

# **MID-YEAR ECONOMIC AND FISCAL OUTLOOK 2006-07**

STATEMENT BY  
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## FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2006-07* (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 2006-07 Budget. This part also discusses the sensitivity of the forward budget estimates to changes in major economic parameters.
- **Appendix A: Policy decisions taken since the 2006-07 Budget** – provides details of decisions taken since the 2006-07 Budget that affect revenue, expenses and capital estimates.
- **Appendix B: Government Finance Statistics (GFS) 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: Australian Accounting Standards (AAS) financial statements** – provides AAS 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, and contingent liabilities which are costs the government may possibly face, some of which are quantified.
- **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 Australian Government 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 2006-07, while the forward years refer to 2007-08, 2008-09 and 2009-10.

(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
0	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

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



## PART 1: OVERVIEW

The economic and fiscal outlook for Australia remains sound. The Australian economy is expected to grow modestly in 2006-07, despite the severe drought adversely affecting the farm sector and related industries. Strong fiscal outcomes are forecast and projected across the forward estimates.

An underlying cash surplus of \$11.8 billion is forecast for 2006-07, marginally stronger than the 2006-07 Budget forecast.

Estimated taxation receipts in 2006-07 are broadly unchanged from the 2006-07 Budget. A lower than expected receipts outcome in 2005-06, lower realised capital gains from investors and the effects of lower oil prices and higher deductible costs on petroleum resource rent tax have, together, broadly offset the effects of stronger employment growth and higher expected company profits.

Cash payments in 2006-07 are estimated to fall, largely reflecting slippage in some defence acquisition projects and lower payments across a range of income support programmes. These reductions are partially offset by policy measures announced since the Budget, including drought relief to support affected regions, new and expanded drug listings on the Pharmaceutical Benefits Scheme and payments to healthcare providers to ensure veterans continue to access free health care.

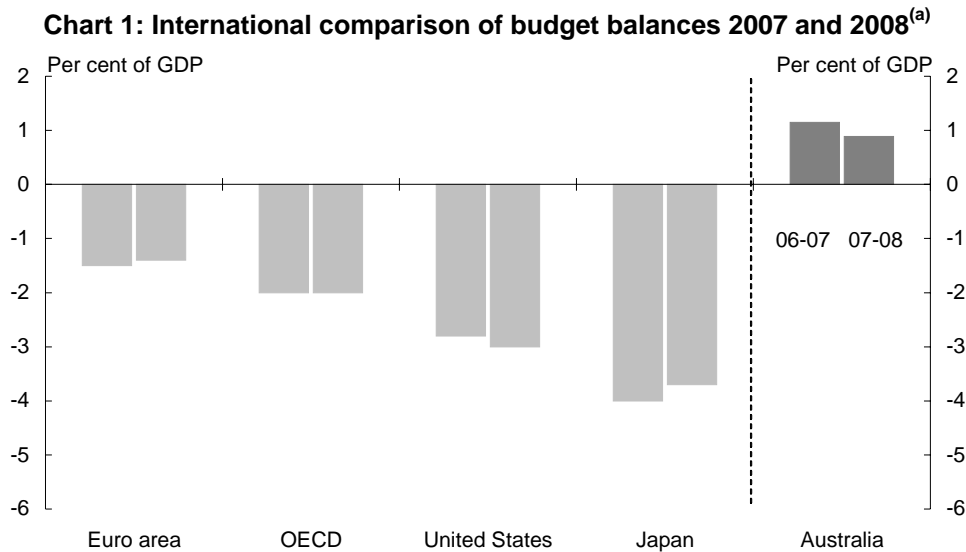
Table 1 presents the fiscal and underlying cash balances for 2006-07 and the forward years.

**Table 1: Summary of budget aggregates**

	Estimates			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)(a)</b>	<b>10.8</b>	<b>11.8</b>	<b>10.6</b>	<b>9.7</b>
Per cent of GDP	1.1	1.1	1.0	0.9
<b>Fiscal balance (\$b)</b>	<b>10.3</b>	<b>10.4</b>	<b>9.9</b>	<b>9.9</b>
Per cent of GDP	1.0	1.0	0.9	0.9
	Projections			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)(a)</b>	<b>11.2</b>	<b>11.8</b>	<b>12.0</b>	<b>14.0</b>
Per cent of GDP	1.0	1.0	1.0	1.2
<b>Fiscal balance (\$b)</b>	<b>10.6</b>	<b>11.9</b>	<b>13.0</b>	<b>14.7</b>
Per cent of GDP	1.0	1.0	1.1	1.2

(a) Excludes expected Future Fund earnings.

