the taxation of financial arrangements reforms recommended by the Ralph Review of Business Taxation, will be announced after further consultation with industry.

Further information can be found in the press release of 21 November 2003 issued by the Minister for Revenue and Assistant Treasurer.

**Fringe benefits tax**

**Transition arrangements for payments to worker entitlement funds**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government has provided a twelve month transitional period, from 1 April 2003 to 31 March 2004, during which fringe benefits tax (FBT) is not payable by employers on certain payments into existing non-approved worker entitlement funds, where the payments are made in accordance with existing industrial practice.

In the *Mid-Year Economic and Fiscal Outlook 2002-03*, the Government reported that certain payments to approved worker entitlement funds would be exempt from FBT from 1 April 2003. For the exemption to apply, the payments into the fund and the fund itself must satisfy certain criteria. The transitional measure allows a further twelve months for some employers to adjust their existing arrangements to satisfy the requirements for the FBT exemption.



## Expense measures

### AGRICULTURE, FISHERIES AND FORESTRY

#### Drought assistance — Exceptional Circumstances assistance

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Agriculture, Fisheries and Forestry	333.4	264.1	12.1	-
Department of Family and Community Services	9.5	7.1	1.8	-
Department of Health and Ageing	10.0	6.3	-	-
Total	352.9	277.5	13.9	-

The Government will provide an additional \$644.3 million over three years for Exceptional Circumstances assistance to farmers in drought affected regions across Australia. This brings Exceptional Circumstances assistance to a total of \$1,077 million. The Minister for Agriculture, Fisheries and Forestry has made several announcements since May 2003 declaring Exceptional Circumstances in additional regions across Australia. The amount of assistance may increase subject to the receipt of additional applications.

Exceptional Circumstances assistance comprises interest rate subsidies and income support to assist viable farm businesses and farm families adversely affected by exceptional climatic events, including drought. Eligible recipients are also provided with a health care concession card and access to Youth Allowance.

Exceptional Circumstances drought assistance is a cross-portfolio measure between the Departments of Agriculture, Fisheries and Forestry, Health and Ageing, and Family and Community Services. Funding for the Department of Agriculture, Fisheries and Forestry includes \$9.8 million over three years for Centrelink to administer elements of Exceptional Circumstances assistance.

Further information can be found in the relevant press releases issued by the Minister for Agriculture, Fisheries and Forestry.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Drought assistance — interim support**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Agriculture, Fisheries and Forestry	50.3	7.2	-	-

The Government will provide an additional \$57.5 million over two years for interim income support and interest rate relief to farmers in drought-affected regions across Australia. This brings interim support to a total of \$136.4 million. The Minister for Agriculture, Fisheries and Forestry has made several announcements since May 2003 for new interim support in advance of State Government applications for Exceptional Circumstances assistance in those regions being assessed by the Australian Government.

Once a fully completed application for a particular region is received by the Australian Government and is deemed to show a prima facie case for Exceptional Circumstances declaration, interim income support is made available to eligible farmers on conditions equivalent to the Exceptional Circumstances Relief Payment. Interest rate relief on new and additional borrowings over two years was also made available to eligible farmers until 30 September 2003.

Access to interim income support is available for up to six months while the Exceptional Circumstances application is assessed. Should the Government declare Exceptional Circumstances in a region, interim income support ceases and standard Exceptional Circumstances assistance arrangements commence.

This funding includes \$5.3 million over two years for Centrelink to administer this measure.

Further information can be found in the relevant press releases issued by the Minister for Agriculture, Fisheries and Forestry.

**National Water Initiative — addressing water over-allocation in the Murray-Darling Basin**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Agriculture, Fisheries and Forestry	-	*	*	*

The Government will contribute \$200 million over five years, commencing in 2004-05, to a \$500 million package to address water over-allocation in the Murray-Darling Basin.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

At the Council of Australian Governments (COAG) meeting of 29 August 2003, other Murray-Darling jurisdictions agreed to complement the Government's contribution by committing funding as follows: New South Wales (\$115 million), Victoria (\$115 million), South Australia (\$65 million) and the Australian Capital Territory (\$5 million).

Details of the package are being negotiated by member jurisdictions of the Murray-Darling Basin and will be the subject of a specific Intergovernmental Agreement.

Provision for the Government's funding contribution has been included in the contingency reserve pending finalisation of the funding profile.

Further information can be found in the COAG Communiqué of 29 August 2003.

## ATTORNEY-GENERAL'S

### Combating trafficking in persons — whole of government strategy

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Federal Police	1.2	1.6	1.6	1.7
Attorney-General's Department	0.2	0.1	0.1	0.1
Department of Immigration and Multicultural and Indigenous Affairs	0.3	0.4	0.4	0.4
Department of the Prime Minister and Cabinet	-	-	0.8	0.8
Department of Health and Ageing	0.2	0.1	0.2	0.2
Department of Family and Community Services	0.3	0.4	0.7	0.7
<b>Total</b>	<b>2.2</b>	<b>2.6</b>	<b>3.8</b>	<b>3.9</b>
<i>Related capital (\$m)</i>				
Australian Federal Police	0.5	-	-	-
Department of Immigration and Multicultural and Indigenous Affairs	..	-	-	-

The Government will provide \$13.1 million (including \$0.6 million capital funding) over four years to combat people trafficking and sexual servitude in Australia.

A range of initiatives, including the establishment of a mobile people trafficking strike team, improvements to legislation to comprehensively criminalise trafficking activity, and the provision of co-ordinated victim support measures will significantly enhance the detection, investigation and prosecution of traffickers, and help prevent trafficking of persons. The measure includes an amount of \$0.5 million for surveillance and standard-issue equipment for AFP officers.

Further information can be found in the joint press release of 13 October 2003 issued by the Minister for Justice and Customs, the Minister for Immigration and Multicultural and Indigenous Affairs, the Minister for Foreign Affairs, the Minister Assisting the Prime Minister for the Status of Women and the Attorney-General.

### HIH Insurance Group — collapse related prosecutions

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Office of the Director of Public Prosecutions	2.8	5.8	5.5	-

*Appendix A: Policy decisions taken since the 2003-04 Budget*

The Government will provide \$14 million over three years to the Office of the Director of Public Prosecutions (DPP) to fund criminal prosecutions relating to the financial collapse of the HIH Insurance Group. A specialised unit will be established within the DPP dedicated solely to the pursuit of HIH matters.

Further information can be found in the joint press release of 3 July 2003 issued by the Treasurer and the Attorney-General.

**National Threat Assessment Centre — establishment**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Security Intelligence Organisation	2.9	8.5	8.4	8.7
Attorney-General's Department	0.1	0.4	0.3	0.3
Australian Secret Intelligence Service	-	0.6	0.5	0.5
Department of Transport and Regional Services	0.5	0.4	0.4	0.4
Department of Defence	0.7	0.5	0.5	0.5
Department of Foreign Affairs and Trade	-	-	-	-
Office of National Assessments	-	-	-	-
<b>Total</b>	<b>4.2</b>	<b>10.2</b>	<b>10.1</b>	<b>10.4</b>
<i>Related capital (\$m)</i>				
<i>Australian Security Intelligence Organisation</i>	<i>1.5</i>	<i>0.9</i>	<i>0.2</i>	<i>0.2</i>

The Government has provided \$48.6 million over five years to establish a National Threat Assessment Centre (NTAC) (including \$10.9 million in 2007-08). This funding includes capital of \$3.1 million over five years for related equipment.

NTAC, which was established in October 2003, will be a 24-hour-a-day, seven-day-a-week operation from 1 July 2004. NTAC will strengthen Australia's counter-terrorism capabilities by consolidating the threat assessment efforts of several agencies through the secondment of analysts into a single, dedicated unit based in the Australian Security Intelligence Organisation. Additional analysts will also be recruited to fully staff NTAC.

Further information can be found in the press release of 17 October 2003 issued by the Attorney-General.

## COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

### Regional Telecommunications Inquiry— Government response

**Table A4: Summary of measures**

	2003-04	2004-05	2005-06	2006-07	Total
	\$m	\$m	\$m	\$m	\$m
<b>EXPENSE MEASURES</b>					
<i>Australian Communications Authority</i>					
Enhanced regional telecommunications monitoring	1.7	1.1	1.2	1.2	<b>5.2</b>
<i>Department of Communications, Information Technology and the Arts</i>					
Higher Bandwidth Incentive Scheme	4.2	15.0	35.7	17.9	<b>72.8</b>
Information technology training and support	2.1	3.2	3.0	1.8	<b>10.1</b>
Other Inquiry recommendations	6.6	0.2	0.2	1.8	<b>8.8</b>
Satellite Phone Handset Subsidy Scheme	0.9	1.2	1.2	0.7	<b>4.0</b>
Terrestrial mobile phone coverage	2.4	7.6	3.9	2.0	<b>15.9</b>
<i>National Office for the Information Economy</i>					
Broadband demand aggregation brokers	2.2	3.2	3.0	-	<b>8.4</b>
Coordinated Communications Infrastructure Fund	2.4	8.5	8.5	4.3	<b>23.7</b>
National Broadband Strategy Implementation Group	1.0	0.7	0.6	0.5	<b>2.9</b>
<b>Total expense measures</b>	<b>23.5</b>	<b>40.8</b>	<b>57.3</b>	<b>30.3</b>	<b>151.8</b>
<b>RELATED REVENUE MEASURE(a)</b>					
<i>Australian Communications Authority</i>					
Carrier licence charges - cost recovery for enhanced regional telecommunications monitoring	-	1.7	1.1	1.2	<b>4.0</b>

(a) A positive number for revenue indicates an increase in the fiscal balance.

The Government will provide funding of \$186.8 million over four years as part of its comprehensive response to the Regional Telecommunications Inquiry. This funding includes \$35 million to be refocussed within the Building Additional Rural Networks (BARN) programme to help fund the Higher Bandwidth Incentive Scheme.

The funding will ensure all Australians have access to adequate telecommunications services, enhance a range of existing services, and ensure that regional Australia continues to share equitably in the benefits of future technologies. A central objective of this strategy will be to provide access to affordable broadband services in regional Australia.

Further information can be found in the joint press release of 25 June 2003 issued by the Deputy Prime Minister and the Minister for Communications, Information Technology and the Arts.

Appendix A: Policy decisions taken since the 2003-04 Budget

**Australian soccer — interim assistance**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Sports Commission	3.0	3.0	3.0	-
<i>Related capital (\$m)</i>				
Australian Sports Commission	-	-	-	-

The Government will continue its support for reform of soccer in Australia by providing a grant of up to \$9 million over three years from 2003-04 and a loan of up to \$6 million from 2003-04. Funds are tied to the implementation of the recommendations of the Report of the Independent Soccer Review Committee into the Structure, Governance and Management of Soccer in Australia and will be administered by the Australian Sports Commission.

The provision of loans from the Budget only affects the composition of the Australian Government's financial assets. As such this loan does not impact on the fiscal balance.

Further information, including an outline of the terms and conditions which apply to the loan, can be found in the press release of 26 September 2003 issued by the Minister for the Arts and Sport.

**Deaflympic Games — assistance**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Communications, Information Technology and the Arts	-	4.0	-	-

The Government will provide up to \$4 million in 2004-05 for the Deaflympic Games in Melbourne in January 2005.

The cost of staging the Games will be met jointly by the Australian and Victorian Governments.

Further information can be found in the press release of 22 August 2003 issued by the Minister for the Arts and Sport.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Inaugural World Peace Game — contribution**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Sports Commission	0.1	-	-	-

The Government will contribute \$50,000 in 2003-04 to the Western Australian Sports Centre Trust for the staging of the inaugural 'World Peace Game', a soccer match played on 16 November 2003 in Perth between the Iraqi National Football Team and an Australian team.

Further information can be found in the press release of 6 November 2003 issued by the Prime Minister.

**Unsolicited electronic messaging (spam) regulatory regime**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Communications Authority	-	-	-	-

The Government will establish a regulatory regime in 2003-04 to manage unsolicited electronic communication or 'spam'. The costs for the establishment and ongoing management of the regulatory regime and an information campaign will be funded from existing resourcing within the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 18 September 2003 issued by the Minister for Communications, Information Technology and the Arts.



## EDUCATION, SCIENCE AND TRAINING

### James Cook University — rehabilitation sciences facility

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education Science and Training	3.7	2.4	-	-

The Government will provide funding of \$6.1 million over two years to assist with the construction of a Centre of Excellence for Rehabilitation Sciences at the James Cook University's Douglas site. The new Centre will address regional health workforce shortages and the health needs of rural and remote communities in North Queensland.

Further information can be found in the press release of 20 September 2003 issued by the Prime Minister.

### Our Universities — Commonwealth Grants Scheme — increased flexibility

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education Science and Training	-	11.0	11.6	9.8
<i>Related capital (\$m)</i>				
<i>Department of Education Science and Training</i>	-	-	-	-
<i>Related revenue(a) (\$m)</i>				
<i>Department of Education Science and Training</i>	-	-	0.4	1.1

(a) A positive number for revenue indicates an increase in the fiscal balance.

The Government will provide additional funding of \$27.1 million from 2005 to 2007 to ensure that higher education institutions are not significantly disadvantaged during the transition from current funding arrangements to the new Commonwealth Grants Scheme that commences in January 2005.

Additional funding of \$5.3 million over the three years to 2006-07 will also be provided to allow higher education institutions to exceed their student enrolment target agreed under the Commonwealth Grants Scheme by five per cent, rather than the originally agreed two per cent. These students will be eligible for Higher Education Contribution Scheme (HECS) places (to be re-named HECS — HELP).

Under accepted accounting practice, the amount loaned to students is treated as a financial asset and therefore does not impact on the fiscal balance. Payment by students of the indexation component under the Higher Education Loans Programme is treated as interest revenue and impacts on the fiscal balance from 2005-06.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

This funding builds on measures announced in the 2003-04 Budget.

Further information can be found in the press releases of 8 July 2003 and 17 September 2003 issued by the Minister for Education, Science and Training.

**Our Universities — enhancements to higher education reform package**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education Science and Training	6.0	40.4	47.4	59.7
<i>Related capital (\$m)</i>				
Department of Education Science and Training	-	-	-	-
<i>Related revenue(a) (\$m)</i>				
Department of Education Science and Training	-	-	-	2.4

(a) A positive number for revenue indicates an increase in the fiscal balance.

As at 2 December 2003, the Government had announced a number of enhancements to the Our Universities higher education package that was announced in the 2003-04 Budget. These changes involve the provision of an additional \$153.5 million over four years and increased revenue of \$2.4 million in 2006-07, and comprise:

- an increase in the repayment threshold for the Higher Education Loans Programme (HELP) from the original \$30,000 level announced in the 2003-04 Budget;
- an increase in funding (\$50.9 million over four years) to assist disadvantaged groups to participate in higher education, through the Students with Disabilities and Higher Education Equity Programmes, and through increased resources under the Commonwealth Grants Scheme to support disadvantaged students undertaking bridging and pre-university courses;
- an increase in funding (\$17.2 million over four years) to provide additional support for the Australian Maritime College in Tasmania, and the Batchelor Institute of Indigenous Tertiary Education in the Northern Territory, as national institutes;
- an expansion of the Commonwealth Accommodation Scholarships programme by an additional 1,500 scholarships from 2004 (\$62.7 million over four years);
- an additional 1,400 student places in higher education institutions from 2007 (\$10.8 million in 2006-07); and
- an increase in funding to further develop the University of Tasmania Medical School (a total of \$12 million in 2004-05 and 2005-06).

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Further changes announced after 2 December 2003 will be taken into account in the 2004-05 Budget.

**Our Universities — regional universities loading extension**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education Science and Training	4.7	4.8	5.1	5.3

The Government will provide additional funding of \$19.9 million over four years from January 2004 to extend the loading for regional universities announced in the 2003-04 Budget. The funding will cover additional regional campuses, all their internal students and a proportion of external students supported by the Australian Government, at all regional campuses. This funding is a contribution to the higher costs of delivering education in regional campuses and builds on existing measures announced in the 2003-04 Budget.

Further information can be found in the press release of 17 September 2003 issued by the Minister for Education, Science and Training.

## ENVIRONMENT AND HERITAGE

### Mandatory National Water Efficiency Labelling and Standards Scheme

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Environment and Heritage	-	-	-	-

The Government has agreed to the development and implementation of a mandatory national water efficiency labelling and standards scheme. This will involve the development of performance standards and a consumer product labelling scheme for household products such as shower heads, dishwashers, washing machines and toilets.

The cost of this initiative, \$2 million over five years, will be met from funding allocated in the 2003-04 Budget for Urban Environment Initiatives.

Further information can be found in the press release of 2 October 2003 issued by the Minister for the Environment and Heritage.

### Regional Natural Heritage Programme

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Environment and Heritage	1.0	4.5	4.5	-

The Government will provide funding of \$10.0 million over three years commencing in 2003-04, for the establishment of a Regional Natural Heritage Programme. This programme will enable Australia to play a broader international role in the protection of biodiversity in critically endangered places in South-East Asia and the Pacific region.

### Rotterdam and Stockholm Conventions — ratification

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Environment and Heritage	-	-	-	-
Department of Agriculture, Fisheries and Forestry	-	-	-	-
Department of Health and Ageing	-	-	-	-

The Government has agreed to ratify both the Rotterdam Convention on the Prior Informed Consent Procedure and the Stockholm Convention on Persistent Organic Pollutants.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Ratification of these conventions will promote shared responsibility and co-operative efforts amongst signatories in the international trade of certain hazardous chemicals and establish measures that reduce or eliminate the use of twelve persistent organic pollutants.

The cost of ratification and implementation will be met from within the existing resourcing of the Department of the Environment and Heritage, the Department of Agriculture, Fisheries and Forestry and the Department of Health and Ageing.

Further details can be found in the joint press release of 29 August 2003 issued by the Minister for Foreign Affairs and the Minister for the Environment and Heritage.

## FAMILY AND COMMUNITY SERVICES

### Bali Terrorist Attacks — assistance for victims and family members of victims

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	7.9	2.7	1.7	1.7
Department of Foreign Affairs and Trade	0.8	-	-	-
Total	8.7	2.7	1.7	1.7

The Government will provide additional funding of \$14.8 million over four years to assist Bali victims and their families, including by:

- holding a commemoration of the first anniversary of the tragedy and assisting Bali victims and their families to attend the services in Bali on 12 October 2003 and Canberra on 16 October 2003;
- extending personal support services provided by Centrelink Family Liaison Officers until 30 June 2005;
- providing emergency financial assistance of up to \$5,000 until 31 December 2004 to help Bali victims and their families address immediate financial needs and to provide financial advice; and
- providing rehabilitation and home, vehicle and work modifications assistance for out-of-pocket expenses.

See also the related expense measures titled *Bali Terrorist Attacks – assistance for States and Territories for the initial treatment of victims* in the Health and Ageing portfolio and *Governor-General – improved support* in the Prime Minister and Cabinet portfolio.

### Carer Allowance (child) — enhanced qualification for automatic access

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	2.2	2.4	2.5	2.6

The Government has added or modified six disabilities on the List of Recognised Disabilities that give automatic access to the Carer Allowance, at a cost of \$9.6 million over four years. The disabilities are Down Syndrome, Cystic Fibrosis, Epilepsy (uncontrolled), Haemophilia (moderate), Phenylketonuria, and Fragile X Syndrome. Carers of children with one of these conditions will now be automatically eligible for

*Appendix A: Policy decisions taken since the 2003-04 Budget*

the Carer Allowance without the need for further medical assessment prior to the child's sixteenth birthday.

Further information can be found in the press release of 12 August 2003 issued by the Minister for Family and Community Services.

**Family Tax Benefit and Child Care Benefit — extension of time for top-up payments and claims**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	45.1	24.5	24.6	24.7
Australian Taxation Office	-	20.7	20.8	20.9
Total	45.1	45.2	45.4	45.6
<i>Related revenue(a) (\$m)</i>				
Australian Taxation Office	-0.1	-	-	-

(a) A negative number for revenue indicates a decrease in the fiscal balance.

The Government has decided to modify the arrangements under which families can claim the Family Tax Benefit (FTB) and Child Care Benefit (CCB) at an expected cost of \$181.2 million over four years.

The Government will extend by 12 months the amount of time families have to lodge their tax return in order to receive a top-up to their FTB and CCB payments when they have received less than their correct entitlement. The measure will also give families an extra twelve months to claim FTB and CCB as a lump sum payment. Families will now have two years after the end of the relevant income year in which to receive a top-up payment and to make a lump sum claim.

The changes will apply to the 2001-02 income year and subsequent income years. As a transitional measure, the Government will allow taxpayers who lodge an FTB claim with Centrelink between 1 July 2003 and 30 June 2004 in relation to the 2001-02 income year to claim a tax deduction for tax agent fees incurred in preparing these claims.

Further information can be found in the press release of 5 September 2003 issued by the Minister for Family and Community Services.