The underlying cash surpluses projected for the future years emphasise Australia's sound fiscal outlook at a time when many of the major advanced economies are continuing to experience significant deficits.



(a) International data are for the total general government sector, sourced from OECD Economic Outlook 80, November 2006. Australian data is for the Australian Government general government sector.

In accrual terms, the fiscal balance is expected to record a \$10.4 billion surplus in 2006-07, higher than forecast at the 2006-07 Budget.

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

## DOMESTIC AND INTERNATIONAL ECONOMIC OUTLOOK

The Australian economy is expected to grow by 2½ per cent in 2006-07, significantly slower than the Budget forecast of 3¼ per cent. The downward revision to GDP growth largely reflects the severe drought being experienced across large parts of Australia. Farm GDP is now expected to fall by around 20 per cent in 2006-07, down from the 2 per cent increase anticipated at Budget. In 2007-08, GDP growth is forecast to accelerate to 3¾ per cent. Non-farm GDP is expected to grow by 3 per cent in 2006-07 and 3¼ per cent in 2007-08, while the farm sector is assumed to recover on the basis of a return to average seasonal conditions.

The outlook for the world economy remains positive, and is broadly unchanged from Budget. World GDP growth is expected to be 5¼ per cent in 2006, ¼ of a percentage point stronger than at Budget, before easing to 4¾ per cent in 2007. Ongoing above-average world growth is supporting a substantial increase in commodity prices, which is boosting Australian production and income growth.

The composition of Australian economic growth is expected to shift from business investment to exports through 2006-07 and 2007-08. Following four years of very

strong outcomes, business investment growth is expected to ease. The high level of investment and the resultant boost to resource sector productive capacity should support stronger non-rural commodity exports. Consumption growth is expected to remain moderate as the household sector continues to consolidate its financial position. This consolidation is being supported by solid income growth and further increases in net wealth. Dwelling investment is expected to undergo a modest recovery, after a mild slowdown.

Employment growth has been stronger than anticipated at Budget, contributing to the unemployment rate falling to 30-year lows. However, employment growth is expected to moderate in the period ahead, in line with around trend non-farm output growth. The easing in labour market conditions should see wage growth remain moderate.

Mostly reflecting sharp increases in fuel and fruit prices, inflation has been higher than anticipated at Budget. As these sharp increases unwind, inflation is expected to fall temporarily below 2 per cent in 2007. Underlying inflationary pressures are expected to ease gradually over the forecast period, with inflation settling in the middle of the target band by 2008.

The risks to the domestic economy are weighted to the downside, particularly if dry conditions persist and seasonal conditions do not return to average in 2007-08 as assumed. In addition, given the high level of household debt there remain downside risks around the speed and extent of the household sector's response to the recent tightening of monetary policy.

Prices for non-rural commodities are difficult to predict and if they were to remain high or increase further this would provide an additional boost to domestic income. However, there is a risk that if capital and labour do not move to the fast-growing sectors of the economy in response to the surge in commodity prices, output growth could be constrained and there may be further significant upward pressure on prices.

Table 2 presents the major economic parameters used in preparing the *Mid-Year Economic and Fiscal Outlook 2006-07*. The parameters for 2006-07 and 2007-08 are forecasts while those for 2008-09 and 2009-10 are projections. The projections of economic growth are based on analysis of underlying trends in employment and productivity. The projection assumption for productivity has been adjusted to reflect Australia's long-run average productivity growth rate of 1¾ per cent. As at Budget, key commodity prices are assumed to return to their long-run average level over the two projection years. This is broadly consistent with aggregate non-rural commodity prices retracing almost 60 per cent of their recent gain by the end of the projection period. For a discussion of this technical assumption see the 2006-07 Budget. The projections of inflation are consistent with the medium-term inflation target band.

*Part 1: Overview*

**Table 2: Major economic parameters<sup>(a)</sup>**

	Forecasts		Projections	
	2006-07	2007-08	2008-09	2009-10
Real GDP	2 1/2	3 3/4	3	3
Employment	2 1/4	1 1/4	1 1/4	1 1/4
Wage Price Index	4	4	4	4
CPI	3	2 1/2	2 1/2	2 1/2

(a) Year-average percentage change.

## PART 2: ECONOMIC OUTLOOK

The Australian economy is expected to grow by 2½ per cent in 2006-07, significantly slower than the Budget forecast of 3¼ per cent. The downward revision to GDP growth largely reflects the severe drought being experienced across large parts of Australia (see Box 1). GDP growth is forecast to accelerate to 3¾ per cent in 2007-08. Non-farm GDP is expected to grow by 3 per cent in 2006-07 and 3¼ per cent in 2007-08, while the farm sector is assumed to recover on the basis of a return to average seasonal conditions.

Prospects for world economic growth remain favourable. World GDP growth is forecast to be 5¼ per cent in 2006, ¼ of a percentage point higher than at Budget. In 2007 the world economy is expected to grow by 4¾ per cent, in line with the 2006-07 Budget outlook. The improved outlook for the world economy reflects stronger growth in the euro area and China.

Ongoing strong world economic growth and the continued high level of Australian business investment are expected to support a gradual shift in the composition of economic growth towards exports. Business investment as a share of GDP in 2005-06 was at its highest level for 32 years. As noted at Budget, this expansion in productive capacity is likely to result in strong non-rural commodity export volumes growth in 2006-07 and 2007-08.

Domestic incomes continue to be supported by high commodity prices, with the terms of trade reaching their highest level since the early 1950s. The surge in the terms of trade has seen domestic income grow substantially faster than GDP. Real gross domestic income increased by 5.0 per cent in 2005-06, well above the GDP growth rate of 2.9 per cent. Real gross domestic income is expected to again increase faster than real GDP in 2006-07, supported by continued commodity price growth.

The stimulus from commodity prices has been most pronounced in the resource-rich States of Western Australia and Queensland. Economic growth in both States has been substantially stronger than the rest of the economy. Gross State Product in both Western Australia and Queensland increased strongly in 2005-06, by 4.9 per cent, well above GDP growth of 2.9 per cent. This divergence in growth is expected to ease modestly over the forecast period.

Household consumption growth is expected to remain moderate in 2006-07 and 2007-08 as the household sector continues to consolidate its financial position. Following a period of rapidly increasing household debt, consumers have taken the opportunity in recent years to begin to rebuild their savings. This consolidation has been supported by strong household income growth, personal income tax cuts and increased support for families. Recent interest rate increases are expected to constrain consumption growth.

## *Part 2: Economic outlook*

Dwelling investment has shown signs of a modest recovery during 2006, following a mild downturn in the past two years. This recovery is expected to continue into 2007-08, largely driven by owner occupiers, with recent interest rate increases and modest rental yields expected to weigh more heavily on investors.

The performance of the labour market has been stronger than expected at Budget, with more rapid employment growth and the unemployment rate falling to a 30-year low of 4.6 per cent. Employment growth is expected to moderate over the forecast period, in line with around trend non-farm GDP growth. The unemployment rate is expected to be around 5 per cent in 2006-07 before rising slightly in 2007-08 – in part reflecting the impact of the Government's Welfare to Work reforms.

Inflation has been higher than anticipated at Budget, largely reflecting the jump in petrol prices in mid-2006 and the one-off effect of Tropical Cyclone Larry on fruit prices. Taken together these two effects have contributed half of the increase in inflation since the March quarter 2006. Inflation is expected to fall temporarily below 2 per cent when these factors unwind in 2007. Underlying inflationary pressures are also expected to moderate over the forecast horizon, with inflation expected to settle in the middle of the target band by 2008.

## **RISKS TO THE OUTLOOK**

The risks around the domestic economy are weighted to the downside, particularly if dry conditions persist and seasonal conditions do not return to average in 2007-08 as assumed.