Appendix A: Policy decisions taken since the 2003-04 Budget

**King Island and the Furneaux Group of Islands — ex gratia payments in lieu of Remote Area Allowance**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	1.7	-	-	-

The Government will provide funding of \$1.7 million in 2003-04 to make ex gratia payments in lieu of Remote Area Allowance to eligible current and former income support recipients residing on King Island and the Furneaux Group of Islands between July 1990 and June 2001. A recent determination by the Australian Taxation Office, relating to the rezoning of the islands in 2001 as Special Tax Zone B, allowed relevant tax benefits to be back paid to July 1990. The ex gratia payment seeks to ensure that associated social welfare benefits relating to the remote zoning of the islands are passed on to eligible income support recipients.

**Our Universities — income support treatment of fee-exempt scholarships**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	1.0	1.7	1.7	1.9

From 1 January 2004, the Government will provide more generous treatment for fee-exempt scholarships provided by higher education institutions by excluding their value from the assessable income of students who receive income support payments. This measure is expected to cost \$6.3 million over four years.

Further information can be found in the press release of 17 September 2003 issued by the Minister for Education, Science and Training.

**Pensioner Education Supplement — continuation of payment through study breaks**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	5.6	10.2	10.4	10.7
Department of Education Science and Training	0.6	0.9	0.8	0.7
Total	6.2	11.1	11.2	11.4

The Government has decided not to proceed with the 2003-04 Budget measure *Pensioner Education Supplement – matching payments to study periods*. Pensioner Education Supplement will now continue to be paid during breaks between shorter courses to encourage recipients to participate in further study. Students participating



Appendix A: Policy decisions taken since the 2003-04 Budget

in full year or longer courses will continue to receive the benefit during their summer break where their course continues into the following year. This measure will involve a cost of \$39.9 million over four years.

**Personal counselling services in drought affected rural areas — funding extension**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	2.0	-	-	-

The Government will provide \$2 million in 2003-04 to continue personal counselling services for drought affected communities in rural regions.

This is an extension of the measure *Personal counselling services for drought-affected communities in rural regions* that was announced in December 2002.

**Stronger Families and Communities Strategy**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	-	-	-	-

The Government will provide funding of \$13 million in 2004-05 to continue initiatives under the Stronger Families and Communities Strategy.

The Stronger Families and Communities Strategy provides funding to encourage local communities, business, individuals and other levels of government to work together on agreed projects such as the establishment of play groups or to improve the skills of potential community leaders and volunteers.

Provision for this funding has already been made in the forward estimates.

## FINANCE AND ADMINISTRATION

### Federal elections — improving the integrity of the electoral roll and increasing voter participation

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Electoral Commission	3.9	6.3	3.9	3.7
<i>Related capital (\$m)</i>				
Australian Electoral Commission	1.5	1.3	0.1	0.1

The Government will provide funding of \$24.2 million over five years from 2003-04 (including \$4.6 million in 2007-08) to enable the Australian Electoral Commission to implement the Government's response to the Joint Standing Committee on Electoral Matters reports on the ANAO Audit Report No. 42 of 2001-02 Integrity of the Electoral Roll, and the Inquiry into the Conduct of the 2001 Federal Election. This funding includes capital of \$3.1 million over five years to enhance the Commission's information technology systems.

The Government's response was tabled in Parliament on 16 October 2003.

### New superannuation arrangements for Australian Government civilian employees

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Finance and Administration	-	-	-	-

The Government announced, on 17 October 2003, changed superannuation arrangements for new employees who join the Public Sector Superannuation Scheme (PSS) from 1 July 2005. The new arrangements will convert the PSS from a defined benefits scheme to a fully funded accumulation scheme for new members from 1 July 2005. The changes will not affect any existing Australian Government employee members of the scheme.

From 1 July 2005, all new PSS members will receive the same level of employer contribution, a rate of 15.4 per cent of salary, which is the actuarially determined average employer contribution rate under the existing arrangements. The proposed arrangements will allow the Australian Government to fully fund its superannuation obligations for all new employees.

Previous budget estimates assumed that the PSS would be closed to new employees and that both new employees and existing employees would be offered choice of fund

*Appendix A: Policy decisions taken since the 2003-04 Budget*

from 1 July 2004. Estimates associated with this assumption have been removed from the forward estimates, resulting in an improvement in the underlying cash balance.

Compared to the previous estimates, there is a neutral impact on the fiscal balance because higher expenses for unfunded superannuation arrangements will be offset by a reduction in the estimated payments to funded superannuation arrangements, that would have been required if employees had been offered choice of fund.

Further information can be found in the press release of 17 October 2003 issued by the Minister for Finance and Administration.

## FOREIGN AFFAIRS AND TRADE

### 2005 World Expo in Aichi, Japan — Australian participation

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Foreign Affairs and Trade	1.7	26.8	6.5	-

The Government will provide funding of \$35 million to support Australia's participation at the 2005 World Expo in Aichi, Japan.

Australian participation in the 2005 World Expo will provide an opportunity to further develop Australia's international economic and cultural linkages, including advancing our trade and investment priorities and showcasing Australia's performing arts.

The funding will meet the cost of preparation, design, construction and operation of a pavilion during the six-month Expo in Japan from March to September 2005.

### Bougainville — Transition Team as the successor to the Peace Monitoring Group

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	-	-	-	-

The Government has provided \$5.5 million in 2003-04 to establish the Bougainville Transition Team following the cessation of the Peace Monitoring Group within Bougainville on 30 June 2003.

The Bougainville Transition Team is a small group of civilians who will assist the United Nations Observer Mission and weapons disposal process on Bougainville.

The cost of this measure is being fully absorbed from within the existing resourcing of the Australian Agency for International Development.

Further information can be found in the press release of 12 June 2003 issued by the Minister for Foreign Affairs.

**East Timor — support for the police and justice institutions**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	-	-	-	-
Australian Federal Police	-	4.4	4.9	4.0
Total	-	4.4	4.9	4.0

The Government will provide funding of \$41.9 million to assist the East Timor Government in a long term programme of capability building for the East Timor Police Force and justice sector from 2003-04 to 2007-08 following the withdrawal of the United Nations Police team in June 2004.

The Australian Agency for International Development (AusAID) and the Australian Federal Police will jointly administer the programme. AusAID will provide training and expertise in policy development, planning and management, and will provide targeted support to law and justice institutions. The Australian Federal Police will provide training to East Timorese police officers, with priority given to community policing.

The Australian Federal Police will be provided with an additional \$16.8 million (including \$3.5 million in 2007-08) for the implementation of this programme. A further \$25.1 million will be absorbed from within the existing resourcing of the AusAID (\$21.9 million) and the Australian Federal Police (\$3.2 million).

Further information can be found in the joint press release of 25 August 2003 issued by the Minister for Foreign Affairs and the Minister for Justice and Customs.

**Iraq — additional reconstruction assistance**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	-	-	-	-

The Government will provide an additional \$20 million in 2003-04 to provide further reconstruction assistance to Iraq. This commitment will contribute to immediate humanitarian requirements in agriculture, water resources, food security, health and education.

The cost of this measure is being fully absorbed from within the existing resourcing of the Australian Agency for International Development.

Further information can be found in the press release of 24 October 2003 issued by the Parliamentary Secretary to the Minister for Foreign Affairs.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Nauru — extension of the Memorandum of Understanding to address unauthorised arrivals**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	nfp	nfp	nfp	-

The Government will provide a development assistance package to extend the Memorandum of Understanding (MOU) with Nauru subject to final negotiations. The extension of the MOU will maintain the existing arrangements for the offshore processing of unauthorised arrivals to 30 June 2004, with further extensions as necessary until the new Christmas Island facility becomes available.

In addition to funding in 2003-04, and subject to annual negotiations, the development assistance package will include funding in 2004-05 and 2005-06 to provide extended assistance directed towards health, education, infrastructure development and economic and budget advice.

**Open Source Collection Unit — expansion**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Foreign Affairs and Trade	0.8	1.6	1.6	1.7
<i>Related capital (\$m)</i>				
<i>Department of Foreign Affairs and Trade</i>	<i>0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>

The Government will provide additional funding of \$5.8 million over four years (including \$0.1 million capital funding) to expand the Open Source Collection Unit. This Unit is responsible for the collection, processing and dissemination of intelligence from foreign broadcast, electronic and print media in the public domain.

The additional funding will meet the operating costs of the expanded unit, including staff and support costs.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Philippines — counter-terrorism assistance**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	-	-	-	-
Department of Immigration and Multicultural and Indigenous Affairs	-	-	-	-
Total	-	-	-	-

The Government will provide \$5.0 million over three years (\$1.0 million in 2003-04, \$1.8 million in 2004-05 and \$2.2 million in 2005-06) for a package of practical counter-terrorism assistance to the Philippines Government.

The assistance will involve the provision of policing, immigration, port security and regional cooperation support and training to assist the Philippines to combat terrorism and strengthen the region's counter-terrorism capacity.

The cost of this measure is being absorbed within the existing resourcing of the Australian Agency for International Development (\$4.6 million) and the Department of Immigration and Multicultural and Indigenous Affairs (\$0.4 million).

Further information can be found in the press release of 14 July 2003 issued by the Prime Minister.

**Regional Trade and Financial Security Fund — Australian contribution**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	-	-	-	-

The Government will contribute US\$1 million during 2003-04 to 2005-06 to a new Regional Trade and Financial Security Fund to be administered by the Asian Development Bank.

The fund will finance counter-terrorism capacity building in APEC developing economies, with a particular focus on port security measures and combating money laundering and terrorist financing.

The cost of this measure is being fully absorbed from within the existing resourcing of the Australian Agency for International Development.

Further information can be found in the press release of 21 October 2003 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Solomon Islands — Regional Assistance Mission**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Agency for International Development	53.9	-	-	-
Department of Defence	97.7	12.6	-	-
Australian Federal Police	80.3	25.0	-	-
Department of Foreign Affairs and Trade	3.9	-	-	-
<b>Total</b>	<b>235.8</b>	<b>37.6</b>	<b>-</b>	<b>-</b>
<i>Related capital (\$m)</i>				
<i>Department of Defence</i>	<i>13.4</i>	<i>9.6</i>	<i>-</i>	<i>-</i>
<i>Australian Federal Police</i>	<i>16.7</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Department of Foreign Affairs and Trade</i>	<i>1.5</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Total</b>	<b>31.6</b>	<b>9.6</b>	<b>-</b>	<b>-</b>

The Government is providing funding of \$267.4 million in 2003-04 and \$47.2 million in 2004-05 (including \$41.2 million capital funding) to assist the Solomon Islands Government in the restoration of law and order and to support broad ranging reform in the Solomon Islands. These reforms are aimed at strengthening legal and economic institutions and building a stronger economy that will underpin improved future standards of living.

At the request of the Solomon Islands Government, Australia is leading the Regional Assistance Mission to the Solomon Islands (RAMSI). At its peak, RAMSI included the deployment of approximately 2,500 personnel with contributions from Australia, New Zealand, Fiji, Papua New Guinea, Tonga, Samoa, Vanuatu, Kiribati and the Cook Islands. This deployment included approximately 1,400 Australian Defence Force personnel who were deployed to provide protection for high risk policing operations and logistical support to RAMSI.

Australia's commitment also includes contributions from the Australian Agency for International Development (AusAID), the Departments of Defence and Foreign Affairs and Trade and the Australian Federal Police. Personnel from the Departments of Finance and Administration and the Treasury, as well as other civilian advisers, have also been deployed to assist in the economic recovery of the Solomon Islands and have been funded through AusAID for these activities.

Further information on the assistance mission can be found in the Ministerial Statement to Parliament by the Prime Minister on 12 August 2003 and the press release of 28 October 2003 issued by the Minister for Defence.



## HEALTH AND AGEING

### MedicarePlus

**Table A5: Summary of measures**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m	Total \$m
<b>A Fairer Medicare measures</b>	<b>158.5</b>	<b>209.3</b>	<b>255.9</b>	<b>286.5</b>	<b>910.2</b>
<b>MedicarePlus measures</b>					
Assistance for GPs and specialists re-entering the workforce	0.3	4.4	8.7	13.4	26.8
Better access to medical care for residents of aged care homes	0.2	15.8	14.2	17.7	47.9
Grants to GP and specialist practices to encourage take up of HIC Online	1.0	2.4	2.9	0.8	7.0
Higher rebates for patients of certain non-vocationally registered GPs	3.0	6.4	6.4	6.5	22.4
Increased recruitment of qualified health professionals from overseas	10.7	77.7	152.0	192.1	432.5
More pre-vocational doctors to outer metropolitan, regional, rural and remote areas	2.4	21.7	22.5	23.7	70.3
Payment for GPs who bulk bill children under 16 and concession card holders	136.0	263.8	273.7	283.1	956.7
Safety net for major out-of-pocket medical costs outside hospital	21.3	55.9	58.2	63.8	199.3
Support for additional accredited GP training practices and GP supervisors	1.5	3.6	3.0	3.1	11.1
Support for practice nurses through a new Medicare Benefits Schedule item	5.6	19.5	24.4	26.5	76.0
Support for rural and remote GPs	8.6	30.3	30.8	31.4	101.2
<b>Changes to A Fairer Medicare package</b>					
Removal of GP Access Scheme	-47.3	-79.7	-102.5	-115.0	-344.5
Removal of private health insurance safety net for out-of-hospital Medicare expenses	-9.8	-24.2	-23.5	-24.3	-81.8
Removal of reducing up front costs for GP visits	-5.6	-1.9	-1.7	-1.7	-10.9
Removal of signage from improved information and practice management	-0.6	-0.2	-0.2	-0.2	-1.3
<b>Total MedicarePlus and A Fairer Medicare</b>	<b>285.9</b>	<b>604.9</b>	<b>724.7</b>	<b>807.3</b>	<b>2,422.7</b>

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**MedicarePlus — assistance for GPs and specialists re-entering the workforce**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	0.3	4.4	8.7	13.4

The Government will provide \$26.8 million over four years to support GPs and specialists seeking to re-enter the workforce after career interruptions.

This measure provides funding to 22 General Practice Education Training and Regional Training Providers to offer relevant courses to general practitioners within their regions who are currently not working. For patients there will be improved access to GP services as qualified practitioners re-enter the workforce.

This measure will also allow specialists to undertake up to three months of refresher training courses and mentor support, so they can more readily resume specialist practice. Financial incentives will also be available to specialist practices, mentors and colleges who participate. For patients there will be improved access to specialist services as qualified practitioners re-enter the workforce.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — better access to medical care for residents of aged care homes**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	0.2	15.8	14.2	17.7

The Government will provide \$47.9 million over four years to encourage general practitioners to provide services to residents of aged care homes and enhance the quality of care provided.

This measure provides a new Medicare Benefits Schedule item for voluntary comprehensive medical assessments and funding for GPs to provide routine, urgent and after-hours care to residents, and work with aged care homes on quality improvement activities.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — grants to GP and specialist practices to encourage take up of HIC Online**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	1.0	2.4	2.9	0.8

The Government will provide \$7.0 million over four years to extend assistance to GP and specialist practices to adopt 'HIC Online.' Metropolitan practices will receive \$750, while rural practices will receive \$1,000.

The measure will further assist doctors by providing them with access to a real-time electronic claiming service for Medicare Benefits Schedule rebates. For patients who are charged at the GP or specialist surgery, the doctors can choose to process the claim at the time of consultation and the Medicare Benefits Schedule rebate can be deposited into the patient's bank account within a few days.

Under A Fairer Medicare, these grants were provided only to GPs who agreed to bulk bill patients with concession cards under the GP Access Scheme. Under this measure, grant payments will be made available to any practice installing HIC Online.

This measure extends the 2003-04 Budget measure *A Fairer Medicare – encourage GP take up of HIC Online*, bringing total funding to \$29.8 million over four years.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — higher rebates for patients of certain non-vocationally registered GPs**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	3.0	6.4	6.4	6.5

The Government will provide \$22.4 million over four years to encourage non-vocationally registered GPs to work in areas of workforce shortage and provide patients with greater access to more affordable services.

This measure will allow patients of doctors who are not vocationally registered, who were practising prior to the introduction of vocational registration in 1996 and who work in an area of workforce shortage to receive a higher Medicare rebate. Once these GPs have practised in an area of workforce shortage for at least five years, their patients will continue to be eligible for a higher rebate, regardless of where the GP is located.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — increased recruitment of qualified health professionals from overseas**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	10.7	77.7	152.0	192.1

The Government will provide \$432.5 million over four years to increase the number of overseas-trained doctors by the equivalent of 725 full-time positions by 2007. These doctors will provide medical services in areas of workforce shortage.

This measure will attract doctors who are trained overseas through international recruitment strategies, streamlined approval processes, provision of assistance for employers to arrange placements, and better training and support. Of the total additional funding, \$43.7 million over four years is for direct recruitment strategies and associated activities, while \$388.8 million over four years is the flow-on costs to Medicare Benefits Schedule associated with these doctors delivering services that would not otherwise have been provided.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — more pre-vocational doctors to outer metropolitan, regional, rural and remote areas**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	2.4	21.7	22.5	23.7

The Government will provide \$70.3 million over four years for up to 280 short-term supervised general practice placements each year for pre-vocational doctors, equivalent to around 70 full-time placements every year.

The placements will be offered in outer metropolitan, regional, rural and remote areas, increasing the availability of general practice services, and increasing access for patients in these areas. The placements will allow pre-vocational doctors to undertake general practice training and gain exposure to a general practice environment.

State and Territory governments will receive funding for hospitals to allow the release of pre-vocational doctors for the general practice placement, without compromising hospital service levels and patient care.

Appendix A: Policy decisions taken since the 2003-04 Budget

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — payment for GPs who bulk bill children under 16 and concession card holders**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	136.0	263.8	273.7	283.1

The Government will provide \$956.7 million over four years to pay GPs an additional \$5 for every bulk-billed medical service provided to concession card holders and children aged under 16.

These two groups of patients receive about 60 per cent of GP services and this will ensure that GP visits remain affordable for these people. This measure will take effect from 1 February 2004.

This measure replaces the 2003-04 Budget measure *A Fairer Medicare – GP incentive payments to bulk bill patients with concessions cards*.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — safety net for major out-of-pocket medical costs outside hospital**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	21.3	55.9	58.2	63.8

The Government will provide \$266.3 million over four years to introduce a new national Medicare safety net, which will cover 80 per cent of out-of-hospital out-of-pocket costs for Medicare Benefit Schedule items over a set threshold. This is an additional \$199.3 million over four years than the safety net announced in *A Fairer Medicare* in the 2003-04 Budget, which was restricted to concessional patients only.

Under this measure, for concession card holders and families receiving the Family Tax Benefit (A), the safety net will cover 80 per cent of out-of-pocket costs for medical services provided out of hospital once an annual threshold of \$500 in a calendar year is reached. For all other individuals and families, it will be available after an annual threshold of \$1,000 of Medicare Benefits Schedule out-of-pocket costs per calendar year is reached.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

The new safety net will cover services such as GP and specialist consultations, blood tests, psychiatry, X-rays, CT scans, tissue biopsy, radiotherapy, and pap smears.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — support for additional accredited GP training practices and GP supervisors**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	1.5	3.6	3.0	3.1

The Government will provide \$11.1 million over four years to allow fully qualified GPs to educate and supervise greater numbers of junior doctors.

This measure will provide assistance to general practices that wish to become accredited training practices, provide higher payments for existing GP registrar supervisors within the General Practice Education and Training scheme, and provide training to allow 100 current GPs to become supervisors.

This is in addition to the 2003-04 Budget measure *A Fairer Medicare – new GP training places* and brings total funding to \$200.6 million over four years.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — support for practice nurses through a new Medicare Benefits Schedule item**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	5.6	19.5	24.4	26.5

The Government will provide \$76.0 million over four years for the inclusion of items on the Medicare Benefits Schedule for services such as immunisation and wound management provided by nurses in general practice on behalf of GPs.

This is in addition to the 2003-04 Budget measure *A Fairer Medicare – more practice nurses and allied health workers for urban areas of workforce shortage* and brings total funding to \$139.1 million over four years.

This measure recognises the vital role that nurses can play in supporting and assisting general practitioners in the provision of high quality and comprehensive health care for their patients. Through this initiative, GPs will have more time available to focus on

Appendix A: Policy decisions taken since the 2003-04 Budget

medical issues that most need their attention. This measure will take effect from 1 February 2004.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**MedicarePlus — support for rural and remote GPs**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	8.6	30.3	30.8	31.4

The Government will provide \$101.2 million over four years for retention payments to eligible doctors under the existing Rural Retention Programme. This programme provides financial incentives to long serving doctors in rural and remote areas, encouraging general practitioners to stay longer in these areas. Incentive payments to GPs are based on length of service, the remoteness of their practicing service, and the level of services they provide.

This measure will also reimburse procedural GPs in rural and remote areas up to \$10,000 per year for the costs of training. This allows rural and remote GPs to develop and maintain the skills necessary to provide the best service for their patients.