Australia continues to benefit from strong demand for our commodity exports. This surge in demand requires a large adjustment within the economy, with significant increases in the demand for labour and capital in the mining and related sectors. This adjustment will take time and so far has progressed smoothly. Wages and other input prices have increased to attract the required resources. To date, these sector-specific input cost increases have not spilled over into other sectors. However, there is a risk that if labour and capital do not move to the fast-growing sectors of the economy, output growth could be constrained and there may be more significant upwards pressure on prices.

Rising house prices in the early part of this decade contributed to rising household debt and increased the sensitivity of households to adverse labour market outcomes and interest rates. Moreover, while housing market conditions have improved in recent months, there remains considerable uncertainty around the pace and extent of household balance sheet consolidation. It is possible that consumption and dwelling investment growth will slow more than expected in response to recent higher interest rates and the expected easing in employment growth.

While high petrol prices have constrained consumption spending, the surge in other key commodity prices has significantly boosted investment and domestic incomes. The

surge in mining investment and exploration, in Australia and elsewhere, is expected to place downward pressure on commodity prices. Commodity prices are inherently difficult to predict, and if they were to remain high or increase further this would provide an additional boost to domestic income and production.

Forecasts for world growth have been revised up from Budget, although a number of downside risks remain. The potential for a larger-than-anticipated housing-led slowdown in output in the United States represents a significant downside risk to world activity. Whilst oil prices have moderated in recent months, they remain high and could retrace their recent falls. A disorderly adjustment of world saving and investment imbalances continues to be a risk to the global economy as such an outcome could substantially affect exchange rates and world growth.

## **INTERNATIONAL ECONOMIC OUTLOOK**

At Budget, the world economy was expanding strongly, with the pattern of growth across countries becoming more broadly based. The world economy remained strong over the first half of 2006, with strong activity across most regions. More recently, growth outcomes have begun to diverge. In particular, the US economy has slowed, driven by a downturn in the housing market and the lagged effects of monetary policy tightening. Growth in the euro area and Japan remains strong, with business investment a key driver of domestic demand in these economies. China and India have continued to grow rapidly, and continued economic strength has been a feature in other regions such as Latin America, Central and Eastern Europe, and Africa.

Spare capacity has been steadily absorbed in a number of developed economies, which has led to emerging signs of inflationary pressure. Monetary policy has been tightened in all major advanced economies, including Japan. That said, long-term inflation expectations remain well contained, and have actually fallen recently amid expectations of a moderation in US demand.

The world economic growth forecast for 2006 has been revised to 5¼ per cent, ¼ of a percentage point higher than at Budget, while the 2007 forecast remains unchanged (Table 3). Major trading partner growth is expected to be 4¾ per cent in 2006, an upward revision from Budget of ¼ of a percentage point, while the 2007 forecast remains unchanged. These upward revisions are largely due to higher-than-expected growth in China and the euro area, which more than offset slight downward revisions to the outlook for the US and Japan.

**Table 3: International GDP growth forecasts<sup>(a)(b)</sup>**

	Actual	Forecasts	
	2005	2006	2007
United States	3.2	3 1/4	2 1/2
Euro area	1.4	2 3/4	2
Japan	1.9	2	2
China	10.2	10 1/2	10
Other East Asia(c)	4.9	5 1/2	5
Major Trading Partners	4.3	4 3/4	4 1/4
Total OECD	2.8	3	2 1/2
World	4.9	5 1/4	4 3/4

(a) Percentage change from preceding year.

(b) 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 other East Asia are calculated using export trade weights.

(c) Other East Asia comprises the newly industrialised economies (NIEs), which constitutes Hong Kong, Korea, Singapore and Taiwan, and the Association of Southeast Asian Nations group of four (ASEAN4) which constitutes Indonesia, Malaysia, the Philippines and Thailand.

Source: National statistical publications, IMF and Treasury.

The outlook for the **United States** economy has deteriorated since Budget, with growth in the June and September quarters being weaker than anticipated. The US economy is expected to grow by 3¼ per cent in 2006, ¼ of a percentage point lower than at Budget, and 2½ per cent in 2007, ¾ of a percentage point lower than at Budget.

A contraction in residential investment is expected to continue to affect US growth into 2007. Moreover, the slowdown in the housing market is expected to result in a moderate slowing in consumption growth. However, overall domestic demand is expected to remain solid, reflecting high employment, firm wage growth and the recent moderation in oil prices. Business investment is expected to remain firm in 2007, with corporate profits currently strong and core capital goods orders remaining robust.

The likelihood of further increases in US interest rates appears to have diminished due to moderating output growth and inflation. However, the labour market remains tight and unit labour costs are rising, and there remains a risk that a continuation of the cyclical downturn in productivity could exacerbate inflation pressures.

In **Japan** the outlook for economic growth has been revised down since Budget. In part, this reflects weaker-than-expected growth in private consumption as a result of low incomes growth and one-off factors, such as unfavourable weather affecting clothing purchases. In addition, real GDP growth in 2005 has been revised down substantially, from 2.7 per cent to 1.9 per cent. Taking these effects together, the Japanese economy is expected to grow by 2 per cent in 2006, one percentage point lower than at Budget. GDP is expected to grow at a similar rate in 2007, with a modest pick-up in private consumption growth offsetting a moderation in the pace of business investment.



The Bank of Japan raised interest rates to 0.25 per cent in July, which was the first increase in almost six years. With recent core inflation outcomes being weaker than expected, further increases in interest rates are expected to occur very gradually.

Growth in the **Chinese** economy has exceeded expectations since Budget, largely due to a pick-up in investment growth in the first half of the year. The Chinese economy is forecast to grow by 10½ per cent in 2006 and 10 per cent in 2007, an upwards revision of ¾ of a percentage point from Budget in both years.

The pick-up in investment growth has led to renewed concerns about overheating and overinvestment, prompting the Chinese authorities to introduce further monetary and administrative tightening measures from April 2006. These measures have led to investment and GDP growth easing in the second half of 2006. GDP growth is expected to moderate slightly in 2007 but remain strong, with high rates of national saving, widespread urbanisation and the availability of a large pool of low-cost labour continuing to underpin the rapid pace of capital accumulation.

Growth in the rest of **East Asia** has evolved largely in line with expectations at Budget, with favourable world growth supporting robust demand for the region's exports and strong employment growth supporting consumption growth. However, growth prospects across the region are likely to diverge in 2007. The ASEAN4 economies are expected to continue growing strongly while growth in the NIEs is expected to moderate. A pick-up in domestic demand in the NIEs is likely to be insufficient to offset weaker demand for the region's exports particularly from the US.

Expectations for **euro area** growth in 2006 have improved markedly since Budget, with the 2006 forecast revised up by one percentage point, to 2¾ per cent, reflecting stronger-than-expected business investment. However, growth in 2007 is expected to moderate to around trend growth of 2 per cent, which predominantly reflects the fiscal consolidation packages that have been announced in Germany and Italy, as well as recent monetary policy tightening. The European Central Bank has raised official interest rates by a total of 150 basis points since December 2005.

There are a number of risks associated with the current outlook for the world economy with the balance of these risks tilted to the downside. These include: the potential for the US to slow more than expected; the possibility of higher oil prices; a re-appraisal of financial market risk; and a disorderly unwinding of world saving and investment imbalances.

An unexpectedly sharp slowdown in the US housing sector has emerged as a key risk to the US economy and the near-term world outlook. A sustained downturn in house prices could adversely affect consumption, depending on the extent to which households consolidate their balance sheets, which may precipitate a broader downturn in the US economy. Recent IMF estimates suggest that an unexpected one percentage point decline in US growth could lower world growth by around ½ of a percentage point.

## *Part 2: Economic outlook*

Oil prices are currently around 20 per cent below the August peak of US\$77 per barrel. Whilst the fall in prices is likely to provide some relief to consumers it may be short-lived. Supply-side concerns linger, and the spectre of further increases in prices remains a feature of the current market.

An increase in inflation expectations in mid-2006, and associated fears over the potential for more aggressive monetary policy tightening in advanced economies, sparked a sharp sell-off in financial markets. Financial markets have since recovered with recent months marked by a period of relatively low volatility. That said, the world financial system is not immune to adverse economic shocks, and in particular a shock which might lead to a reassessment of credit risk or expose weaknesses in risk management practices.