Under this measure, GPs in rural and remote areas who participate in the Practice Incentives Programme and have a procedural workload of 10 per cent or more of their total Medicare Benefits Schedule services will be eligible for a loading (up to a maximum of 30 per cent) in addition to their current rural loading.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**A Fairer Medicare — removal of GP Access Scheme**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-47.3	-79.7	-102.5	-115.0

The Government will not proceed with the 2003-04 Budget measure *A Fairer Medicare – GP incentive payments to bulk bill patients with concession cards* saving \$344.5 million over four years.

Under the original A Fairer Medicare package, the Government offered incentive payments under the GP Access Scheme to GPs who undertook to bulk bill all of their patients with concession cards. This has now been replaced with *MedicarePlus – payment for GPs who bulk bill children under 16 and concession card holders*.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**A Fairer Medicare — removal of private health insurance safety net for out-of-hospital Medicare expenses**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-9.8	-24.2	-23.5	-24.3

The Government will not proceed with the 2003-04 Budget measure *A Fairer Medicare – new private health insurance safety net for out-of-hospital Medicare expenses* saving \$89.6 million over four years.

Under the original A Fairer Medicare package, the Government offered to provide the 30 per cent private health insurance rebate to people who took up a private health insurance product which provided a safety net for out-of-pocket medical expenses related to specialist, diagnostic or GP services provided out of hospital. This has now been replaced with *MedicarePlus – safety net for major out-of-pocket medical costs outside hospital*.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**A Fairer Medicare — removal of reducing up front costs for GP visits**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-5.6	-1.9	-1.7	-1.7

The Government will not proceed with the 2003-04 Budget measure *A Fairer Medicare – reducing up front costs for GP visits* saving \$10.9 million over four years.

Under this measure, GPs who agreed to participate in the GP Access Scheme were to claim the Medicare Benefits Schedule rebate direct from the Health Insurance Commission, improving general patient affordability by allowing patients charged above the Medicare Benefits Schedule rebate to pay only the gap amount charged by the GP.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.



Appendix A: Policy decisions taken since the 2003-04 Budget

**A Fairer Medicare — removal of signage from improved information and practice management**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-0.6	-0.2	-0.2	-0.2

The Government will not proceed with the signage component of the 2003-04 Budget measure *A Fairer Medicare – improved information and practice management* saving \$1.3 million over four years.

The signage component of this measure was to indicate to patients those GPs participating in the GP Access Scheme.

Further information can be found in the press releases of 18 November 2003 issued by the Prime Minister and the Minister for Health and Ageing.

**Other measures in the Health and Ageing portfolio**

**Bali Terrorist Attacks — assistance to States and Territories for the initial treatment of victims**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	1.3	-	-	-

The Government will provide assistance to the States and Territories that incurred substantial public hospital costs in providing initial treatment to victims of the bombing in Bali, Indonesia on 12 October 2002.

To date, the Government has agreed to provide \$1.3 million in 2003-04 to the Northern Territory in respect of costs associated with the reception, triage, and stabilisation of 105 severely injured patients in the days following the bombing.

The Government will continue to assess claims for assistance from other States and Territories as they come forward.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Deano's Bone Marrow Donor Institute Walk for Leukaemia — contribution**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-	-	-	-

The Government will provide \$30,000 in 2003-04 to Deano's Bone Marrow Donor Institute Walk for Leukaemia. The aim of the walk is to raise money for the Bone Marrow Donor Institute.

The cost of this measure is being fully absorbed from within the existing resourcing of the Department of Health and Ageing.

**Hazel Hawke Alzheimer's Research and Care Fund — donation**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-	-	-	-

The Government will provide \$250,000 in 2003-04 to the Hazel Hawke Alzheimer's Research and Care Fund. The funding will be used to assist ongoing research into the prevention and management of Alzheimer's, and to provide quality services, support and education to people living with dementia and to their carers.

The cost of this measure is being fully absorbed from within the existing resourcing of the Department of Health and Ageing.

**Life Saving Drugs Programme — widening access to Cerezyme**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	2.1	4.9	5.5	6.2

The Government will widen the eligibility criteria for access to Cerezyme under the Life Saving Drugs Programme at a cost of \$18.8 million over four years.

Cerezyme is used in the treatment of Gaucher's Disease, a rare hereditary condition affecting the brain, which is associated with substantial disability and reduced quality of life, and in rare cases is life threatening. Without the Government subsidy, the annual cost to the patient of treating this disease with Cerezyme would be in the order of \$240,000 for children and \$350,000 for adults.

Under the widened eligibility criteria, which will come into effect from 1 January 2004, Cerezyme will become available to children under 16 years with relevant physical signs; to adults with lesser degrees of skeletal, haematological and gastrointestinal

*Appendix A: Policy decisions taken since the 2003-04 Budget*

complications; and at higher dosage levels to some patients upon commencement of treatment.

**Medical Indemnity — Exceptional Claims Scheme**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	0.6	0.2	0.6	0.1

As part of its package of measures to help address difficulties in medical indemnity insurance, the Government will assume liability for any damages payable against a medical practitioner that exceeds the practitioner's medical indemnity insurance contract limit. This will be on a 'claims incurred' basis and legislation has been passed to give effect to the Scheme.

The Government has provided funding of \$1.5 million over four years for the costs of administering the Scheme. Payments made in relation to claims under the Scheme are contingent on the decision of Courts or negotiated settlements where these are over the practitioner's contract limit, which will be \$20 million for most doctors. It is expected that claims and payouts above contract limits should be rare, if they occur at all.

Further information can be found in the press release of 23 May 2003 issued by the Prime Minister, and the joint press releases of 6 June 2003 and of 3 October 2003 issued by the Minister for Health and Ageing and the Minister for Revenue and Assistant Treasurer.

**Medical Indemnity — extension of High Cost Claims Scheme**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	14.4	21.4	22.4	23.5

As part of its package of measures to help address difficulties in medical indemnity insurance, the Government established the High Cost Claims Scheme to reimburse medical indemnity providers 50 per cent of any amount over \$2 million and up to the level of the doctor's insurance cover limit for claims notified on and from 1 January 2003. The Scheme aims to minimise pressure on medical indemnity insurance premiums by reducing costs to medical indemnity insurers.

In October 2003, the Government decided to reduce the threshold for access to this Scheme from \$2 million to \$500,000, which will apply to claims notified on or after 22 October 2003, at an additional cost of \$81.7 million over four years.

Further information can be found in the press release of 10 October 2003 issued by the Minister for Health and Ageing.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**Medical Indemnity Policy Review**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	0.7	-	-	-

The Government will provide funding of \$0.7 million in 2003-04 for the administrative costs of supporting the Medical Indemnity Policy Review, announced by the Government on 3 October 2003, and whose terms of reference were announced on 10 October 2003

This Review will report to the Prime Minister by 10 December 2003 on ways to ensure that medical indemnity arrangements in Australia: are financially sustainable; are affordable for doctors; allow doctors to continue to practise with confidence; and safeguard the interests of consumers and the community.

Further information can be found in the press release of 3 October 2003 issued by the Minister for Health and Ageing and the Minister for Revenue and Assistant Treasurer, and the press releases of 10 October 2003 and 16 October 2003 issued by the Minister for Health and Ageing.

**Medical Indemnity Subsidy Scheme — extension**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	1.2	1.2	1.2	1.2

As part of its package of measures to help address difficulties in medical indemnity insurance, the Government will provide a further \$4.7 million over four years to extend the Medical Indemnity Subsidy Scheme to GP registrars who are undertaking procedural training. This will help to encourage GP registrars to undertake the further training to become procedural GPs.

Through the Medical Indemnity Subsidy Scheme the Government is providing direct financial support to obstetricians, neurosurgeons, procedural general practitioners, and now procedural general practitioner registrars, to ensure premium affordability in these high-risk fields of practice.

Further information can be found in the press release of 1 August 2003 issued by the Minister for Revenue and the Assistant Treasurer.

**Pharmaceutical Benefits Scheme — extension to the listing of Glivec**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	9.0	18.8	19.0	18.2
Department of Veterans' Affairs	1.0	2.1	2.1	2.0
Health Insurance Commission	0.5	0.1	0.1	0.1
<b>Total</b>	<b>10.5</b>	<b>21.0</b>	<b>21.2</b>	<b>20.3</b>

The Government has extended the listing of Glivec on the Pharmaceutical Benefits Scheme at a cost of \$72.9 million over four years. This has reduced the cost to eligible patients from approximately \$45,000 per year to approximately \$43 for concessional patients and \$271 for other patients per year.

Glivec is used in the treatment of chronic myeloid leukaemia (CML). Its use was previously subsidised only for patients who had failed to respond to an older drug, interferon alpha. Since 1 November 2003, the drug has also been subsidised for the chronic phase of CML as a first line therapy. This listing is a result of a positive recommendation by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

Further information can be found in the press release of 22 October 2003 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — extension to the listing of Mabthera**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	25.1	25.8	26.5	27.2
Department of Veterans' Affairs	2.8	2.9	2.9	3.0
<b>Total</b>	<b>27.9</b>	<b>28.7</b>	<b>29.4</b>	<b>30.2</b>

The Government has extended the listing of Mabthera on the Pharmaceutical Benefits Scheme at a cost of \$116.2 million over four years. This has reduced the cost to eligible patients from approximately \$28,000 per year to approximately \$75 for concessional patients and \$460 for other patients per year.

Mabthera was previously listed on the Pharmaceutical Benefits Scheme for treatment of some patients with non-Hodgkin's lymphoma. The extension has made Mabthera available to patients aged over 60 years with previously untreated diffuse large B-cell non-Hodgkin's lymphoma where the drug is used in combination with chemotherapy. This extension is a result of a positive recommendation by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

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Further information can be found in the press release of 10 June 2003 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of Avandia and Actos**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	25.3	46.5	57.0	62.4
Department of Veterans' Affairs	1.2	2.2	2.7	2.9
Total	26.5	48.7	59.7	65.3

The Government has listed Avandia and Actos on the Pharmaceutical Benefits Scheme at a cost of \$200.2 million over four years. This has reduced the cost to eligible patients from approximately \$1,200 per year to approximately \$48 for concessional patients and \$300 for other patients per year.

Avandia and Actos are drugs for the treatment of Type II diabetes. The listings, from 1 November 2003, will mean that many patients will be able to continue taking tablets to manage diabetes instead of having to switch to insulin injections. This listing is a result of a positive recommendation by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

Further information can be found in the press release of 22 October 2003 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of Enbrel**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	90.4	90.3	90.3	90.3
Department of Veterans' Affairs	9.6	9.7	9.7	9.7
Health Insurance Commission	4.0	2.9	2.8	2.8
Total	104.0	102.9	102.8	102.8

The Government listed Enbrel on the Pharmaceutical Benefits Scheme for children from 1 July 2003 and for adults from 1 August 2003 at a cost of \$412.5 million over four years. This has reduced the cost to eligible patients from approximately \$25,000 per year to about \$60 for concessional patients and \$370 for other patients per year.

Enbrel is a drug used to treat severe forms of rheumatoid arthritis, and has been listed following a positive recommendation from the Pharmaceutical Benefits Advisory Committee. Enbrel has been shown to produce clinically significant benefits for patients in relieving joint destruction and deformity.

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A compliance regime will ensure that only qualified rheumatologists can prescribe Enbrel. Its use will be restricted to those who have failed to achieve an adequate response to other arthritis treatments, and will cease after the initial treatment if pre-determined response criteria do not support continuation of subsidised treatment. Increased resourcing (including \$0.1 million in 2002-03) has been provided to the Health Insurance Commission for administration of the compliance regime for Enbrel.

Further information can be found in the press release of 29 June 2003 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of EpiPen**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	7.0	10.5	10.6	10.6
Department of Veterans' Affairs	0.4	0.6	0.6	0.6
Total	7.4	11.1	11.2	11.2

The Government has listed EpiPen on the Pharmaceutical Benefits Scheme at a cost of \$40.7 million over four years. This has reduced the cost to eligible patients from approximately \$100 per year to approximately \$5 for concessional patients and \$31 for other patients per year.

EpiPen treats anaphylaxis, a life-threatening condition resulting from severe allergic reactions to insect stings and foods such as peanuts. EpiPen is an auto-injector suitable for self-administration or injection by non-medical personnel. It was listed from 1 November 2003. This listing is a result of a positive recommendation by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

Further information can be found in the press release of 22 October 2003 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of Remicade**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	17.8	15.2	8.0	6.5
Department of Veterans' Affairs	2.0	1.7	0.9	0.7
Health Insurance Commission	1.6	0.7	0.4	0.3
Total	21.4	17.6	9.3	7.5

The Government has listed Remicade on the Pharmaceutical Benefits Scheme at a cost of \$55.8 million over four years. This has reduced the cost to eligible patients from

*Appendix A: Policy decisions taken since the 2003-04 Budget*

approximately \$20,000 per year to approximately \$18.50 for concessional patients and \$116 for other patients per year.

Remicade is a drug for the treatment of rheumatoid arthritis. The listing, from 1 November 2003, has made Remicade available to patients with severe rheumatoid arthritis unresponsive to existing therapies. This listing is a result of a positive recommendation by the Pharmaceutical Benefits Advisory Committee, which bases its considerations on clinical effectiveness, safety and cost effectiveness.

Further information can be found in the press release of 22 October 2003 issued by the Minister for Health and Ageing.

**Therapeutic Goods Administration — costs associated with the Pan Pharmaceutical recall**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	2.6	-	-	-

The Government will provide \$17.2 million over two years (including \$14.6 million in 2002-03) to the Department of Health and Ageing for costs incurred by the Therapeutic Goods Administration (TGA) in the Pan Pharmaceutical recall.

In April 2003, the TGA took immediate action to address an important public health issue, recalling over 1550 Pan Pharmaceutical products. To ensure national dissemination of important health and safety information, comprehensive newspaper advertisements were taken out in both metropolitan and regional newspapers. The TGA also established a 24-hour-a-day, seven-day-per-week Consumer Helpline to complement these advertisements.

**Tough on Drugs — Indigenous Communities Initiative**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Health and Ageing	-	-	-	-

The Government will provide \$12.9 million over four years to address the consequences of violence and drug abuse in indigenous communities. Funding will assist indigenous communities to develop local solutions to critical issues that contribute to violence, such as alcohol and drug abuse.

This funding has been made available from a reprioritisation of the National Illicit Drugs Strategy, Drugs Diversion Initiative, which had funding of \$215.9 million over four years announced in the 2003-04 Budget.



Further information can be found in the press release of 28 August 2003 issued by the Prime Minister.

## IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS

### Alternative detention arrangements — Port Hedland

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Immigration and Multicultural and Indigenous Affairs	2.3	-	-	-
<i>Related capital (\$m)</i>				
Department of Immigration and Multicultural and Indigenous Affairs	0.2	-	-	-

The Government will provide \$2.5 million (including \$0.2 million capital funding) in 2003-04 to support alternative detention arrangements for women and children, through the provision of appropriate residential housing near the Port Hedland detention facility. The new housing project will expand the capacity for residential detention and follows the project originally trialled at Woomera and the announcement in the 2003-04 Budget of a Residential Housing Project near the Baxter detention facility.

The capital funding will meet the cost of refurbishing an existing building to accommodate up to 12 eligible detainees in a more domestic environment.

Further information can be found in the press release of 18 September 2003 issued by the Minister for Immigration and Multicultural and Indigenous Affairs.

### Combating Maritime People Smuggling

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Immigration and Multicultural and Indigenous Affairs	0.7	1.7	1.7	1.7
<i>Related capital (\$m)</i>				
Department of Immigration and Multicultural and Indigenous Affairs	0.3	-	-	-

The Government will provide \$6.2 million (including \$0.3 million capital funding) over four years to expand the Department of Immigration and Multicultural and Indigenous Affairs network of compliance officers and Airline Liaison Officers in the Asia-Pacific Region.

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The compliance officers will help Australia's overseas posts combat irregular people movement. The Airline Liaison Officers will be stationed at key airports to help prevent unlawful entry to Australia through the detection of identity and document fraud and improperly documented passengers.

The capital funding will meet the cost of office fitout and linkage to the Secure Australian Telecommunications and Information Network for the additional compliance officers.

## INDUSTRY, TOURISM AND RESOURCES

### Biofuels Capital Grant Programme

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Industry, Tourism and Resources	24.3	13.3	-	-

The Government will provide a capped amount of \$37.6 million over two years to fund one-off capital grants for projects that provide new or expanded biofuels production capacity. Grants will be provided at a rate of 16 cents per litre to projects producing a minimum volume of 5 million litres of biofuels per year, up to a maximum of \$10 million per project.

This measure is in addition to production grants available to biofuels producers announced in the 2003-04 Budget. These production grants (paid at the rate of 38.143 cents per litre until 30 June 2008) make biofuels effectively excise exempt.

As a result of these measures it is anticipated that the production and consumption of biofuels will increase. This is expected to have a further negative impact on the budget balance through some displacement of fully excisable fuels.

Further information can be found in the press release of 25 July 2003 issued by the then acting Minister for Industry, Tourism and Resources.

### International marketing initiatives for Australian tourism

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Tourist Commission	-	-	-	-

The Government has provided additional funding of \$10 million in 2002-03, which will be matched by an industry contribution, to the Australian Tourist Commission for a marketing campaign to promote Australia in key international markets. The marketing campaign is in response to declining international tourism arrivals due to the threat of terrorism and the SARS epidemic.

Further information can be found in the press release of 13 June 2003 issued by the Minister for Small Business and Tourism.

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**Strategic Investment Incentive to GTL Resources**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Industry, Tourism and Resources	0.6	26.8	8.0	-

The Government will provide funding of \$35.4 million over three years for the development of common user infrastructure on the Burrup Peninsula in Western Australia to encourage further investment in the region. The infrastructure will initially support GTL Resources' \$700 million methanol plant on the Burrup Peninsula and will be available to other future projects in the region.

Further information can be found in the press release of 9 October 2003 issued by the Minister for Industry, Tourism and Resources.

**Textile, clothing and footwear assistance package post-2005**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Industry, Tourism and Resources	0.2	3.5	8.1	109.9
<i>Related revenue(a) (\$m)</i>				
Australian Customs Service - extension of the Expanded Overseas Assembly Provision Scheme	-	-	-5.0	-5.0
Australian Customs Service - Import Credit Scheme	-	-	-	-5.0

(e) A negative number for revenue indicates a decrease in the fiscal balance.

The Government will implement a long-term package of initiatives costing \$747 million to assist the Textile, Clothing and Footwear (TCF) industry adjust to a lower tariff environment and to become more internationally competitive.

Funding of \$600 million over the period 2006-07 to 2015-16 will be provided to extend and modify the existing TCF Strategic Investment Programme (SIP). The SIP will provide grants to firms for capital investment and innovation. Funding of \$500 million will be available under this programme to all eligible TCF firms for the years 2006-07 to 2010-11 and a further \$100 million will be available for the clothing and finished textile sector from 2011-12 to 2015-16.

The package also includes \$50 million over the period 2005-06 to 2014-15 for a Structural Adjustment Fund to assist displaced workers and the restructuring of firms. Funding of \$20 million over the years 2010-11 to 2014-15 will be provided to assist clothing and finished textile firms to strengthen their local supply chains.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Additional funding of \$48 million will be provided over the period of 2003-04 to 2016-17 for the Department of Industry, Tourism and Resources to administer the package. This includes funding of \$6.8 million which is being provided prior to 2006-07 to prepare for the commencement of the Structural Adjustment Fund in 2005-06 and the SIP in 2006-07.

The package also includes assistance through customs duty concessions with a cost of \$77 million over the period from 2005-06 to 2015-16. The Government will extend the existing Expanded Overseas Assembly Provision scheme for five years until 30 June 2010. An Import Credit Scheme for the clothing and certain finished textiles sector will also be introduced for ten years, from 1 July 2005. Under this scheme, firms will earn import duty credits that are linked to increases in a firm's production and that are only redeemable on imports of finished clothing or relevant textiles.

Further details of the package can be found in the press release of 27 November 2003 issued by the Minister for Industry, Tourism and Resources.

See also the related revenue measure *Customs Duty – textiles, clothing and footwear tariff reductions* in the Attorney-General's portfolio.

**Tourism White Paper**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Industry, Tourism and Resources	3.0	22.9	23.7	25.3
Australian Tourist Commission	12.0	30.7	30.7	30.8
Total	15.0	53.6	54.4	56.1

The Government will provide \$235 million over five years (including \$55.3 million in 2007-08) to implement a range of new initiatives announced in the Tourism White Paper.

The package includes funding of \$135.3 million over five years for additional international marketing activity and niche market development, including events and business tourism promotion. A further \$86 million will support domestic tourism marketing, regional tourism promotion and development, and tourism research and statistics.

From 2004 all of these functions will be undertaken by a new agency, Tourism Australia, comprising the Australian Tourist Commission, See Australia Limited, the Bureau of Tourism Research and the Tourism Forecasting Council.

The package also includes additional funding of \$13.7 million for a number of initiatives including tourism business accreditation, Indigenous tourism and Australia's membership of the World Tourism Organisation.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

Further information can be found in the press releases of 20 November 2003 issued by the Prime Minister and the Minister for Small Business and Tourism.

## **PRIME MINISTER AND CABINET**

### **A more informed public — improved research capabilities and accessibility to the website**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Prime Minister and Cabinet	0.4	0.5	0.6	0.6
<i>Related capital (\$m)</i>				
<i>Department of the Prime Minister and Cabinet</i>	..	-	-	-

The Government will provide additional funding of \$1.3 million over four years to the Department of the Prime Minister and Cabinet for improved research capabilities aimed at creating community awareness of the international and national security work of the Government.

Additional funding of \$0.8 million over four years and capital funding of \$20,000 in 2003-04 will also be provided to enable the provision of more comprehensive information on the Government's policies to be accessed through the Internet.

### **Australian Public Service Indigenous employment strategy**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Public Service Commission	0.2	0.2	0.1	0.1

The Government will provide \$0.6 million over four years to improve the recruitment, retention and development of Indigenous employees in the Australian Public Service.

The resources will support the development of a whole-of-government strategy linking and building on employment and education related Indigenous programmes initially at the Australian Government level, and subsequently State and Territory government jurisdictions.

**Australian Public Service — integrated leadership strategy**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Public Service Commission	0.9	0.8	0.5	0.1

The Government will provide \$2.4 million over six years (including \$0.1 million in each of 2007-08 and 2008-09) to the Australian Public Service Commission to foster the leadership capabilities of senior Australian Public Service employees.

The resources will support the redevelopment of the Australian Public Service Commission's learning and development activities and work with agencies to enhance their own development activities.

**Governor-General — improved support**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Office of the Official Secretary to the Governor-General	0.5	0.6	0.6	0.6

The Government will provide additional funding of \$2.0 million over four years (including \$0.3 million in 2003-04) to the Office of the Official Secretary to the Governor-General to provide for enhanced operational support of the Governor-General.

The Government will also provide funding of \$0.2 million in 2003-04 to meet the costs associated with the special honours list to mark the bravery and outstanding achievements of Australians and others in the face of the Bali tragedy.

**Policy co-ordination — increased activities and new taskforces**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Prime Minister and Cabinet	3.2	1.6	1.6	1.7

The Government will provide additional funding for increased activities within the Department of the Prime Minister and Cabinet in the following areas:

- additional funding of \$5.8 million over four years to increase the capacity to develop and implement whole-of-government approaches for critical elements of the Government's national security agenda;
- funding of \$0.9 million in 2003-04 to support the establishment of a taskforce to develop a number of intergovernmental agreements to ensure the sustainability of Australia's water supplies;

*Appendix A: Policy decisions taken since the 2003-04 Budget*

- funding of \$1.3 million in 2003-04 to support an independent inquiry, conducted by an expert panel, into bushfire mitigation and management in Australia; and
- funding of \$0.2 million in 2003-04 to support a public consultation process on the Government's discussion paper on options for resolving constitutional deadlocks.

**Postal Industry Ombudsman — establishment**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Office of the Commonwealth Ombudsman	-	0.3	0.3	0.3
<i>Related revenue(a) (\$m)</i>				
<i>Australian Communications Authority</i>	-	0.3	0.3	0.3

(a) A positive number for revenue indicates an increase in the fiscal balance.

The Government will establish a Postal Industry Ombudsman within the Commonwealth Ombudsman's Office with additional funding of \$0.3 million per annum from 2004-05.

The Postal Industry Ombudsman will provide an identifiable office for handling postal complaints. The Postal Industry Ombudsman will have similar investigatory and recommendatory powers to those currently afforded the Commonwealth Ombudsman under the *Ombudsman Act 1976*.

Costs will be fully recovered from Australia Post and other industry operators who voluntarily register with the Postal Industry Ombudsman through fees charged for complaint resolution services.

Further information can be found in the press release of 1 October 2003 issued by the Minister for Communications, Information Technology and the Arts.



## TRANSPORT AND REGIONAL SERVICES

### Aviation Security — enhancement

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Transport and Regional Services	2.3	19.4	20.1	10.2
Australian Federal Police	-	3.6	2.8	2.9
Australian Security Intelligence Organisation	-	1.3	1.4	1.4
Australian Customs Service	-	0.8	1.7	-
<b>Total</b>	<b>2.3</b>	<b>25.2</b>	<b>26.1</b>	<b>14.5</b>
<i>Related capital (\$m)</i>				
Department of Transport and Regional Services	0.8	3.4	-	-
Australian Federal Police	-	0.3	-	-
Australian Security Intelligence Organisation	-	1.2	-	-
Australian Customs Service	-	4.8	1.1	-
<b>Total</b>	<b>0.8</b>	<b>9.6</b>	<b>1.1</b>	<b>-</b>

The Government will provide \$94.2 million over five years (including \$14.7 million in 2007-08) to enhance aviation security, including applying a security regulation regime to all airports servicing passenger and freight aircraft and the operators of these aircraft. This funding fulfils the Government's commitment to reinvest any surplus money from the Air Passenger Ticket Levy to the benefit of the aviation and tourism sector.

The Government will provide:

- \$46.9 million over five years to promote industry awareness and compliance with the enhanced regulatory regime (including \$4.2 million in capital funding);
- \$2.4 million over four years to improve aviation security information collection and dissemination capacity from Indonesia and the Philippines;
- grants of \$3.2 million in 2004-05 to assist qualifying regional passenger transport aircraft operators to install hardened cockpit doors in aircraft with 30 or more seats; and
- grants to regional airports of \$14 million over 2004-05 and 2005-06 to improve their security. Grants will match dollar for dollar expenditure by regional airports on qualifying security measures.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

The Australian Federal Police will establish a protective security liaison officer network at major airports, costing \$12.5 million over four years (including \$0.3 million capital funding), to provide a coordination point for national security related issues.

The Australian Security Intelligence Organisation will be provided with \$6.7 million over four years (including \$1.2 million capital funding) to extend its presence to all major domestic airports to liaise and gather and disseminate intelligence information.

The Australian Customs Service will be provided with \$8.4 million over two years (including \$5.8 million capital funding) to trial Commonwealth Scientific and Industrial Research Organisation technology for screening air freight containers.

Further information can be found in the press release of 4 December 2003 issued by the Deputy Prime Minister.

## TREASURY

### Australian Competition and Consumer Commission — additional funding

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Competition and Consumer Commission	6.8	-	-	-

The Government will provide the Australian Competition and Consumer Commission with additional funding of \$6.8 million in 2003-04 to meet additional cost pressures.

The additional funding in 2003-04 will ensure that the Australian Competition and Consumer Commission has sufficient resources to manage its current commitments without compromising its effectiveness in fostering competitive markets.

### Baby Bonus adoptions

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will amend the application of the Baby Bonus in relation to adoptive parents. Once legally responsible for the child, adoptive parents will be able to claim the Baby Bonus for the period between commencing care for the child and being granted legal responsibility via an adoption order. Previously, adoptive parents' eligibility for the Baby Bonus commenced on the date that they were granted legal responsibility, through an adoption order, which may have been some time after they commenced care of the child.

The measure will be given effect from 1 July 2001, which was the date on which the Baby Bonus came into effect.

Appendix A: Policy decisions taken since the 2003-04 Budget

**Budget Balancing Assistance — amendments to the A New Tax System (Commonwealth-State Financial Arrangements) Act 1999**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	*	*	*	*

The Government will amend the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* to facilitate the operation of the Act. The amendments, which have been agreed to by the States and Territories, relate to: enabling the Commissioner of Taxation to account for all GST refunds; the timing of final determinations; and introducing a mechanism for residual adjustments as States and Territories come off Budget Balancing Assistance (BBA).

Enabling the Commissioner of Taxation to account for all GST refunds when determining the amount of GST revenue to be paid to the States and Territories will overcome a technical problem in the current drafting of the Act which results in more GST revenue being paid out than is actually collected and retained. As GST revenue estimates for 2003-04 (and forward years) are consistent with how the Act was originally intended to operate, there is no financial impact from this amendment.

The amendment to the timing of final determinations will provide sufficient time for all parties to be able to make their determinations in compliance with the requirements of the Act.

The amendments will also introduce a mechanism to allow payments to a State or Territory to be adjusted, as they come off BBA, to fully account for any under or overestimate of payments in a previous financial year.

Further information on BBA can be found in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

**Budget Balancing Assistance — changes to Australia's duty free concessions**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	8.8	5.7	5.7	-

The Government will make changes to the duty free concessions available to passengers and Australian-domiciled crew members. These changes are described in the revenue measure *Customs duty – changes to Australia's duty free concessions* in the Attorney-General's portfolio and will have effect from the date of commencement of the Customs by-laws.

For those States and Territories receiving Budget Balancing Assistance (BBA), the Government will adjust this assistance to compensate for the decrease in GST revenue

*Appendix A: Policy decisions taken since the 2003-04 Budget*

resulting from this measure. Further information on BBA can be found in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

Further information can be found in the joint press release of 18 September 2003 issued by the Minister for Justice and Customs and the Minister for Small Business and Tourism.

**Budget Balancing Assistance — compulsory third party schemes**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	*	*	*	*

The Government has amended the goods and services tax (GST) insurance provisions that apply to an insurer that makes payments or supplies in relation to compulsory third party (CTP) insurance policies, with effect from 1 July 2000. The Government has also introduced provisions that apply to payments and supplies that are made in relation to CTP compensation and other CTP non-insurance policy related matters.

The amendments ensure the correct policy outcomes are achieved for the application of GST to CTP schemes.

For those States and Territories receiving Budget Balancing Assistance (BBA), the Government will adjust this assistance accordingly. However, as the cost to GST revenue cannot be quantified, it is not possible to quantify the impact on BBA. Further information on BBA can be found in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

**Budget Balancing Assistance — treatment of first aid and life saving courses**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	4.6	1.0	1.0	-

The Government will allow the suppliers of eligible life saving courses to treat the courses as goods and services tax (GST) free where the supplier uses an instructor that holds a training qualification issued by one of three specified life saving organisations, with effect from 1 July 2000.

In addition, the Government will remove the restriction that only an entity that is a 'body' may treat the supply of an eligible first aid or life saving course as GST-free, extending the treatment to all suppliers.

For those States and Territories receiving Budget Balancing Assistance (BBA), the Government will adjust this assistance to compensate for the decrease in GST revenue

*Appendix A: Policy decisions taken since the 2003-04 Budget*

resulting from this measure. Further information on BBA can be found in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

**Budget Balancing Assistance — variation to New South Wales' Guaranteed Minimum Amount**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	-	15.0	15.0	-

The Government has agreed to include the cost of New South Wales' goods and services tax (GST) gambling rebate to registered clubs in that States' Guaranteed Minimum Amount, with effect from 1 July 2004. New South Wales has taken an in-principle decision to pay a rebate in 2004-05 and subsequent years to registered clubs with an annual gaming income of up to \$1 million.

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the States and Territories were required to adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators. As New South Wales could not lower all its taxes on gambling by the required amount, the New South Wales Government decided to pay clubs an up-front rebate to compensate clubs for the period of 2000-01 to 2003-04. It was agreed that this compensation be included in the Guaranteed Minimum Amount for New South Wales, spread over the years from 2000-01 to 2003-04.

Inclusion of the cost of the New South Wales' new rebate from 1 July 2004 is expected to lead to an increase in the amount of Budget Balancing Assistance paid by the Government to New South Wales. Further information on Budget Balancing Assistance can be found in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

**HIH Claims Support Scheme — closure**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of the Treasury	-	-	-	-

The Government has decided to close the HIH Claims Support Scheme to new claims from 27 February 2004 and restructure the administration of the Scheme. Under the restructure, the contract management of the administrative and claims manager functions that remain after the cut-off date to new applications will be consolidated under the Department of the Treasury.

Following the closure, a facility will be provided for policyholders to make late applications where they did not know that they had a right to claim under a HIH policy.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

These administrative changes have no impact on the fiscal balance. The administrative costs associated with the Scheme were funded as an up front expense when the Scheme was established in 2000-01.

Further information can be found in the press release of 21 August 2003 issued by the Minister for Revenue and the Assistant Treasurer.

**Refundable film tax offset — amendment**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will make minor amendments to the provisions for the refundable tax offset for large-scale films. These changes concern the interaction of the refundable film tax offset and the film concession contained in Division 10BA of the *Income Tax Assessment Act 1936*.

The amendment will ensure that, where Division 10BA benefits have not been accessed, provisional Division 10BA certification can be revoked, enabling film producers to be eligible to apply for the refundable film tax offset instead.

Currently film producers routinely seek provisional Division 10BA film certification as the first stage in raising funds for a film concept without knowing whether or not a foreign studio will fund the project. However, such provisional certification currently causes films to be ineligible for the film tax offset, regardless of whether investors have accessed Division 10BA benefits.

Further information can be found in the joint press release of 15 August 2003 issued by the Minister for the Arts and Sport and the Minister for Revenue and Assistant Treasurer.

**Superannuation — extended Government superannuation co-contribution for low income earners**

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-125.0	95.0	120.0	110.0

The Government has extended the income threshold for the superannuation co-contribution for low income earners from 1 July 2003. This will have a cost of \$325 million over the three years from 2004-05.

The co-contribution matches eligible personal superannuation contributions made by qualifying low income earners after 1 July 2003. A maximum co-contribution of \$1,000 is payable in respect of individuals whose assessable income and reportable fringe benefits do not exceed \$27,500 (previously \$20,000). The maximum co-contribution is

*Appendix A: Policy decisions taken since the 2003-04 Budget*

reduced by 8 cents for each dollar of assessable income and reportable fringe benefits over \$27,500, phasing out at \$40,000 (previously \$32,500). The co-contribution is treated as an undeducted contribution for tax purposes.

The start date for the Government superannuation co-contribution was delayed from 1 July 2002 to 1 July 2003. This delay reflects the failure of certain superannuation legislation to achieve passage through Parliament prior to 30 June 2003, and will result in a saving of \$125 million in 2003-04.

Further information can be found in the press release of 7 September 2003 issued by the Minister for Revenue and Assistant Treasurer.

See also the related revenue measure titled *Superannuation – delayed replacement of the personal superannuation contributions rebate* in the Treasury portfolio.



## VETERANS' AFFAIRS

### Military Rehabilitation and Compensation Scheme

Expense (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Veterans' Affairs	1.2	1.0	0.7	1.7
Department of Family and Community Services	-	0.8	2.5	4.4
Total	1.2	1.8	3.3	6.1
<i>Related capital (\$m)</i>				
Department of Veterans' Affairs	3.1	-	-	-

The Government will provide \$15.5 million (including \$3.1 million capital funding) over four years to introduce a new Military Rehabilitation and Compensation Scheme (MRCS) from 1 July 2004 that will provide compensation to veterans and military personnel injured in the service of Australia.

The MRCS will replace the *Veterans' Entitlements Act 1986* (VEA) and the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) for military personnel injured after 1 July 2004. Military personnel injured before this date will continue to receive entitlements under either the VEA or SRCA.

Key features of the new scheme include the option of lump sum payments instead of lifetime pensions for injured personnel, an increase in lump sums paid in the event of severe injury and an increase in the payments made to the spouse of service personnel who die while on warlike service.

## Capital measures

### AGRICULTURE, FISHERIES AND FORESTRY

#### Wheat Export Authority — operating loan

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
Wheat Export Authority	-	-	-	-

The Government has provided a loan of up to \$1.0 million to assist the Wheat Export Authority in meeting ongoing operational expenses prior to the introduction of a levy by the Authority on wheat exports. The levy was introduced from 1 October 2003. The loan is to be repaid from levy revenue by 30 June 2006.

The provision of loans from the Budget, and their repayments, affects only the composition of the Australian Government's financial assets. As such this measure has no impact on the fiscal balance.

## ATTORNEY-GENERAL'S

### Australian Customs Service — equity injection

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-	-	-	-

The Government will provide an equity injection of up to \$43 million to the Australian Customs Service to address a funding shortfall in 2003-04. This shortfall results from higher than expected costs in several programmes, including the Cargo Management Re-engineering programme. The additional resourcing will allow the Australian Customs Service to meet operational requirements in 2003-04.

This funding is an interim measure with any further funding to be decided following the completion of a comprehensive review in 2003-04 of agency activity and resourcing levels.

The provision of a capital injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance. Expenditure of the funds will impact on the fiscal balance and provision for this expenditure has been made in the contingency reserve.

## EDUCATION, SCIENCE AND TRAINING

### Our Universities — Higher Education Loans Programme (HELP) extension

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	-	-	-	-
<i>Related revenue(a) (\$m)</i>				
Department of Education, Science and Training	-	-	0.1	0.2

(a) A positive number for revenue indicates an increase in the fiscal balance.

From January 2005, the Government will allow higher education institutions to set student contribution amounts, payable through HECS-HELP and FEE-HELP loan arrangements, for teaching and administrative support provided while students undertake industry work experience as part of their studies.

The types of support that institutions will need to provide in order to be eligible to charge students under these arrangements will be specified under ministerial guidelines.

Under accepted accounting practice, loans to students are treated as financial assets and therefore do not impact on the fiscal balance. Payment by students of the indexation component under the Higher Education Loans Programme is treated as interest revenue and impacts the fiscal balance from 2005-06.

### Radioactive waste management facility — security and access road construction

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	4.8	-	-	-

The Government will provide capital funding of \$4.8 million in 2003-04 to build a national radioactive waste management repository. This is in addition to the \$0.5 million provided at the 2003-04 Budget and will enable construction of an access road and additional security at the final site, 20km east of Woomera, South Australia.

This purpose-built waste management facility will hold waste generated by the Australian Nuclear Science and Technology Organisation, the Commonwealth Scientific and Industrial Research Organisation and the Department of Defence.

The facility will also hold waste generated by non-Australian Government organisations, including State and Territory agencies and industry.

## FOREIGN AFFAIRS AND TRADE

### Export Finance and Insurance Corporation — divestment of short term export credit business

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Foreign Affairs and Trade	-	-	-	-

The Government has divested the Export Finance and Insurance Corporation's short-term credit insurance business for exporters to Gerling NCM following an 18-month service delivery alliance. Sale proceeds of \$2.5 million will be remitted to the Government during 2003-04 as a return of capital.

This measure will have no impact on the fiscal balance as the Government's equity in the short-term business is being returned following the sale, affecting only the composition of the Commonwealth's financial assets, not the total amount.

The Government has also established a short-term credit insurance facility on the National Interest Account to support exporters in significant instances where private sector support is not available.

Further information can be found in the press release of 14 August 2003 issued by the Minister for Trade.

*Appendix A: Policy decisions taken since the 2003-04 Budget*

**TRANSPORT AND REGIONAL SERVICES**

**National Capital Authority — additional funding**

Capital (\$m)	2003-04	2004-05	2005-06	2006-07
National Capital Authority	0.6	-	-	-

The Government will provide \$0.6 million in 2003-04 to cover the cost of additional works involved in the construction of Commonwealth Place and Reconciliation Place.

Commonwealth Place and Reconciliation Place are both major projects in the Parliamentary Zone of the National Capital designed to be accessible to all Australians so that they can more fully understand and appreciate the collective experience and rich diversity of this country.

## APPENDIX B: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this Appendix are prepared in accordance with the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework.

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations and total non-financial public sectors. A statement of other economic flows is also included for the Australian Government general government sector and primarily outlines how other economic flows (those economic flows not accounted for in the GFS operating statement, namely changes in assets and liabilities arising from price and volume changes) impact on the net worth of the Australian Government general government sector.

The Australian Government, States and Territories have an agreed framework – the Accrual Uniform Presentation Framework – for the presentation of government financial information on a basis consistent with the ABS GFS publication. This Appendix presents Australian Government data on an ABS GFS basis, as required by the Uniform Presentation Framework, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 3.

The only difference between the Australian Government general government sector statements in Part 3 and this Appendix is the treatment of the GST. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office, as an agent for the States and Territories, and appropriated to the States and Territories. Consequently, it is not shown as Australian Government revenue in other parts in this document. However, the tables in this Appendix show GST as taxation revenue and payments to the States as grant expenses.

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth estimates in this Appendix differ from those reported elsewhere in this document. This accounting difference is an accrual issue only: it represents the effect of GST revenue accrued but not yet received and, therefore, not yet paid or payable to the States (as GST obligations to the States are on a cash basis).<sup>1</sup> The underlying cash balance is not affected and provides identical results under both treatments of GST receipts.

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1 Table E2 in Appendix E shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

*Appendix B: Government Finance Statistics Statements*

Consistent with ABS practice, transactions between the Australian Government general government and public non-financial corporations sectors are included in the tables produced for these sectors, but are removed from the total non-financial public sector tables as they are transactions internal to that sector.

Appendix E provides reconciliations between key GFS aggregates and their Australian Accounting Standard No. 31 counterparts.