Whilst an orderly unwinding of world saving and investment imbalances remains the most likely path of adjustment over the medium term, the longer the imbalances continue, the greater is the potential for a sudden adjustment. Recent weakness in the US dollar may provide a tentative indication that the adjustment process is already under way. A disorderly adjustment would involve sudden changes in financial asset prices and exchange rates. A sudden adjustment of this sort could have serious implications for world economic activity.

## **DOMESTIC FORECASTS**

The forecasts for the domestic economy are underpinned by several technical assumptions. The exchange rate is assumed to remain around the average level of recent months (a trade-weighted index of around 64 and a \$US exchange rate of around 77c). Interest rates are assumed to remain unchanged at their current levels. World oil prices (West Texas Intermediate) are assumed to be around \$US65 per barrel on average, in line with current market expectations. The farm sector forecasts are based on an assumed return to average seasonal conditions in 2007-08.

The Australian economy is forecast to grow by 2½ per cent in 2006-07 and 3¾ per cent in 2007-08. The key domestic economic forecasts are summarised in Table 4.

**Table 4: Domestic economy forecasts<sup>(a)</sup>**

	2005-06	2006-07	
	Outcomes(b)	Forecasts	
	Year average	Budget Year average	MYEFO Year average
<b>Panel A - Demand and output(c)</b>			
Household consumption	2.6	3	3
Private investment			
Dwellings	-3.8	-1	2
Total business investment(d)	16.0	8	1
Non-dwelling construction(d)	21.0	6	6
Machinery and equipment(d)	14.5	9	-4
Private final demand(d)	4.3	3 3/4	2 1/2
Public final demand(d)	4.3	3 1/4	3 1/4
Total final demand	4.3	3 1/2	2 3/4
Change in inventories(e)			
Private non-farm	-0.5	0	1/4
Farm and public authorities(f)	0.2	- 1/4	- 1/4
Gross national expenditure	4.0	3 1/2	2 1/2
Exports of goods and services	2.2	7	4
Imports of goods and services	7.3	7	5
Net exports(e)	-1.1	- 1/2	- 1/2
Gross domestic product	2.9	3 1/4	2 1/2
Non-farm product	2.8	3 1/4	3
Farm product	4.5	2	-21
<b>Panel B - Other selected economic measures</b>			
External accounts			
Terms of trade	10.9	0	5
Current account balance			
\$billion	-53.6	-62 1/2	-51 1/4
Percentage of GDP	-5.6	-6 1/4	-5
Labour market			
Employment (labour force survey basis)	2.2	1	2 1/4
Unemployment rate (per cent)	5.1	5 1/4	5
Participation rate (per cent)	64.5	64 1/4	64 3/4
Prices and wages			
Consumer Price Index	3.2	2 3/4	3
Gross non-farm product deflator	5.0	2 1/2	4
Wage Price Index	4.1	4	4

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

(b) Calculated using original data.

(c) Chain volume measure.

(d) Excludes second-hand asset sales from the public sector to the private sector.

(e) Percentage point contribution to growth in GDP.

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

Source: Australian Bureau of Statistics (ABS) Cat. No. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

*Part 2: Economic outlook*

**Household consumption** is expected to grow by 3 per cent in 2006-07 and 3¼ per cent in 2007-08, slightly faster than the 2.6 per cent growth recorded in 2005-06. As at Budget, consumption growth is expected to remain a little below trend, reflecting ongoing consolidation in household balance sheets. Consumption growth is being supported by solid increases in household incomes reflecting strong employment growth, personal income tax cuts and more recently lower petrol prices. Household net wealth is expected to grow modestly, in part reflecting a return to moderate house price growth which will also support consumption. These factors are being partially offset by an increased household debt-servicing burden given the recent increases in interest rates.

**Dwelling investment** is expected to grow modestly in both 2006-07 and 2007-08, following mild declines in the preceding two years. Solid dwelling investment growth since Budget and the recent firm dwelling approval outcomes signal a modest recovery in the housing market. The recovery in dwelling investment is expected to be led by alterations and additions and purchases by owner-occupiers, as the recent interest rate increases and low rental yields are expected to continue discouraging investors.

**Business investment** growth is expected to slow significantly to 1 per cent in 2006-07 and remain moderate in 2007-08. This is weaker than expected at Budget and follows four years of robust growth. The Australian Bureau of Statistics' September 2006 *Survey of New Capital Expenditure and Expected Expenditure (CAPEX)* indicates that investment intentions for 2006-07 are weak across most industries. However, the investment environment remains favourable, particularly for the mining sector and new buildings and structures investment, with the cost of capital remaining low, corporate finances healthy and capacity utilisation around record highs.

**Public final demand** is expected to ease to 3¼ per cent in 2006-07. This follows two years of strong public investment growth at both the Commonwealth and State and Local levels.

**Net exports** are expected to subtract significantly less from GDP growth over the forecast period than they have in recent years, largely due to expected strong growth in non-rural commodity exports and moderate growth in imports.

**Exports** are expected to increase by 4 per cent in 2006-07 and by 6 per cent in 2007-08. The weaker outlook for export growth compared with Budget reflects a weaker outlook for rural and elaborately transformed manufactures (ETM) exports. The effect of weaker farm production on rural exports is expected to be partially offset by a run-down in grain inventories from their current high levels. Non-rural commodities exports are expected to grow strongly in 2006-07 and 2007-08, as production from newly completed projects increases. ETM and service exports are expected to record only modest growth in 2006-07, reflecting continued international competitive pressures and sustained higher air travel costs to Australia.

**Imports** growth is expected to remain around 5 per cent in 2006-07 and 6 per cent in 2007-08, reflecting solid growth in gross national expenditure.

The **terms of trade** have increased to their highest level since the early 1950s. This outcome is higher than expected at Budget, reflecting higher non-rural commodity prices. The terms of trade is expected to fall in 2007-08, reflecting falls in non-rural commodity prices and modest increases in import prices. Recent high commodity prices have encouraged substantial investment in mining capacity, both in Australia and around the world. As this increased capacity comes on line, it is expected to lead to a decline in commodity prices.

The **current account deficit** (CAD) is expected to narrow in 2006-07, in contrast to an expected widening at Budget. The higher terms of trade and slower import growth have contributed to the improved outlook for the CAD. High domestic profits combined with an increase in world interest rates and a higher stock of net foreign debt are expected to contribute to a widening of the net income deficit in 2006-07. As commodity prices partially unwind, the CAD is expected to widen modestly in 2007-08.

Recent **employment** outcomes have been substantially stronger than anticipated at Budget, with the unemployment rate falling to 4.6 per cent, a 30-year low. Employment is expected to increase by 2¼ per cent in 2006-07, before moderating to 1¼ per cent in 2007-08. The unemployment rate is expected to be around 5 per cent in 2006-07, lower than the Budget forecast of 5¼ per cent.

The participation rate has been higher than anticipated and is expected to rise further in 2007-08, largely reflecting the Government's Welfare to Work reforms. Participation requirements for Disability Support Pension and Parenting Payment recipients should lead to more people entering the labour force, boosting Australia's productive capacity. The unemployment rate is expected to increase in 2007-08 as the people entering the labour market as part of the Welfare to Work reforms take time to gain employment.

**Wage** growth is expected to remain contained. The Wage Price Index is expected to grow by 4 per cent in 2006-07 and 2007-08. Recently growth has moderated, although this in part reflects a change in the timing of award wage increases announced by the Fair Pay Commission. While wage growth has been strong in some sectors, particularly in mining and construction and to a lesser extent the public sector, these sector-specific pressures are not expected to spill over to more rapid aggregate wage increases.

**Inflation** has been higher than expected at Budget, largely reflecting the jump in petrol prices in mid-2006 and the one-off impact of Tropical Cyclone Larry on fruit prices, although underlying inflationary pressures have also been present. As petrol and fruit prices unwind in 2007, inflation is expected to fall temporarily below 2 per cent. The indirect effects of higher fuel prices and solid unit labour cost growth have also

contributed to recent inflationary pressures. With petrol prices now below recent highs and productivity growth expected to strengthen, these underlying inflationary pressures are expected to moderate, resulting in inflation returning to around the middle of the target band by 2008.