## GOVERNMENT FINANCE STATISTICS STATEMENTS

**Table B1: Australian Government general government sector operating statement**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>GFS revenue</b>				
Taxation revenue	203,737	213,041	225,123	237,465
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,106	4,241	4,378	4,531
Interest income	1,146	1,197	1,707	2,662
Dividend income	4,103	2,386	2,313	1,828
Other	2,613	2,580	2,634	2,689
<b>Total GFS revenue</b>	<b>215,705</b>	<b>223,444</b>	<b>236,154</b>	<b>249,176</b>
<b>GFS expenses</b>				
Gross operating expenses				
Depreciation	1,882	1,903	2,059	2,118
Superannuation	2,041	2,098	2,111	2,131
Salaries and wages	11,607	12,175	12,163	12,613
Payment for supply of goods and services	40,030	41,063	42,956	44,891
Other operating expenses	2,161	2,190	2,152	2,160
<i>Total gross operating expenses</i>	<i>57,721</i>	<i>59,429</i>	<i>61,442</i>	<i>63,912</i>
Nominal superannuation interest expense	4,913	5,248	5,686	5,785
Other interest expenses	4,259	4,056	3,702	3,620
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	67,069	70,762	74,378	77,049
Subsidy expenses	5,757	5,917	6,037	6,327
Personal benefit payments in cash	68,491	72,950	77,710	82,977
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>141,318</i>	<i>149,629</i>	<i>158,124</i>	<i>166,353</i>
Capital transfers	3,087	3,370	3,195	3,160
<b>Total GFS expenses</b>	<b>211,298</b>	<b>221,731</b>	<b>232,149</b>	<b>242,830</b>
<b>Net operating balance(a)</b>	<b>4,408</b>	<b>1,713</b>	<b>4,005</b>	<b>6,346</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	2,727	2,443	2,373	2,177
<i>less</i> Sales of non-financial assets	<i>893</i>	<i>755</i>	<i>424</i>	<i>329</i>
<i>less</i> Depreciation	<i>1,882</i>	<i>1,903</i>	<i>2,059</i>	<i>2,118</i>
<i>plus</i> Change in inventories	<i>-20</i>	<i>-54</i>	<i>-59</i>	<i>49</i>
<i>plus</i> Other movements in non-financial assets	<i>-136</i>	<i>-46</i>	<i>40</i>	<i>20</i>
<b>Total net acquisition of non-financial assets</b>	<b>-205</b>	<b>-315</b>	<b>-129</b>	<b>-201</b>
<b>Net lending/fiscal balance(a)(b)</b>	<b>4,612</b>	<b>2,028</b>	<b>4,135</b>	<b>6,547</b>

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.

(b) The term fiscal balance is not used by the ABS.

**Table B2: Australian Government general government sector balance sheet**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>GFS assets</b>				
Financial assets				
Cash and deposits	3,022	3,058	3,021	3,031
Advances paid	19,295	20,589	20,930	21,903
Investments, loans and placements	9,701	9,563	9,517	9,479
Other non-equity assets	18,003	17,761	18,639	20,004
Equity(a)	47,681	47,571	38,900	27,601
<b>Total financial assets</b>	<b>97,702</b>	<b>98,543</b>	<b>91,007</b>	<b>82,018</b>
Non-financial assets				
Land	4,609	4,461	4,531	4,655
Buildings (excluding heritage)	13,436	13,366	13,413	13,281
Plant, equipment and infrastructure(b)	7,768	7,887	8,040	7,895
Inventories	4,023	3,969	3,910	3,958
Heritage and cultural assets(b)	4,761	4,761	4,763	4,766
Other non-financial assets	1,765	1,765	1,575	1,533
<b>Total non-financial assets</b>	<b>36,362</b>	<b>36,209</b>	<b>36,231</b>	<b>36,088</b>
<b>Total GFS assets</b>	<b>134,064</b>	<b>134,752</b>	<b>127,239</b>	<b>118,107</b>
<b>GFS liabilities</b>				
Deposits held	325	325	325	325
Advances received	0	0	0	0
Government securities	49,163	46,022	30,158	12,433
Loans	5,678	5,447	5,257	5,082
Other borrowing	183	155	115	106
Superannuation liability	91,597	94,004	96,740	99,404
Other employee entitlements and provisions	7,972	8,111	8,229	8,348
Other non-equity liabilities	21,052	21,192	21,469	22,159
<b>Total GFS liabilities</b>	<b>175,972</b>	<b>175,258</b>	<b>162,293</b>	<b>147,857</b>
<b>Net worth(c)(d)</b>	<b>-41,907</b>	<b>-40,506</b>	<b>-35,055</b>	<b>-29,751</b>
Net financial worth(e)	-78,269	-76,715	-71,286	-65,839
Net debt(f)	23,332	18,739	2,387	-16,467

- (a) Equity includes the valuation of the Telstra shareholding, which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price.
- (b) Heritage and cultural assets were previously included in Plant, equipment and infrastructure.
- (c) The net worth estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.
- (d) Net worth is calculated as total assets minus total liabilities.
- (e) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.
- (f) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table B3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Cash receipts from operating activities</b>				
Taxes received(b)	200,636	210,415	222,303	234,151
Receipts from sales of goods and services(c)	4,083	4,238	4,378	4,523
Grants and subsidies received	0	0	0	0
Interest receipts	1,014	1,116	1,457	2,397
Dividends	3,139	3,350	2,313	1,828
GST input credits received by general government(c)	0	0	0	0
Other receipts	2,476	2,452	2,468	2,521
<b>Total receipts</b>	<b>211,348</b>	<b>221,569</b>	<b>232,918</b>	<b>245,419</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services(c)	-41,365	-42,259	-44,161	-46,117
Grants and subsidies paid(d)	-74,040	-78,588	-82,110	-85,045
Interest paid	-4,118	-3,878	-4,520	-3,634
Personal benefit payments	-68,453	-73,606	-77,728	-82,602
Salaries, wages and other entitlements	-16,264	-17,046	-16,916	-17,552
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-797	-720	-886	-869
<b>Total payments</b>	<b>-205,036</b>	<b>-216,098</b>	<b>-226,321</b>	<b>-235,819</b>
<b>Net cash flows from operating activities</b>	<b>6,312</b>	<b>5,471</b>	<b>6,597</b>	<b>9,601</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	1,113	830	429	334
Purchases of new and secondhand non-financial assets	-2,792	-2,466	-2,411	-2,193
<b>Net cash flows from investments in non-financial assets</b>	<b>-1,679</b>	<b>-1,635</b>	<b>-1,982</b>	<b>-1,860</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-666</b>	<b>-953</b>	<b>10,061</b>	<b>9,837</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-4	51	2	-23
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-4</b>	<b>51</b>	<b>2</b>	<b>-23</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,969	-2,873	-15,011	-17,808
Deposits received (net)	-1	0	0	0
Other financing (net)	-308	-25	296	263
<b>Net cash flows from financing activities</b>	<b>-3,278</b>	<b>-2,898</b>	<b>-14,715</b>	<b>-17,546</b>
<b>Net increase/decrease in cash held</b>	<b>684</b>	<b>36</b>	<b>-37</b>	<b>10</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>4,633</b>	<b>3,836</b>	<b>4,615</b>	<b>7,741</b>
Finance leases and similar arrangements(e)	3	-6	-7	-8
<b>Equals surplus(+)/deficit(-)</b>	<b>4,635</b>	<b>3,829</b>	<b>4,608</b>	<b>7,733</b>

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) Includes GST cash receipts on an Australian Government tax basis, which are \$13 million greater than GST cash receipts measured on a State tax basis (as shown in Appendix C, Note 16).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments on an Australian Government tax basis.

(e) The acquisition of assets under finance leases reduces the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

**Table B4: Australian Government general government sector statement of other economic flows (reconciliation of net worth)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>Opening net worth</b>	<b>-49,524</b>	<b>-41,907</b>	<b>-40,505</b>	<b>-35,055</b>
<b>Opening net worth adjustments(a)</b>	<b>-891</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjusted opening net worth</b>	<b>-50,415</b>	<b>-41,907</b>	<b>-40,505</b>	<b>-35,055</b>
<b>Change in net worth from operating transactions</b>	<b>4,408</b>	<b>1,713</b>	<b>4,005</b>	<b>6,346</b>
<b>Change in net worth from other economic flows</b>				
Revaluation of equity(b)	3,663	99	2,650	21
Net writedowns of assets (including bad and doubtful debts)	-2,080	-1,250	-1,893	-1,596
Assets recognised for the first time	281	2	2	2
Defence weapon platform adjustment(c)	100	100	100	100
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	237	0	0	0
Net swap interest received	381	310	278	250
Market valuation of debt	1,449	466	332	217
Other economic revaluations(d)	69	-38	-23	-35
<b>Total other economic flows</b>	<b>4,100</b>	<b>-311</b>	<b>1,445</b>	<b>-1,042</b>
<b>Closing net worth</b>	<b>-41,907</b>	<b>-40,505</b>	<b>-35,055</b>	<b>-29,750</b>

(a) Includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Defence weapons are treated as expenses rather than assets under the GFS framework, hence changes in value do not contribute to net worth and are not included in other economic flows. This component represents the removal of defence weapons included in net writedowns and other movements.

(d) Largely reflects revaluation of assets.

**Table B5: Australian Government public non-financial corporations operating statement**

	2003-04 \$m
<b>GFS revenue</b>	
Current grants and subsidies	224
Sales of goods and services	24,463
Interest income	85
Other	24
<b>Total GFS revenue</b>	<b>24,796</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	3,423
Salaries, wages and other entitlements	5,495
Other operating expenses	9,846
<i>Total gross operating expenses</i>	<i>18,763</i>
Interest expenses	882
Other property expenses	1,562
Current transfers	
Tax expenses	2,054
Other current transfers	0
<i>Total current transfers</i>	<i>2,054</i>
Capital transfers	0
<b>Total GFS expenses</b>	<b>23,261</b>
<b>Net operating balance</b>	<b>1,536</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	3,477
<i>less</i> Sales of non-financial assets	<i>130</i>
<i>less</i> Depreciation	<i>3,423</i>
<i>plus</i> Change in inventories	<i>-32</i>
<i>plus</i> Other movements in non-financial assets	<i>-163</i>
<b>Total net acquisition of non-financial assets</b>	<b>-271</b>
<b>Net lending/fiscal balance(a)</b>	<b>1,806</b>

(a) The term fiscal balance is not used by the ABS.

**Table B6: Australian Government public non-financial corporations balance sheet**

	2003-04 \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	2,503
Advances paid	0
Investments, loans and placements	967
Other non-equity assets	5,242
Equity	225
<i>Total financial assets</i>	<i>8,937</i>
Non-financial assets	
Land and fixed assets	26,296
Other non-financial assets	752
<i>Total non-financial assets</i>	<i>27,048</i>
<b>Total GFS assets</b>	<b>35,986</b>
<b>GFS liabilities</b>	
Deposits held	0
Advances received	0
Borrowing	11,459
Unfunded superannuation liability and other employee entitlements	1,922
Provisions (other than depreciation and bad and doubtful debts)	6,174
Other non-equity liabilities	1,167
<b>Total GFS liabilities</b>	<b>20,723</b>
<b>Shares and other contributed capital</b>	<b>64,527</b>
<b>Net worth(a)</b>	<b>-49,264</b>
Net financial worth(b)	-76,312
Net debt(c)	7,989

- (a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.
- (b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table B7: Australian Government public non-financial corporations cash flow statement<sup>(a)</sup>**

	2003-04 \$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	24,465
Grants and subsidies received	224
GST input credit receipts	15
Other receipts	289
<b>Total receipts</b>	<b>24,993</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-7,580
Interest paid	-793
Salaries, wages and other entitlements	-5,590
GST payments to taxation authority	-1,465
Other payments for operating activities(b)	-3,477
<b>Total payments</b>	<b>-18,905</b>
<b>Net cash flows from operating activities</b>	<b>6,088</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	130
Purchases of new and secondhand non-financial assets	-3,477
<b>Net cash flows from investments in non-financial assets</b>	<b>-3,348</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	-52
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-52</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-1,007
Deposits received (net)	0
Distributions paid (net)(c)	-1,562
Other financing (net)	1,120
<b>Net cash flows from financing activities</b>	<b>-1,448</b>
<b>Net increase/decrease in cash held</b>	<b>1,240</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>2,740</b>
Finance leases and similar arrangements(d)	0
Distributions paid(c)	-1,562
<b>Equals surplus(+)/deficit(-)</b>	<b>1,179</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 public non-financial corporations distributions paid.

(c) Distributions paid comprise public non-financial corporations dividends to external shareholders.

(d) The acquisition of assets under finance leases reduces the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

**Table B8: Australian Government total non-financial public sector operating statement**

	2003-04 \$m
<b>GFS revenue</b>	
Taxation revenue	201,815
Current grants and subsidies	0
Sales of goods and services	28,022
Interest income	1,179
Dividend income	2,339
Other	2,637
<b>Total GFS revenue</b>	<b>235,991</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	5,305
Superannuation	2,056
Salaries and wages	17,086
Payment for supply of goods and services	48,096
Other operating expenses	1,629
<i>Total gross operating expenses</i>	<i>74,172</i>
Nominal superannuation interest expense	4,913
Other interest expenses	5,089
Other property expenses	1,562
Current transfers	
Grant expenses	67,069
Subsidy expenses	5,533
Personal benefit payments in cash	68,491
Other current transfers	0
<i>Total current transfers</i>	<i>141,093</i>
Capital transfers	3,087
<b>Total GFS expenses</b>	<b>229,916</b>
<b>Net operating balance(a)</b>	<b>6,075</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	6,204
<i>less</i> Sales of non-financial assets	<i>1,023</i>
<i>less</i> Depreciation	<i>5,305</i>
<i>plus</i> Change in inventories	<i>-52</i>
<i>plus</i> Other movements in non-financial assets	<i>-299</i>
<b>Total net acquisition of non-financial assets</b>	<b>-475</b>
<b>Net lending/fiscal balance(a)(b)(c)</b>	<b>6,550</b>

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.

(b) The term fiscal balance is not used by the ABS.

(c) The fiscal balance for the non-financial public sector does not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.



**Table B9: Australian Government total non-financial public sector balance sheet**

	2003-04 \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	5,525
Advances paid	19,295
Investments, loans and placements	10,668
Other non-equity assets	22,950
Equity	13,984
<i>Total financial assets</i>	<i>72,422</i>
Non-financial assets	
Land and fixed assets	62,326
Other non-financial assets	1,085
<i>Total non-financial assets</i>	<i>63,411</i>
<b>Total GFS assets</b>	<b>135,833</b>
<b>GFS liabilities</b>	
Deposits held	325
Advances received	0
Government securities	49,163
Loans	5,678
Other borrowing	11,642
Unfunded superannuation liability and other employee entitlements	101,492
Other provisions	6,461
Other non-equity liabilities	19,054
<b>Total GFS liabilities</b>	<b>193,816</b>
<b>Shares and other contributed capital</b>	<b>31,089</b>
<b>Net worth(a)(b)</b>	<b>-89,072</b>
Net financial worth(b)(c)	-152,482
Net debt(d)	31,321

- (a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.
- (b) Net worth and net financial worth for the non-financial public sector do not equal the sum of the general government and public non-financial corporations sectors due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.
- (c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.
- (d) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table B10: Australian Government total non-financial public sector cash flow statement<sup>(a)</sup>**

	2003-04 \$m
<b>Cash receipts from operating activities</b>	
Taxes received	198,714
Receipts from sales of goods and services(b)	28,548
Grants and subsidies received	0
Interest receipts	962
Dividends	1,375
GST input credit receipts(b)	15
Other receipts	2,765
<b>Total receipts</b>	<b>232,378</b>
<b>Cash payments for operating activities</b>	
Payments for goods and services(b)	-48,945
Grants and subsidies paid	-73,815
Interest paid	-4,859
Personal benefit payments	-68,453
Salaries, wages and other entitlements	-21,854
GST payments to taxation authority(b)	-1,465
Other payments for operating activities	-587
<b>Total payments</b>	<b>-219,978</b>
<b>Net cash flows from operating activities</b>	<b>12,400</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	1,243
Purchases of new and secondhand non-financial assets	-6,270
<b>Net cash flows from investments in non-financial assets</b>	<b>-5,027</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-666</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-56
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-56</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-3,976
Deposits received (net)	-1
Distributions paid (net)(c)	-1,562
Other financing (net)	812
<b>Net cash flows from financing activities</b>	<b>-4,726</b>
<b>Net increase/decrease in cash held</b>	<b>1,924</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>7,373</b>
Finance leases and similar arrangements(d)	3
Distributions paid(c)	-1,562
<b>Equals surplus(+)/deficit(-)</b>	<b>5,814</b>

(a) A positive number denotes a cash inflow, a negative sign denotes a cash outflow.

(b) GST flows are excluded from these categories.

(c) Distributions paid comprise PNFC dividends to external shareholders.

(d) The acquisition of assets under finance leases reduces the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or reduces the deficit.

## LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each State and Territory nominate Loan Council Allocations. A jurisdiction's Loan Council Allocation incorporates:

- the estimated non-financial public sector underlying cash balance (made up from the general government and public non-financial corporations sector balances);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowing.

Loan Council Allocation 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.

In March 2003, the Australian Government nominated, and the Loan Council endorsed a Loan Council Allocation surplus of \$5,715 million. In the 2003-04 Budget, the Australian Government estimated a Loan Council Allocation surplus of \$2,159 million. Table B11 presents a revised estimate for the Australian Government's 2003-04 Loan Council Allocation of a \$4,490 million surplus.

**Table B11: Australian Government Loan Council Allocation for 2003-04**

	2003-04 Budget Estimate \$m	2003-04 MYEFO Estimate \$m
General government sector cash deficit(+)/surplus(-)	-2,172	-4,635
PNFC sector cash deficit(+)/surplus(-)	-1,499	-1,179
Non-financial public sector cash deficit(+)/surplus(-)	-3,671	-5,814
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	-701	-666
<i>plus</i> Memorandum items(b)	811	658
<b>Loan Council Allocation</b>	<b>-2,159</b>	<b>-4,490</b>

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. 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 Australian Government, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), university borrowings, over funding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the Loan Council Allocation.



## **APPENDIX C: AAS 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.

A reconciliation between the Australian Government's general government AAS31 and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Appendix E.

**Table C1: Statement of financial performance for the Australian Government general government sector — AAS31**

	Note	Estimates		Projections	
		2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Revenues</b>					
Taxation					
Income tax	3	138,360	146,060	155,680	165,310
Indirect tax	4	27,585	27,645	28,029	28,523
Fringe benefits tax		3,150	3,090	3,180	3,280
Other taxes		1,491	1,514	1,533	1,541
<b>Total taxation revenue</b>		<b>170,586</b>	<b>178,309</b>	<b>188,422</b>	<b>198,655</b>
Non-taxation					
Sales of goods and services		4,106	4,241	4,378	4,531
Interest and dividends	5	7,104	5,598	5,843	5,953
Net foreign exchange gains		237	0	0	0
Proceeds from the sale of assets		1,313	921	11,709	11,614
Other sources of non-tax revenue	6	3,017	2,703	2,756	2,811
<b>Total non-tax revenue</b>		<b>15,777</b>	<b>13,464</b>	<b>24,686</b>	<b>24,909</b>
<b>Total revenue</b>		<b>186,364</b>	<b>191,773</b>	<b>213,109</b>	<b>223,564</b>
<b>Expenses</b>					
Goods and services					
Employees	7	20,722	21,712	22,112	22,688
Suppliers	8	14,523	14,426	14,005	14,273
Depreciation and amortisation	9	4,061	4,270	4,089	4,216
Net write down of assets		2,538	1,693	2,348	2,072
Net foreign exchange losses		0	0	0	0
Value of assets sold		958	785	2,244	2,138
Other goods and services expenses		7,035	7,239	7,834	8,228
<b>Total goods and services</b>		<b>49,837</b>	<b>50,125</b>	<b>52,631</b>	<b>53,615</b>
Subsidies benefits and grants					
Personal benefits		81,117	86,477	92,182	98,193
Subsidies		9,566	9,978	10,394	10,879
Grants	10	36,042	38,889	39,769	40,300
<b>Total subsidies benefits and grants</b>		<b>126,726</b>	<b>135,344</b>	<b>142,345</b>	<b>149,372</b>
<b>Borrowing costs</b>					
Interest		5,726	5,765	5,240	4,815
Other borrowing costs		31	36	36	35
<b>Total interest and other borrowing costs</b>		<b>5,758</b>	<b>5,801</b>	<b>5,275</b>	<b>4,850</b>
<b>Total expenses</b>		<b>182,320</b>	<b>191,271</b>	<b>200,251</b>	<b>207,838</b>
<b>Operating result</b>		<b>4,044</b>	<b>502</b>	<b>12,858</b>	<b>15,726</b>
Extraordinary items		0	0	0	0
<b>Operating result after extraordinary items</b>		<b>4,044</b>	<b>502</b>	<b>12,858</b>	<b>15,726</b>

**Table C2: Statement of financial position for the Australian Government general government sector — AAS31**

	Note	Estimates		Projections	
		2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Assets</b>					
Financial assets					
Cash		3,022	3,058	3,021	3,031
Receivables		29,714	29,931	30,755	32,665
Investments	11	25,536	25,465	23,837	22,237
Equity accounted investments		451	451	451	451
Accrued revenue		386	410	464	538
Other financial assets		32	36	38	38
<b>Total financial assets</b>		<b>59,141</b>	<b>59,351</b>	<b>58,567</b>	<b>58,960</b>
Non-financial assets					
Land and buildings (excluding heritage)	12	18,045	17,827	17,943	17,936
Infrastructure(a)		40,070	40,685	42,022	43,346
Heritage and cultural assets(a)		4,761	4,761	4,763	4,766
Intangibles		1,432	1,404	1,372	1,311
Inventories		4,023	3,969	3,910	3,958
Other non-financial assets		1,528	1,482	1,323	1,335
<b>Total non-financial assets</b>		<b>69,859</b>	<b>70,127</b>	<b>71,334</b>	<b>72,653</b>
<b>Total assets</b>		<b>129,001</b>	<b>129,479</b>	<b>129,900</b>	<b>131,613</b>
<b>Liabilities</b>					
Debt					
Government securities	11	43,209	40,568	25,737	8,105
Loans		4,562	4,330	4,150	3,973
Leases		160	134	96	87
Deposits		325	325	325	325
Overdrafts		0	0	0	0
Other debt		1,136	1,135	1,125	1,124
<b>Total debt</b>		<b>49,393</b>	<b>46,492</b>	<b>31,432</b>	<b>13,615</b>
Provisions and payables					
Employees	13	99,570	102,116	104,969	107,752
Suppliers		2,232	2,194	2,174	2,230
Personal benefits payable		3,097	2,554	2,581	2,946
Subsidies payable		381	354	277	249
Grants payable	14	8,910	9,657	9,976	10,237
Other provisions and payables		9,266	9,366	8,770	9,028
<b>Total provisions and payables</b>		<b>123,455</b>	<b>126,240</b>	<b>128,747</b>	<b>132,442</b>
<b>Total liabilities</b>		<b>172,848</b>	<b>172,732</b>	<b>160,179</b>	<b>146,057</b>
<b>Net assets</b>	15	<b>-43,847</b>	<b>-43,253</b>	<b>-30,279</b>	<b>-14,443</b>
<b>Equity</b>					
Accumulated results		-77,084	-76,491	-61,928	-44,577
Reserves		33,237	33,238	31,649	30,133
Capital		0	0	0	0
<b>Total equity</b>		<b>-43,847</b>	<b>-43,253</b>	<b>-30,279</b>	<b>-14,443</b>

(a) Heritage and cultural assets were previously included in infrastructure.

**Table C3: Statement of cash flows for the Australian Government general government sector — AAS31**

	Note	Estimates		Projections	
		2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Operating activities</b>					
Cash received					
Taxes	16	168,123	176,194	186,133	195,901
Sales of goods and services		4,224	4,387	4,524	4,673
Interest		2,961	3,092	3,357	3,879
Dividends		3,139	3,350	2,313	1,828
GST input credit receipts		2,449	2,482	2,509	2,592
Other		2,599	2,573	2,588	2,641
<b>Total operating cash received</b>		<b>183,495</b>	<b>192,077</b>	<b>201,424</b>	<b>211,515</b>
Cash used					
Payments to employees		18,440	19,165	19,259	19,905
Payments to suppliers		17,048	16,922	16,512	16,887
Subsidies paid		9,034	9,440	9,861	10,333
Personal benefits		81,079	87,134	92,200	97,818
Grant payments		35,423	38,074	39,451	40,040
Interest and other financing costs		5,745	5,703	5,898	4,629
GST payments to taxation authority		138	140	143	146
Other		7,069	7,235	7,805	8,199
<b>Total operating cash used</b>		<b>173,976</b>	<b>183,813</b>	<b>191,130</b>	<b>197,957</b>
<b>Net cash from operating activities</b>		<b>9,519</b>	<b>8,264</b>	<b>10,294</b>	<b>13,558</b>
<b>Investing activities</b>					
Cash received					
Proceeds from asset sales program		220	91	11,280	11,280
Proceeds from sales of property, plant and equipment and intangibles		1,113	830	429	334
Other net investing cash received		198	41	0	0
<b>Total investing cash received</b>		<b>1,531</b>	<b>962</b>	<b>11,709</b>	<b>11,614</b>
Cash used					
Purchase of property, plant and equipment and intangibles		5,994	5,422	5,736	5,860
Net loans, advances and HECS		663	861	1,065	1,278
Other net investing cash paid	11	202	0	172	197
<b>Total investing cash used</b>		<b>6,860</b>	<b>6,283</b>	<b>6,973</b>	<b>7,336</b>
<b>Net cash from investing activities</b>		<b>-5,329</b>	<b>-5,321</b>	<b>4,736</b>	<b>4,278</b>
<b>Financing activities</b>					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		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	11	2,969	2,873	15,011	17,808
Other		537	34	56	17
<b>Total financing cash used</b>		<b>3,506</b>	<b>2,907</b>	<b>15,067</b>	<b>17,826</b>
<b>Net cash from financing activities</b>		<b>-3,506</b>	<b>-2,907</b>	<b>-15,067</b>	<b>-17,826</b>
<b>Net increase/decrease in cash held</b>		<b>684</b>	<b>36</b>	<b>-37</b>	<b>10</b>



## NOTES TO THE AAS31 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 requires governments to prepare accrual based general purpose financial reports. 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, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared for the budget year and the three forward years.

The accounting policies in this Appendix 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 Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the budget presentation of financial estimates covers the general government sector only.

AAS31 and other relevant accounting standards would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office as an agent for the States and Territories, and appropriated to the States and Territories. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the financial statements.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the underlying economic activity giving rise to a tax liability occurs, where this can be measured reliably. At this stage, the Australian Government does not consider its taxation revenues can be reliably measured on this basis for budget reporting purposes. Under AAS31, an inability to reliably measure tax revenues when the underlying transactions or events occur means, in some cases, they may need to be recognised at a later time. Taxation revenue in this Appendix is, therefore, recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service.

Appendix C: AAS Financial Statements

**Note 2: Reconciliation of cash**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Operating result (revenues less expenses)</b>	<b>4,044</b>	<b>502</b>	<b>12,858</b>	<b>15,726</b>
less <b>Revenues not providing cash</b>				
Foreign exchange gains	237	0	0	0
Gains from asset sales programme	140	38	9,444	9,454
Gains from sale of assets	215	99	21	21
Other	554	275	314	380
<b>Total revenues not providing cash</b>	<b>1,145</b>	<b>412</b>	<b>9,780</b>	<b>9,855</b>
plus <b>Expenses not requiring cash</b>				
Increase/(decrease) in employee entitlements	2,282	2,546	2,853	2,783
Depreciation/amortisation expense	4,061	4,270	4,089	4,216
Provision for bad and doubtful debts	279	244	882	555
Provision for diminution in value of assets	434	128	124	183
Losses from asset sales programme	0	0	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	0	0	0	0
Other	-9	-20	-36	-30
<b>Total expenses not requiring cash</b>	<b>7,047</b>	<b>7,168</b>	<b>7,912</b>	<b>7,706</b>
plus <b>Cash provided by working capital items</b>				
Decrease in inventories	20	54	60	0
Decrease in receivables	0	667	0	0
Decrease in other financial assets	122	0	0	0
Decrease in other non-financial assets	493	75	0	6
Increase in benefits subsidies and grants payable	350	747	346	626
Increase in suppliers' liabilities	0	0	0	56
Increase in other provisions and payables	0	100	0	258
<b>Total cash provided by working capital items</b>	<b>986</b>	<b>1,643</b>	<b>405</b>	<b>946</b>
less <b>Cash used by working capital items</b>				
Increase in inventories	0	0	0	49
Increase in receivables	1,207	0	354	815
Increase in other financial assets	0	28	56	74
Increase in other non-financial assets	0	0	0	0
Decrease in benefits subsidies and grants payable	33	570	76	28
Decrease in other provisions and payables	114	0	596	0
Decrease in suppliers' liabilities	59	38	19	0
<b>Total cash used by working capital items</b>	<b>1,413</b>	<b>637</b>	<b>1,102</b>	<b>965</b>
equals <i>Net cash from/(to) operating activities</i>	9,519	8,264	10,294	13,558
<i>Net cash from/(to) investing activities</i>	-5,329	-5,321	4,736	4,278
<b>Net cash from operating activities and investment</b>	<b>4,190</b>	<b>2,943</b>	<b>15,030</b>	<b>17,836</b>
<i>Net cash from/(to) financing activities</i>	-3,506	-2,907	-15,067	-17,826
<b>equals Net increase/(decrease) in cash</b>	<b>684</b>	<b>36</b>	<b>-37</b>	<b>10</b>

**Note 2(a): Consolidated Revenue Fund**

The estimated and projected cash balances reflected in the statement of financial position for the Australian Government general government sector (Table C2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or moneys raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government general government sector cash, less cash controlled and administered CAC Act entities, plus special public monies represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Total general government sector cash</b>	<b>3,022</b>	<b>3,058</b>	<b>3,021</b>	<b>3,031</b>
<i>less</i> CAC Agency cash balances	1,515	1,502	1,413	1,417
<i>plus</i> Special public monies	81	72	69	94
<b>Balance of Consolidated Revenue Fund at 30 June</b>	<b>1,588</b>	<b>1,628</b>	<b>1,678</b>	<b>1,708</b>

**Note 3: Income tax revenue — accrual AAS31**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Individuals and other withholding				
Gross income tax withholding	88,750	94,430	101,080	107,980
Gross other individuals	19,410	20,220	21,230	22,350
<i>less</i> Refunds	12,300	12,930	13,720	14,790
Total individuals and other withholding	95,860	101,720	108,590	115,540
Companies	35,650	37,630	40,060	42,450
Superannuation funds				
Contributions and earnings	4,400	4,590	4,970	5,290
Superannuation surcharge	1,170	1,200	1,250	1,300
Total superannuation funds	5,570	5,790	6,220	6,590
Petroleum resource rent tax	1,280	920	810	730
<b>Total income tax revenue</b>	<b>138,360</b>	<b>146,060</b>	<b>155,680</b>	<b>165,310</b>

Appendix C: AAS Financial Statements

**Note 4: Indirect tax revenue — accrual AAS31**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Excise duty				
Petroleum and other fuel products and crude oil	13,390	13,390	13,570	13,850
Other excise	7,360	7,430	7,480	7,600
<b>Total excise duty</b>	<b>20,750</b>	<b>20,820</b>	<b>21,050</b>	<b>21,450</b>
Customs duty	5,915	5,825	5,899	5,923
Other indirect taxes	920	1,000	1,080	1,150
GST	33,050	34,630	36,600	38,710
less transfers to States and Territories in relation to GST revenue	33,050	34,630	36,600	38,710
GST revenue	0	0	0	0
Mirror taxes	269	270	284	299
less transfers to States and Territories in relation to mirror tax revenue	269	270	284	299
Mirror tax revenue	0	0	0	0
<b>Indirect tax revenue</b>	<b>27,585</b>	<b>27,645</b>	<b>28,029</b>	<b>28,523</b>

**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Interest				
Interest from other governments				
State and Territory debt	38	28	17	15
Housing agreements	178	174	170	166
<b>Total interest from other governments</b>	<b>215</b>	<b>202</b>	<b>187</b>	<b>181</b>
Interest from other sources				
Swap interest	1,855	2,016	1,824	1,463
Advances	21	21	21	21
Deposits	3	3	3	3
Bills receivable	6	6	6	6
Bank deposits	171	164	170	169
Indexation of HECS receivable and other student loans	272	273	313	378
Other	458	527	1,007	1,903
<b>Total interest from other sources</b>	<b>2,785</b>	<b>3,011</b>	<b>3,344</b>	<b>3,943</b>
<b>Total interest</b>	<b>3,001</b>	<b>3,213</b>	<b>3,531</b>	<b>4,125</b>
Dividends				
Dividends from associated entities	4,047	2,351	2,271	1,757
Other dividends	57	35	42	71
<b>Total dividends</b>	<b>4,103</b>	<b>2,386</b>	<b>2,313</b>	<b>1,828</b>
<b>Total interest and dividends</b>	<b>7,104</b>	<b>5,598</b>	<b>5,843</b>	<b>5,953</b>

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Industry contributions	121	107	101	95
International Monetary Fund related revenue	41	40	40	40
Other	2,855	2,557	2,616	2,676
<b>Total other sources of non-taxation revenue</b>	<b>3,017</b>	<b>2,703</b>	<b>2,756</b>	<b>2,811</b>

**Note 7: Employee expenses**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Salaries and wages(a)	11,607	12,175	12,163	12,613
Leave and other entitlements	1,446	1,472	1,494	1,506
Separations and redundancies	72	72	81	81
Workers compensation premiums	0	0	0	0
Other (including superannuation)	7,598	7,993	8,374	8,488
<b>Total employee expenses</b>	<b>20,722</b>	<b>21,712</b>	<b>22,112</b>	<b>22,688</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Supply of goods and services	12,940	12,834	12,382	12,633
Operating lease rental expenses	1,543	1,552	1,587	1,602
Other	40	40	36	39
<b>Total suppliers</b>	<b>14,523</b>	<b>14,426</b>	<b>14,005</b>	<b>14,273</b>

**Note 9: Depreciation and amortisation expenses**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Depreciation				
Specialist military equipment	2,179	2,367	2,029	2,098
Buildings	529	507	576	593
Other infrastructure, plant and equipment	979	990	1,083	1,112
Heritage and cultural assets	34	34	35	35
<b>Total depreciation</b>	<b>3,721</b>	<b>3,898</b>	<b>3,723</b>	<b>3,838</b>
<b>Total amortisation</b>	<b>340</b>	<b>372</b>	<b>366</b>	<b>378</b>
<b>Total depreciation and amortisation</b>	<b>4,061</b>	<b>4,270</b>	<b>4,089</b>	<b>4,216</b>

**Note 10: Grants expenses**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
State and Territory governments	24,107	24,994	25,729	26,394
Non-profit organisations	1,681	1,741	1,806	1,836
Overseas	300	943	395	295
Private sector	1,408	1,403	1,431	897
Local governments	394	344	98	102
Other	8,153	9,464	10,310	10,776
<b>Total grants</b>	<b>36,042</b>	<b>38,889</b>	<b>39,769</b>	<b>40,300</b>

**Note 11: Government securities**

For 2003-04 and the forward years, transactions relating to debt management activities have been netted in the statement of financial position and cash flows. In the statement of financial position, 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. In the statement of cash flows, the *investing activities – cash used/received – other* categories exclude cash used to acquire/redeem financial assets for debt management purposes, while the *financing activities – cash used – net repayments of borrowings* category is shown net of these amounts.

This netting treatment has been applied because of the uncertainty associated with the actual split between government securities and financial assets acquired for debt management purposes.

**Note 12: Total non-financial assets**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Land and buildings				
Land	4,609	4,461	4,531	4,655
Buildings	13,436	13,366	13,413	13,281
<b>Total land and buildings</b>	<b>18,045</b>	<b>17,827</b>	<b>17,943</b>	<b>17,936</b>
Infrastructure				
Specialist military equipment	32,301	32,797	33,983	35,451
Other	7,768	7,887	8,040	7,895
<b>Total infrastructure</b>	<b>40,070</b>	<b>40,685</b>	<b>42,022</b>	<b>43,346</b>
Intangibles				
Computer software	1,353	1,354	1,347	1,309
Other	79	49	26	1
<b>Total intangibles</b>	<b>1,432</b>	<b>1,404</b>	<b>1,372</b>	<b>1,311</b>
Heritage and cultural assets	4,761	4,761	4,763	4,766
<b>Total heritage and cultural assets</b>	<b>4,761</b>	<b>4,761</b>	<b>4,763</b>	<b>4,766</b>
Inventories	4,023	3,969	3,910	3,958
<b>Total inventories</b>	<b>4,023</b>	<b>3,969</b>	<b>3,910</b>	<b>3,958</b>
Other non-financial assets				
Prepayments	1,195	1,121	1,120	1,114
Other	333	361	203	222
<b>Total other non-financial assets</b>	<b>1,528</b>	<b>1,482</b>	<b>1,323</b>	<b>1,335</b>
<b>Total non-financial assets</b>	<b>69,859</b>	<b>70,127</b>	<b>71,334</b>	<b>72,653</b>

**Note 13: Employee liabilities**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Superannuation	91,597	94,004	96,740	99,404
Leave and other entitlements	3,769	3,924	3,931	4,021
Accrued salaries and wages	317	179	262	318
Workers compensation claims	1,377	1,365	1,356	1,351
Separations and redundancies	39	39	40	40
Workers compensation premiums	1,692	1,790	1,814	1,778
Other	779	814	827	840
<b>Total employee entitlements</b>	<b>99,570</b>	<b>102,116</b>	<b>104,969</b>	<b>107,752</b>

Appendix C: AAS Financial Statements

**Note 14: Grants payable**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
State and Territory governments	3,693	3,914	4,156	4,401
Non-profit organisations	31	32	32	32
Private sector	46	45	36	35
Overseas	828	1,223	1,116	897
Local governments	1	1	1	1
Other	4,311	4,441	4,635	4,872
<b>Total grants payable</b>	<b>8,910</b>	<b>9,657</b>	<b>9,976</b>	<b>10,237</b>

**Note 15: Net asset movements**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
<b>Opening net assets</b>	<b>-48,075</b>	<b>-43,847</b>	<b>-43,253</b>	<b>-30,279</b>
Operating result after extraordinary items	4,044	502	12,858	15,726
Asset revaluation reserve	190	112	172	136
Other movements	-6	-20	-56	-26
<b>Closing net assets</b>	<b>-43,847</b>	<b>-43,253</b>	<b>-30,279</b>	<b>-14,443</b>

**Note 16: Tax receipts — cash AAS31**

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Total tax receipts	200,792	210,584	222,487	234,351
less payments to States and Territories in relation to GST revenue	32,400	34,120	36,070	38,150
less payments to States and Territories in relation to mirror tax revenue	269	270	284	299
<b>Tax receipts</b>	<b>168,123</b>	<b>176,194</b>	<b>186,133</b>	<b>195,901</b>



## **APPENDIX D: STATEMENT OF RISKS**

### **OVERVIEW**

Full details and explanations of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2003-04*. The following statement updates (where necessary) those fiscal risks and contingent liabilities that have arisen or changed since the 2003-04 Budget.

The forward estimates of revenue and expenses in the 2003-04 MYEFO incorporate assumptions and judgements based on information available at the time of publication.

### **DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES**

New or revised fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year, or \$40 million over the forward estimates period, that have arisen or changed since the 2003-04 Budget are listed below.

Information on contingent liabilities is also provided in the annual financial statements of departments and non-budget entities.

### **FISCAL RISKS — REVENUE**

#### **Specific risks**

##### **Renegotiation of withholding tax rates in certain Australian double tax treaties**

Australia's double tax treaties with the Netherlands, France, Switzerland, Italy, Norway, Finland, Austria and the Republic of Korea include 'most favoured nation' clauses on rates of withholding tax. Following the commencement of the Protocol to the Australia-United States double tax treaty, the most favoured nation clause in each of these treaties requires Australia to enter into negotiations with that country with a view to providing similar withholding tax treatment to that which Australia agreed with the United States. The countries have been advised about the obligation to renegotiate and formal negotiations, starting with Norway, commenced in November 2003. Depending on the negotiated outcome, changes to these treaties could have positive as well as negative revenue effects.

## **CONTINGENT LIABILITIES — QUANTIFIABLE**

### **Defence**

#### **Other guarantees**

Defence carries an extensive range of guarantees and undertakings, normally of a short-term nature, relating to business, training activities and other arrangements involving contracts, agreements and other Defence activities. Indemnities issued cover potential losses or damages for which the Australian Government would be liable. As at 30 June 2003, there were 47 instances of quantifiable contingencies to the value of \$1,124 million and 32 instances that are either unquantifiable or uncapped. While these contingencies are considered remote, they have been reported in aggregate for completeness.

### **Employment and Workplace Relations**

#### **Special Employee Entitlements Scheme for Ansett group employees**

There is an estimated contingent liability of \$59 million in relation to the Special Employee Entitlements Scheme for Ansett group employees (SEESA). This scheme was established by the Australian Government on 9 October 2001 under section 22 of the *Air Passenger Ticket Levy (Collection) Act 2001* to provide a safety net arrangement for staff of the Ansett Group of companies who were terminated after 12 September 2001 due to their employer's insolvency.

### **Finance and Administration**

#### **Australian Industry Development Corporation (AIDC)**

Under the *Australian Industry Development Corporation Act 1970* certain obligations of the AIDC are guaranteed by the Australian Government. As at 30 September 2003, the AIDC's contingent liabilities, subject to the Australian Government guarantee, were approximately \$127 million in respect of guarantees and credit risk facilities.

In addition, the AIDC had outstanding Australian Government guaranteed borrowings which totalled approximately \$1.48 billion as at 30 September 2003. These borrowing obligations have been matched by the AIDC's holdings of Australian Government guaranteed securities of similar value, largely eliminating the Australian Government's guarantee exposure.

### **Industry, Tourism and Resources**

#### **Loan Guarantee to Australian Magnesium Corporation (AMC)**

The Australian Government has provided a conditional guarantee to cover borrowings by the AMC to assist in developing a magnesium smelting facility. The maximum value of the guarantee is \$100 million, which may be called by the ANZ Banking Group between 1 July 2005 and 31 July 2012.

On 13 June 2003, following AMC's inability to secure an equity investor to cover increased costs, the Australian Government, Queensland Government, Newmont Australia Ltd and Leighton Contractors Pty Ltd signed a Heads of Agreement with AMC.

Under the Heads of Agreement, the Australian and Queensland Governments have subordinated their secured creditor positions in the event of a voluntary administration or winding-up to the extent that the Agreement enables expenditure for the continued operation of AMC. The maximum value of the guarantee, and the period during which it may be subject to call, have not changed.

## **Transport and Regional Services**

### **Maritime industry reform**

On 18 August 1998, the Australian Government provided a guarantee to cover borrowings made by the Maritime Industry Finance Company Limited to finance redundancy-related payments in the stevedoring and maritime industries. Outstanding borrowings covered by the guarantee as at 30 September 2003 have reduced to \$125.6 million from \$130.1 million as at 31 March 2003.

## **Treasury**

### **Guarantees under the *Commonwealth Bank Sale Act 1995***

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

The guarantee for the CBA relates to both on and off-balance sheet liabilities. Of the existing contingent liability, 32 per cent involves off-balance sheet liabilities. As at 30 June 2003, the balance of the guarantee was \$9.3 billion, a reduction of \$2.8 billion on the previous year.

The guarantee for CBOSC covers the due payments of any amount that is payable to or from the Fund, by CBOSC or by the CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. Total accrued benefits at 30 June 2002 have been valued at \$3.7 billion. The outstanding value subject to the guarantee is estimated to be \$3.7 billion.

As of 1 July 1996, the Commonwealth Development Bank ceased to write new business and no additional liabilities are being incurred. The existing contingent liability will gradually decline with the retirement of existing loans and exposures. The revised estimate for the balance of this guarantee was \$18.3 million as at 30 June 2003.

### **Reserve Bank of Australia (RBA) guarantee**

This contingent liability relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Reserve Bank's liabilities are notes (that is, currency) on issue. As at 7 October 2003, notes on issue totalled \$32.8 billion. In total, the guarantee for the RBA was \$48.2 billion as at 7 October 2003.

### **Uncalled capital subscriptions — international financial institutions**

This contingent liability relates to the value of the uncalled portion of the Australian Government's shares as at 30 September 2003 in the International Bank for Reconstruction and Development (US\$2.8 billion – estimated value A\$4.1 billion), the Asian Development Bank (US\$2.4 billion – estimated value A\$3.6 billion), the European Bank for Reconstruction and Development (US\$81.7 million plus EUR77.5 million – estimated value A\$252.7 million), and the Multilateral Investment Guarantee Agency (US\$26.5 million – estimated value A\$38.9 million).

## **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

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

#### **NSW Councils**

Waverley City Council and a number of other NSW Councils brought action in the Federal Court in July 2003 against the Australian Government and other parties. The Councils are seeking compensation for the acquisition of property and other damages in respect of telecommunications installations on, under and over land to which the Councils have title. The statement of claim does not specify the amount of compensation for damages being sought from the Australian Government and other parties.

#### **Defence**

##### **HMAS *Melbourne* and HMAS *Voyager* damages claims**

Former crew members of HMAS *Melbourne* have instituted legal proceedings against the Australian Government claiming damages for injuries allegedly caused by the HMAS *Voyager*/HMAS *Melbourne* collision on 10 February 1964. One hundred and twenty (120) claims remain current, down from one hundred and thirty (130) reported in the 2003-04 Budget. A number of dependency claims arising from that collision have also been foreshadowed by the dependants of deceased former members of the crew of HMAS *Voyager*. Further claims are likely to be made in connection with the collision.

## **Health and Ageing**

### **Exceptional Claims Scheme**

In May 2003 the Prime Minister announced the Medical Indemnity Exceptional Claims Scheme (ECS) to assume liability for 100 per cent of any damages payable against a doctor that exceeds a specified level of cover provided by that doctor's Medical Defence Organisation (MDO) or other medical indemnity provider. These arrangements will apply to payouts related to either a single large claim or to multiple claims that in aggregate exceed the cover provided by the doctor's MDO, and will apply to claims notified under contracts-based cover since 1 January 2003.

## **Immigration and Multicultural and Indigenous Affairs**

### **Immigration detention services**

The contract with Group 4 Falck Global Solutions Pty Ltd (Group 4) commenced on 1 September 2003. The Australian Government has agreed to limit Group 4's exposure under the liability regime of the contract. While the general contract requires Group 4 to indemnify the Australian Government for certain claims of losses, the Australian Government has agreed to share this risk. Subject to certain conditions, Group 4 has been indemnified against claims of losses above a fixed amount to a capped amount. Where claims exceed the cap in any financial year, responsibility for the excess reverts to Group 4.

A further limitation of liability has been provided in relation to loss or damage to Australian Government property or equipment as a result of the action of detainees. Under the contract, the liability of Group 4 for detainee damage is subject to an annual limit, unless claims of losses exceed an agreed cap. The release from liability does not apply to the extent that claims in any financial year exceed the cap.

### **Separation of Aboriginal children from their families in the Northern Territory**

A third claim against the Australian Government for (largely unspecified) damages in relation to alleged forcible and wrongful separations, which was being prepared for trial in the Federal Court, has been discontinued.



## APPENDIX E: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

### REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards. Accordingly, 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 major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Attachment A to Part 3 and Note 1 in Appendix C.

The next sections provide a brief overview of the GFS framework and the AAS reporting framework. Further information can be found in *Budget Strategy and Outlook 2003-04, Statement 8: Financial Reporting Standards and Budget Concepts*.

### ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised financial reporting framework 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 *System of National Accounts 1993* (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).<sup>1</sup>

The GFS conceptual framework is divided into a number of separate statements, each of which draws out analytical aggregates or balances of particular economic significance. Together, these aggregates provide for a thorough understanding of the financial position of the public sector. The GFS statements reported in the MYEFO are the operating statement, balance sheet, cash flow statement and statement of other economic flows.

All GFS data are recorded as either stocks (assets and liabilities) or flows (classified either as transactions or other economic flows).

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1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. No. 5517.0).

## *Appendix E: Financial Reporting Standards and Budget Concepts*

A transaction is an interaction between two economic entities by mutual agreement. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>2</sup>

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations and exchange rates and volume changes for discoveries, depletion and destruction. Other economic flows are reported in the statement of other economic flows.

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the effected periods and can be reliably assigned to the relevant period(s).

### **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 arise from transactions that increase net worth and GFS expenses from transactions that decrease net worth. GFS revenues less GFS expenses gives the GFS net operating balance. The net operating balance is comparable to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets due to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

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

### **Fiscal balance**

The fiscal balance (or GFS net lending/borrowing) is the net operating balance less net capital investment. Thus fiscal balance includes the impact of net expenditure

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<sup>2</sup> Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.



(effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.<sup>3</sup>

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government general government sector to the balance on the current account in the balance of payments.

## **Balance sheet**

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

### **Net debt**

Net debt is defined as the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowing) minus the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt does not include superannuation or superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

### **Net worth**

The net worth of 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 Australian Government to the wealth of Australia.

## **Cash flow statement**

The cash flow statement identifies how cash is generated and applied in a single accounting period. 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 specifically identified because cash management is considered an integral function of accrual budgeting.

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3 The net operating balance includes consumption of non-financial assets, as depreciation is a GFS expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

### Underlying cash balance

The underlying cash balance (GFS surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. The underlying cash balance measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the general government sector, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities  
*plus*  
Net cash flows from investments in non-financial assets  
*less*  
Net acquisitions of assets acquired under finance leases and similar arrangements<sup>4</sup>  
*equals*  
Underlying cash balance

### Headline cash balance

The headline cash balance is calculated by adding 'cash flows from investments in financial assets for policy purposes' to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances<sup>5</sup>. Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Contribution Scheme (HECS), and contributions to international organisations that increase the Australian Government's financial assets.

### Statement of other economic flows (reconciliation of net worth)

The statement of other economic flows outlines changes in net worth driven by economic flows other than GFS revenues and GFS expenses. GFS revenues, GFS expenses and other economic flows sum to the total change in net worth during a

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4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

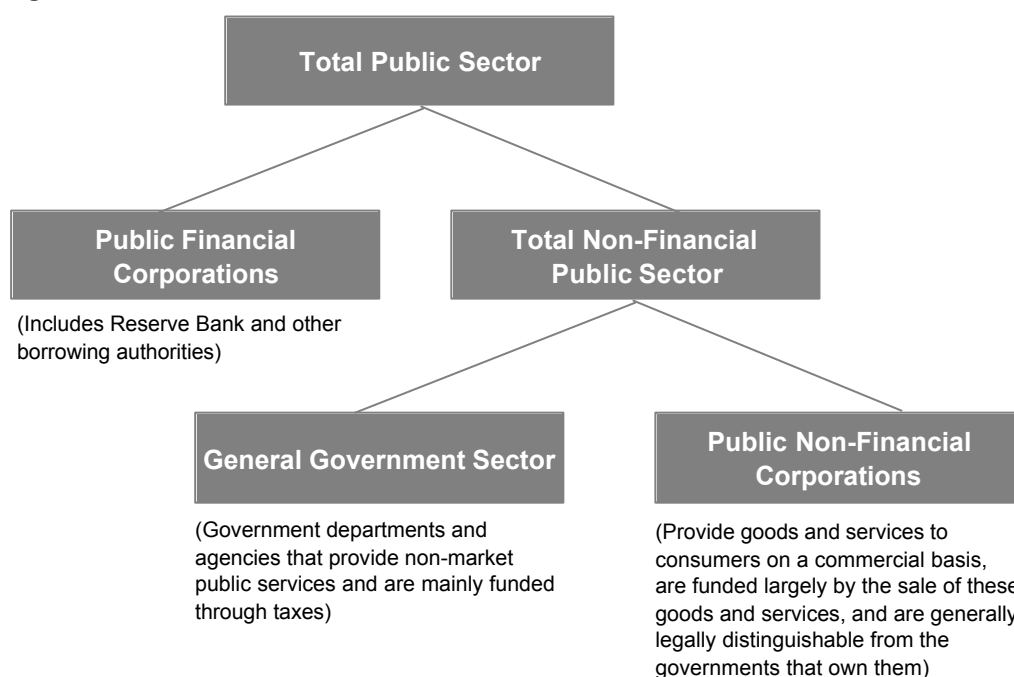
5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

period. The majority of other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities.

### Sectoral classifications

To assist in analysing the public sector, GFS data are presented by institutional sector. GFS distinguishes between the general government sector, the public non-financial corporations sector and the public financial corporations sector, as shown in Figure E1.

**Figure E1: Institutional structure of the Public Sector**



Budget reporting focuses on the general government sector. The general government 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.

In preparing financial statements for the sectors all material transactions and balances between entities within the sectors are eliminated.

## **AUSTRALIAN ACCOUNTING STANDARD NO. 31 (AAS31) REPORTING FRAMEWORK**

Australian Accounting Standard No. 31 *Financial Reporting by Government* (AAS31) requires governments to prepare accrual-based general purpose financial reports, in relation to assets, liabilities, revenues and expenses, and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and position of government, including in the area of financing and investing activities.

There are three main general purpose statements that must be prepared in accordance with the AAS31 framework. These are:

- a statement of financial performance, which includes an operating result;
- a statement of financial position, which shows net assets; and
- a statement of cash flows, which includes the net increase/decrease in cash held.

In addition to these general purpose statements, the standard requires notes to the financial statements to be prepared which report disaggregated information in relation to the financial performance and financial position of the government. The notes should also include other information seen as relevant to users.

While AAS31 provides a general framework for accrual budgeting and financial reporting by governments, compliance with all other applicable accounting standards is required. Exceptions to this rule are explicitly stated in AAS31.

A full set of AAS31 financial statements and accompanying notes prepared for the general government sector can be found in Appendix C.

## **RECONCILIATION OF GFS AND AAS31 AGGREGATES**

There is a general consistency of treatment of the elements of financial statements between GFS and accounting standards. Both frameworks are based on the concept of economic events that give rise to stocks and flows. As a result, the definitions of stocks are broadly similar under the two frameworks and relate to the control of economic benefits, while flows are defined with reference to changes in stocks.

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 and public financial corporations sectors.

### *Appendix E: Financial Reporting Standards and Budget Concepts*

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. This differing treatment relates predominantly to the definitions of revenues and expenses under the two frameworks.

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 gains and losses due to changes in foreign exchange rates and interest rates.

Under AAS31 reporting, valuation changes may affect revenues or expenses and therefore the operating result. 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. However, revaluations still impact on GFS assets and liabilities, as can be seen in the statement of other economic flows.

Some of the major differences between the GFS and AAS31 treatments of transactions are outlined in Table E1. Further information on the differences between the two systems is provided in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. No. 5517.0).

**Table E1: Selected differences between AAS31 and GFS reporting standards**

Issue	AAS31 Treatment	GFS Treatment
Assetwritedowns	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed writedowns, and therefore removed from expenses.
Gains and losses on assets	Treated as part of operating revenues/expenses.	Treated as revaluations (other economic flows) and therefore removed from revenues/expenses.
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. The Australian Government departs from this latter requirement (see Attachment A to Part 3).
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as other economic flows and so not included in revenues and expenses.
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 at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Valuation of assets and liabilities	Classes of assets and liabilities are measured using a range of methods. The predominant methods for valuing different asset classes include historic cost and market value.	Individual assets and liabilities are measured at current market value based on current market prices or a suitable proxy where market prices are not available.
Finance leases	Treats finance leases as if an asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component.  The asset and the liability are recorded on the balance sheet.  This convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit (underlying cash balance).

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board is currently pursuing harmonisation of GFS and Australian Accounting Standards. A converged financial reporting framework will reduce confusion associated with the publication of two sets of financial statements and improve the readability of government budget and outcome reports.

Table E2 reconciles GFS revenue and expenses with their AAS31 counterparts.

**Table E2: Reconciliation of GFS and AAS31 revenue and expenses**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>GFS revenue (Appendix B)</b>	<b>215,705</b>	<b>223,444</b>	<b>236,154</b>	<b>249,176</b>
<i>less</i> GST revenue for States and Territories	33,050	34,630	36,600	38,710
<b>GFS revenue (Parts 1 and 3)</b>	<b>182,655</b>	<b>188,814</b>	<b>199,554</b>	<b>210,466</b>
<i>plus</i> asset revenue recognised first time	281	2	2	2
<i>plus</i> foreign exchange gains	237	0	0	0
<i>plus</i> other economic revaluations	23	20	20	20
<i>plus</i> proceeds from the sale of assets	1,313	921	11,709	11,614
<i>plus</i> swap interest revenue	1,855	2,016	1,824	1,463
<b>AAS31 revenue (Appendix C)</b>	<b>186,364</b>	<b>191,773</b>	<b>213,109</b>	<b>223,564</b>
<b>GFS expenses (Appendix B)</b>	<b>211,298</b>	<b>221,731</b>	<b>232,149</b>	<b>242,830</b>
<i>less</i> GST Grants to States and Territories	32,400	34,120	36,070	38,150
<i>plus</i> GST interest on overpayments	0	0	0	0
<i>less</i> GST mutually agreed writedowns	40	40	40	45
<b>GFS expenses (Parts 1 and 3)</b>	<b>178,858</b>	<b>187,571</b>	<b>196,039</b>	<b>204,635</b>
<i>plus</i> actuarial revaluations	0	0	0	0
<i>plus</i> net writedown of assets/bad and doubtful debts	2,080	1,250	1,893	1,596
<i>plus</i> foreign exchange losses	0	0	0	0
<i>plus</i> other economic adjustments	-26	0	0	0
<i>plus</i> value of assets sold	953	781	2,058	1,963
<i>plus</i> swap interest expense	1,474	1,706	1,546	1,213
<i>plus</i> defence weapons platforms depreciation	2,179	2,367	2,029	2,098
<i>less</i> defence weapons platforms investment	3,197	2,963	3,315	3,667
<i>plus</i> AusAid IDA/ADF expenses	0	558	0	0
<b>AAS31 expenses (Appendix C)</b>	<b>182,320</b>	<b>191,271</b>	<b>200,251</b>	<b>207,838</b>

Table E3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The AAS31 net operating result is equal to AAS31 revenue less expenses. Similarly, GFS revenues less expenses calculate the GFS net operating balance. Consequently, the reconciliation between the AAS31 operating result before extraordinary items and the GFS net operating balance relates directly to differences in the definitions of revenues and expenses which are shown in Table E2.

The second part of the Table E3 reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

As discussed previously, the fiscal balance is calculated as the net operating balance less net capital investment. This is a useful economic indicator as it represents the gap between government saving (less capital transfers) and investment, and so is included at the end of the GFS operating statement.

Appendix E: Financial Reporting Standards and Budget Concepts

In AAS31 there is no equivalent measure to the fiscal balance. That is, the AAS31 statement of financial performance stops at the operating result and includes no information on net capital investment.

**Table E3: Reconciliation of AAS31 net operating result and fiscal balance**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>AAS31 operating result before extraordinary items (Appendix C)</b>	<b>4,044</b>	<b>502</b>	<b>12,858</b>	<b>15,726</b>
Net differences from revenue and expense definitions	-610	-470	-490	-515
<b>GFS net operating balance (Appendix B)</b>	<b>4,408</b>	<b>1,713</b>	<b>4,005</b>	<b>6,346</b>
<i>less</i> purchase of property, plant and equipment and intangibles	5,926	5,400	5,681	5,835
<i>less</i> assets acquired under finance leases	-3	6	7	8
<i>less</i> other non-financial assets	64	29	45	25
<i>less</i> increase in inventories	-20	-54	-59	49
<i>plus</i> defence weapons platforms investment	3,197	2,963	3,315	3,667
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	1,093	830	429	334
<i>plus</i> depreciation and amortisation	4,061	4,270	4,089	4,216
<i>less</i> weapons depreciation	2,179	2,367	2,029	2,098
<b>Fiscal balance (GFS net lending) (Appendix B)(a)</b>	<b>4,612</b>	<b>2,028</b>	<b>4,135</b>	<b>6,547</b>
<i>Impact of GST</i>	-610	-470	-490	-515
<b>Fiscal balance (GFS net lending) (Part 3)(a)</b>	<b>4,002</b>	<b>1,558</b>	<b>3,645</b>	<b>6,032</b>

(a) The fiscal balance estimates in Appendix B are higher than those presented in Part 3, as explained in the introduction to Appendix B.



## APPENDIX F: HISTORICAL FISCAL DATA

This Appendix provides historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporation and non-financial public sectors.

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the effected periods and can be reliably assigned to the relevant period(s).

Estimates up to and including 1998-99 are calculated on cash terms, while estimates from 1999-2000 onwards are derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data that encompass 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.

Specific factors that affect the comparability of data between years include:

- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards);
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99 and subsequent backcasting to account for this change;
- consistent with the revised Government Finance Statistics (GFS) treatment announced by the ABS (Cat.No. 5501.0, released October 2002), the general government surplus measures in this appendix, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government in respect of accumulated public non-financial corporations' superannuation liabilities;
- transfers of taxing powers between the Australian Government and the States;
- other changes in financial arrangements between the Australian Government 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

*Appendix F: Historical Fiscal Data*

increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts.

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 more difficult the task becomes.

**Table F1: Australian Government general government sector receipts, payments and surplus<sup>(a)</sup>**

	Receipts			Payments			Cash surplus	
	\$m	Per cent	Per cent	\$m	Per cent	Per cent	\$m	Per cent
		real			of GDP			
growth	of GDP	growth	of GDP					
1970-71	8,000	6.0	20.9	7,176	10.0	18.7	824	2.1
1971-72	8,827	3.3	20.9	7,987	4.2	18.9	840	2.0
1972-73	9,414	0.4	19.8	9,120	7.5	19.2	294	0.6
1973-74	11,890	10.4	20.6	10,829	3.8	18.8	1,061	1.8
1974-75	15,325	5.8	22.6	15,275	15.8	22.5	50	0.1
1975-76	18,316	3.6	23.0	19,876	12.8	25.0	-1,560	-2.0
1976-77	21,418	4.2	23.3	22,657	1.6	24.7	-1,239	-1.4
1977-78	23,491	0.9	23.4	25,489	3.5	25.4	-1,998	-2.0
1978-79	25,666	3.0	22.6	27,753	2.7	24.5	-2,087	-1.8
1979-80	29,780	5.9	23.1	31,041	2.1	24.1	-1,261	-1.0
1980-81	35,148	6.9	24.1	35,260	2.9	24.2	-112	-0.1
1981-82	40,831	2.9	24.3	40,394	1.4	24.0	437	0.3
1982-83	44,675	-1.7	24.7	47,907	6.5	26.5	-3,232	-1.8
1983-84	49,102	2.9	24.0	55,966	9.4	27.4	-6,864	-3.4
1984-85	57,758	11.8	25.6	63,639	8.1	28.2	-5,881	-2.6
1985-86	64,845	5.8	26.1	69,838	3.4	28.1	-4,993	-2.0
1986-87	73,145	5.3	26.9	75,392	0.8	27.7	-2,247	-0.8
1987-88	81,217	3.4	26.1	79,440	-1.8	25.6	1,777	0.6
1988-89	88,369	0.4	25.1	82,202	-4.5	23.4	6,167	1.8
1989-90	95,517	1.8	24.8	88,882	1.8	23.1	6,635	1.7
1990-91	97,705	-2.4	24.6	97,333	4.5	24.5	372	0.1
1991-92	92,966	-6.8	22.9	104,551	5.2	25.7	-11,585	-2.8
1992-93	94,448	0.5	22.2	111,484	5.5	26.2	-17,036	-4.0
1993-94	100,142	5.1	22.4	117,252	4.2	26.2	-17,110	-3.8
1994-95	109,720	8.7	23.3	122,901	4.0	26.1	-13,181	-2.8
1995-96	121,105	7.6	24.1	131,182	4.0	26.1	-10,077	-2.0
1996-97	129,845	5.1	24.5	135,126	1.0	25.5	-5,281	-1.0
1997-98	135,779	3.1	24.2	134,608	-1.8	24.0	1,171	0.2
1998-99	146,496	7.4	24.7	142,159	5.1	24.0	4,337	0.7
1999-00	165,806	na	26.5	152,747	na	24.4	13,059	2.1
2000-01	160,829	-7.2	24.0	154,858	-3.0	23.1	5,970	0.9
2001-02	162,524	-0.9	22.8	163,507	3.5	22.9	-983	-0.1
2002-03	176,147	5.5	23.4	168,661	0.4	22.4	7,486	1.0
<b>2003-04(e)</b>	<b>182,639</b>	<b>1.0</b>	<b>22.8</b>	<b>178,004</b>	<b>2.8</b>	<b>22.3</b>	<b>4,635</b>	<b>0.6</b>
2004-05(e)	190,912	2.4	22.6	187,082	3.0	22.2	3,829	0.5
2005-06(p)	199,933	2.7	22.4	195,325	2.4	21.9	4,608	0.5
2006-07 (p)	210,346	3.2	22.4	202,613	1.7	21.6	7,733	0.8

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

Appendix F: Historical Fiscal Data

**Table F2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup>**

	Taxation receipts			Non-taxation receipts			Total receipts		
	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP	\$m	Per cent	Per cent of GDP
		real growth			real growth			real growth	
1970-71	7,148	6.0	18.6	852	6.0	2.2	8,000	6.0	20.9
1971-72	7,887	3.3	18.6	940	3.2	2.2	8,827	3.3	20.9
1972-73	8,411	0.4	17.7	1,003	0.4	2.1	9,414	0.4	19.8
1973-74	10,832	12.6	18.8	1,058	-7.8	1.8	11,890	10.4	20.6
1974-75	14,141	7.2	20.8	1,184	-8.1	1.7	15,325	5.8	22.6
1975-76	16,920	3.7	21.3	1,396	2.2	1.8	18,316	3.6	23.0
1976-77	19,714	3.8	21.5	1,704	8.7	1.9	21,418	4.2	23.3
1977-78	21,428	0.0	21.4	2,063	11.3	2.1	23,491	0.9	23.4
1978-79	23,409	3.0	20.6	2,257	3.2	2.0	25,666	3.0	22.6
1979-80	27,473	7.1	21.3	2,307	-6.7	1.8	29,780	5.9	23.1
1980-81	32,641	7.6	22.4	2,507	-1.5	1.7	35,148	6.9	24.1
1981-82	37,880	2.7	22.5	2,951	4.2	1.8	40,831	2.9	24.3
1982-83	41,025	-2.7	22.7	3,650	11.1	2.0	44,675	-1.7	24.7
1983-84	44,849	2.4	21.9	4,253	9.1	2.1	49,102	2.9	24.0
1984-85	52,970	12.3	23.5	4,788	7.0	2.1	57,758	11.8	25.6
1985-86	58,841	4.7	23.7	6,004	18.2	2.4	64,845	5.8	26.1
1986-87	66,467	5.5	24.4	6,678	3.9	2.5	73,145	5.3	26.9
1987-88	75,076	5.2	24.2	6,141	-14.3	2.0	81,217	3.4	26.1
1988-89	83,452	2.6	23.7	4,917	-26.1	1.4	88,369	0.4	25.1
1989-90	90,773	2.4	23.6	4,744	-9.1	1.2	95,517	1.8	24.8
1990-91	92,739	-2.5	23.3	4,966	-0.1	1.2	97,705	-2.4	24.6
1991-92	87,364	-7.7	21.5	5,602	10.5	1.4	92,966	-6.8	22.9
1992-93	88,760	0.5	20.8	5,688	0.4	1.3	94,448	0.5	22.2
1993-94	93,362	4.2	20.9	6,780	18.1	1.5	100,142	5.1	22.4
1994-95	104,921	11.5	22.3	4,799	-29.8	1.0	109,720	8.7	23.3
1995-96	115,700	7.5	23.0	5,405	9.8	1.1	121,105	7.6	24.1
1996-97	124,559	5.5	23.5	5,286	-4.1	1.0	129,845	5.1	24.5
1997-98	130,984	3.7	23.3	4,795	-10.6	0.9	135,779	3.1	24.2
1998-99	141,105	7.2	23.8	5,391	11.9	0.9	146,496	7.4	24.7
1999-00	150,695	na	24.1	15,111	na	2.4	165,806	na	26.5
2000-01	146,056	-7.3	21.8	14,774	-6.4	2.2	160,829	-7.2	24.0
2001-02	147,544	-1.0	20.7	14,980	-0.6	2.1	162,524	-0.9	22.8
2002-03	160,661	6.0	21.3	15,487	0.7	2.1	176,147	5.5	23.4
<b>2003-04(e)</b>	<b>168,223</b>	<b>2.0</b>	<b>21.0</b>	<b>14,416</b>	<b>-9.3</b>	<b>1.8</b>	<b>182,639</b>	<b>1.0</b>	<b>22.8</b>
2004-05(e)	176,295	2.7	20.9	14,617	-0.6	1.7	190,912	2.4	22.6
2005-06(p)	186,233	3.6	20.9	13,699	-8.1	1.5	199,933	2.7	22.4
2006-07(p)	196,002	3.2	20.9	14,344	2.7	1.5	210,346	3.2	22.4

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

na Not applicable, due to a structural break in the series.

**Table F3: Australian Government receipts (cash basis)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	Actual	Actual	Estimate	Estimate	Projection	Projection
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Tax receipts</b>						
Income tax						
Individuals and other withholding(a)						
Gross income tax withholding(b)	78,983	84,134	88,230	93,970	100,580	107,450
Gross other individuals	16,290	17,436	18,780	19,670	20,650	21,700
less Refunds	10,637	11,651	12,300	12,930	13,720	14,790
Total individuals and other withholding	84,636	89,919	94,710	100,710	107,510	114,360
Companies	27,230	32,752	35,100	37,080	39,500	41,530
Superannuation funds						
Contributions and earnings	3,550	3,865	4,400	4,600	4,980	5,270
Superannuation surcharge	824	975	1,080	1,110	1,150	1,200
Total superannuation funds	4,373	4,840	5,480	5,710	6,130	6,470
Petroleum resource rent tax	1,361	1,712	1,280	920	810	730
<b>Total income tax</b>	<b>117,601</b>	<b>129,222</b>	<b>136,570</b>	<b>144,420</b>	<b>153,950</b>	<b>163,090</b>
Indirect tax						
Excise duty						
Crude oil	393	417	250	155	150	190
Petroleum and other fuel products	12,386	12,866	13,080	13,275	13,420	13,660
Other excise	6,837	7,450	7,360	7,430	7,480	7,600
Total excise duty	19,616	20,733	20,690	20,860	21,050	21,450
Customs duty	4,625	4,982	5,350	5,260	5,290	5,350
Other indirect taxes(c)	785	858	920	1,000	1,080	1,150
<b>Total indirect tax</b>	<b>25,026</b>	<b>26,573</b>	<b>26,960</b>	<b>27,120</b>	<b>27,420</b>	<b>27,950</b>
Fringe benefits tax(d)	3,272	3,103	3,120	3,150	3,240	3,330
Agricultural levies	550	586	591	606	609	612
Other taxes	1,095	1,176	982	999	1,014	1,019
<b>Total tax receipts</b>	<b>147,544</b>	<b>160,661</b>	<b>168,223</b>	<b>176,295</b>	<b>186,233</b>	<b>196,002</b>
Non-tax receipts	14,980	15,487	14,416	14,617	13,699	14,344
<b>Total receipts</b>	<b>162,524</b>	<b>176,147</b>	<b>182,639</b>	<b>190,912</b>	<b>199,933</b>	<b>210,346</b>

(a) Includes Medicare levy receipts (\$4,970 million in 2001-02 and \$5,000 million in 2002-03).

(b) Gross income tax withholding includes amounts reported under the Pay As You Go (Withholding) arrangements, as well as amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

(c) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(d) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$360 million in 2001-02 and \$355 million in 2002-03).

**Table F4: Australian Government general government sector net debt and net interest payments<sup>(a)</sup>**

	Net debt (b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1974-75	-1901	-2.8	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.9	-106	-0.1
1978-79	4,983	4.4	126	0.1
1979-80	6,244	4.8	290	0.2
1980-81	6,356	4.4	444	0.3
1981-82	5,919	3.5	475	0.3
1982-83	9,151	5.1	654	0.4
1983-84	16,015	7.8	1,327	0.6
1984-85	21,896	9.7	2,462	1.1
1985-86	26,889	10.8	3,626	1.5
1986-87	29,136	10.7	4,387	1.6
1987-88	27,359	8.8	4,019	1.3
1988-89	21,982	6.2	3,722	1.1
1989-90	16,121	4.2	3,848	1.0
1990-91	16,936	4.3	2,834	0.7
1991-92	31,132	7.7	2,739	0.7
1992-93	55,218	13.0	2,912	0.7
1993-94	70,223	15.7	4,549	1.0
1994-95	83,492	17.7	6,310	1.3
1995-96	95,831	19.1	7,812	1.6
1996-97	96,281	18.2	8,449	1.6
1997-98	82,935	14.8	7,381	1.3
1998-99	70,402	11.9	6,901	1.2
1999-00	57,560	9.2	6,014	1.0
2000-01	42,651	6.4	4,855	0.7
2001-02	38,024	5.3	4,238	0.6
2002-03	29,665	3.9	3,641	0.5
<b>2003-04(e)</b>	<b>23,332</b>	<b>2.9</b>	<b>3,103</b>	<b>0.4</b>
2004-05(e)	18,739	2.2	2,762	0.3
2005-06(p)	2,387	0.3	3,063	0.3
2006-07(p)	-16,467	-1.8	1,237	0.1

(a) There is a break in the net debt and net interest series between 1998-99 and 1999-2000 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-2000 onwards, Australian Government general government debt instruments are valued at market prices, consistent with accrual GFS standards. These changes are discussed further in Statement 8 of 2003-04 Budget Paper No. 1.

(b) Source: ABS Cat. No. 5501.0, 5513.0, Australian Government Final Budget Outcomes and Treasury estimates.

(c) Excludes superannuation related interest flows.

**Table F5: Australian Government general government sector revenue, expenses, net capital investment, fiscal balance and net worth<sup>(a)</sup>**

	Revenue		Expenses		Net capital investment		Fiscal balance		Net worth(b)(c)	
		Per cent		Per cent		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	of GDP
1996-97	141,688	26.7	145,809	27.5	90	0.0	-4,211	-0.8	-74,354	-14.0
1997-98	146,820	26.2	148,646	26.5	147	0.0	-1,973	-0.4	-68,544	-12.2
1998-99	151,897	25.7	146,620	24.8	1,433	0.2	3,844	0.6	-76,150	-12.9
1999-00	166,595	26.6	154,481	24.7	-1,225	-0.2	13,339	2.1	-39,105	-6.2
2000-01	161,508	24.1	156,817	23.4	-1,168	-0.2	5,859	0.9	-41,769	-6.2
2001-02	162,370	22.7	166,525	23.3	-369	-0.1	-3,786	-0.5	-47,553	-6.7
2002-03	175,014	23.2	169,247	22.5	-219	0.0	5,986	0.8	-51,333	-6.8
<b>2003-04(e)</b>	<b>182,655</b>	<b>22.8</b>	<b>178,858</b>	<b>22.4</b>	<b>-205</b>	<b>0.0</b>	<b>4,002</b>	<b>0.5</b>	<b>-43,336</b>	<b>-5.4</b>
2004-05(e)	188,814	22.4	187,571	22.2	-315	0.0	1,558	0.2	-42,254	-5.0
2005-06(p)	199,554	22.4	196,039	22.0	-129	0.0	3,645	0.4	-37,134	-4.2
2006-07(p)	210,466	22.4	204,635	21.8	-201	0.0	6,032	0.6	-32,179	-3.4

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(b) There is a break in the net worth series between 1998-99 and 1999-2000. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-2000 are based on the GFS framework. For the general government sector, the major change across the break in the series is an improvement in net worth. This is primarily due to the move from valuing investments in public corporations at historic cost to current market value (which is calculated using the share price for listed corporations). This is partly offset by defence weapons platforms no longer being recorded as assets and valuing debt at current market value.

(c) Following advice from the ABS, the net worth series has been revised back to 1999-2000 to remove dividends payable from the measurement of the general government sector's equity holding in the public financial corporations sector. From 2002-03 net worth also includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements.

Appendix F: Historical Fiscal Data

**Table F6: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue**

	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
1999-00	152,576	na	24.4	14,020	na	2.2	166,595	na	26.6
2000-01	151,156	-5.2	22.5	10,352	-29.3	1.5	161,508	-7.2	24.1
2001-02	149,848	-2.8	21.0	12,522	18.6	1.8	162,370	-1.4	22.7
2002-03	163,055	5.9	21.6	11,958	-7.0	1.6	175,014	4.9	23.2
<b>2003-04(e)</b>	<b>170,687</b>	<b>1.9</b>	<b>21.4</b>	<b>11,969</b>	<b>-2.5</b>	<b>1.5</b>	<b>182,655</b>	<b>1.6</b>	<b>22.8</b>
2004-05(e)	178,411	2.4	21.1	10,403	-14.8	1.2	188,814	1.3	22.4
2005-06(p)	188,523	3.6	21.2	11,032	4.0	1.2	199,554	3.7	22.4
2006-07(p)	198,755	3.4	21.1	11,711	4.1	1.2	210,466	3.5	22.4

na Data not available.



**Table F7: Australian Government revenue (accrual basis)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	Actual	Actual	Estimate	Estimate	Projection	Projection
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Tax revenue</b>						
Income tax						
Individuals and other withholding(a)						
Gross income tax withholding(b)	79,822	84,640	88,750	94,430	101,080	107,980
Gross other individuals	17,237	18,314	19,410	20,220	21,230	22,350
less Refunds	10,637	11,651	12,300	12,930	13,720	14,790
Total individuals and other withholding	86,422	91,303	95,860	101,720	108,590	115,540
Companies	27,133	33,365	35,650	37,630	40,060	42,450
Superannuation funds						
Contributions and earnings	3,341	3,617	4,400	4,590	4,970	5,290
Superannuation surcharge	830	1,279	1,170	1,200	1,250	1,300
Total superannuation funds	4,171	4,896	5,570	5,790	6,220	6,590
Petroleum resource rent tax	1,306	1,715	1,280	920	810	730
<b>Total income tax</b>	<b>119,032</b>	<b>131,278</b>	<b>138,360</b>	<b>146,060</b>	<b>155,680</b>	<b>165,310</b>
Indirect tax						
Excise duty						
Crude oil	393	417	250	155	150	190
Petroleum and other fuel products	12,400	12,920	13,140	13,235	13,420	13,660
Other excise	6,837	7,450	7,360	7,430	7,480	7,600
Total excise duty	19,630	20,787	20,750	20,820	21,050	21,450
Customs duty	5,214	5,573	5,915	5,825	5,899	5,923
Other indirect taxes(c)	791	896	920	1,000	1,080	1,150
<b>Total indirect tax</b>	<b>25,634</b>	<b>27,255</b>	<b>27,585</b>	<b>27,645</b>	<b>28,029</b>	<b>28,523</b>
Fringe benefits tax(d)	3,675	2,832	3,150	3,090	3,180	3,280
Agricultural levies	550	586	591	606	609	612
Other taxes	956	1,104	1,001	1,009	1,024	1,029
<b>Total tax revenue</b>	<b>149,848</b>	<b>163,055</b>	<b>170,687</b>	<b>178,411</b>	<b>188,523</b>	<b>198,755</b>
Non-tax revenue	12,522	11,958	11,969	10,403	11,032	11,711
<b>Total revenue</b>	<b>162,370</b>	<b>175,014</b>	<b>182,655</b>	<b>188,814</b>	<b>199,554</b>	<b>210,466</b>

(a) Includes Medicare levy revenue (\$4,970 million in 2001-02 and \$5,000 million in 2002-03).

(b) Gross income tax withholding includes amounts reported under the Pay As You Go (Withholding) arrangements, as well as amounts withheld for failure to quote a Tax File Number or an Australian Business Number; interest, dividends and royalty payments to non-residents; and payments to aboriginal groups for the use of land for mineral exploration and mining.

(c) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(d) Consistent with GFS reporting standards, excludes fringe benefits tax from Australian Government agencies (\$357 million in 2001-02 and \$323 million in 2002-03).

**Table F8: Australian Government cash receipts, payments and cash surplus by institutional sector (\$m)<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus	Receipts	Payments	Cash surplus
1987-88	81217	79440	1777	4129	5006	944	84333	83439	2721
1988-89	88,369	82,202	6,167	4,177	6,035	257	91,544	87,188	6,424
1989-90	95,517	88,882	6,635	3,926	11,322	-5,261	98,387	99,081	1,374
1990-91	97,705	97,333	372	4,804	9,351	-2,139	101,315	105,476	-1,767
1991-92	92,966	104,551	-11,585	3,899	7,713	101	95,063	110,448	-11,484
1992-93	94,448	111,484	-17,036	4,385	7,819	-196	97,327	117,775	-17,232
1993-94	100,142	117,252	-17,110	5,178	6,476	1,482	103,065	121,457	-15,628
1994-95	109,720	122,901	-13,181	5,262	7,318	1,956	113,013	128,247	-11,225
1995-96	121,105	131,182	-10,077	4,927	8,190	-527	123,269	136,607	-10,604
1996-97	129,845	135,126	-5,281	4,782	7,373	473	131,512	139,385	-4,808
1997-98	135,779	134,608	1,171	6,238	7,923	1,119	139,560	140,006	2,290
1998-99	146,496	142,159	4,337	na	na	-353	na	na	3,984
1999-00	165,806	152,747	13,059	na	na	-2,594	na	na	10,465
2000-01	160,829	154,858	5,970	na	na	391	na	na	6,362
2001-02	162,524	163,507	-983	na	na	1,210	na	na	227
2002-03	176,147	168,661	7,486	na	na	1,280	na	na	8,766
<b>2003-04(e)</b>	<b>182,639</b>	<b>178,004</b>	<b>4,635</b>	na	na	<b>1,179</b>	na	na	<b>5,814</b>
2004-05(e)	190,912	187,082	3,829	na	na	na	na	na	na
2005-06(p)	199,933	195,325	4,608	na	na	na	na	na	na
2006-07(p)	210,346	202,613	7,733	na	na	na	na	na	na

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to associated methodological and data-source changes, time series data which encompasses measures derived under both cash and accrual accounting should be used with caution.

na Data not available.

**Table F9: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (\$m)<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	166,595	154,481	13,339	25,270	23,327	1,062	188,347	173,134	14,400
2000-01	161,508	156,817	5,859	25,640	24,533	-826	183,000	177,202	5,034
2001-02	162,370	166,525	-3,786	26,461	25,164	793	184,577	187,435	-2,993
2002-03	175,014	169,247	5,986	24,172	22,750	1,975	194,391	187,244	7,919
<b>2003-04(e)</b>	<b>182,655</b>	<b>178,858</b>	<b>4,002</b>	<b>24,796</b>	<b>23,261</b>	<b>1,806</b>	<b>202,941</b>	<b>197,476</b>	<b>5,940</b>
2004-05(e)	188,814	187,571	1,558	na	na	na	na	na	na
2005-06(p)	199,554	196,039	3,645	na	na	na	na	na	na
2006-07(p)	210,466	204,635	6,032	na	na	na	na	na	na

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

na Data not available.