**Box 1: Drought**

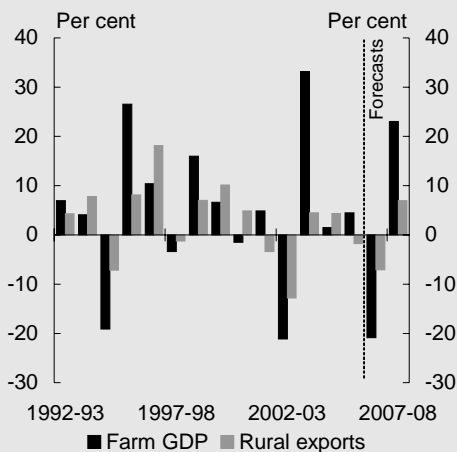
Severe drought conditions have affected large areas of Australia during 2006. As a result, farm production is forecast to fall by around 20 per cent in 2006-07. The drought is expected to subtract  $\frac{3}{4}$  of a percentage point from GDP growth in 2006-07, reflecting its impact on the farm sector and related industries, such as transport and storage.

The expected fall in farm production is close to that experienced in the 2002-03 drought (Chart A). The effect of the drought on rural exports is expected to be reduced slightly by running down the current high level of grain stocks. Nevertheless, rural exports are forecast to fall by 7 per cent in 2006-07.

Most components of farm production are expected to be affected significantly by the drought, with winter grain production expected to be hardest hit. Wheat production is likely to fall by more than 60 per cent and be the smallest harvest since the 1994-95 drought. Very poor pasture conditions, water shortages and high feed prices are resulting in sharp reductions in sheep and cattle numbers.

The impact of the drought is expected to be more pronounced across southern Australia. Rainfall deficiencies during the winter cropping season were particularly bad in Western Australia's grain belt and across much of New South Wales, Victoria and South Australia.

**Chart A: Farm production and rural exports**



Source: ABS cat. no. 5302.0, 5206.0 and Treasury.

Farm incomes are expected to be severely affected by the drought. Lower farm incomes are likely to lead to lower consumption, investment and employment in rural communities. To some degree this will be mitigated by the Farm Management Deposits scheme, which allows farmers to draw down savings, and by Exceptional Circumstances assistance.

Higher grain and fruit and vegetable prices will flow through to retail prices. However, in the short term, retail meat prices are likely to moderate in response to increased livestock slaughter rates. Overall, the net effect on inflation is expected to be relatively small.

## PART 3: FISCAL OUTLOOK

### OVERVIEW

The Australian Government's underlying cash surplus for 2006-07 is estimated to be \$11.8 billion, marginally stronger than the 2006-07 Budget forecast. In accrual terms, a fiscal surplus of \$10.4 billion is estimated for 2006-07. The fiscal outlook is for continuing underlying cash and fiscal surpluses in the forward years.

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

	Estimates(c)			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>231.7</b>	<b>231.9</b>	<b>240.7</b>	<b>242.7</b>
Per cent of GDP	23.0	22.5	22.9	22.3
<b>Expenses (\$b)</b>	<b>219.7</b>	<b>219.2</b>	<b>230.6</b>	<b>232.3</b>
Per cent of GDP	21.8	21.3	21.9	21.4
Net operating balance (\$b)	11.9	12.7	10.1	10.4
Net capital investment (\$b)	1.6	2.3	0.2	0.5
<b>Fiscal balance (\$b)</b>	<b>10.3</b>	<b>10.4</b>	<b>9.9</b>	<b>9.9</b>
Per cent of GDP	1.0	1.0	0.9	0.9
<b>Underlying cash balance (\$b)(d)</b>	<b>10.8</b>	<b>11.8</b>	<b>10.6</b>	<b>9.7</b>
Per cent of GDP	1.1	1.1	1.0	0.9
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>37.5</b>	<b>21.0</b>	<b>10.7</b>	<b>17.6</b>
	Projections			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>252.1</b>	<b>255.6</b>	<b>265.6</b>	<b>268.4</b>
Per cent of GDP	23.0	22.5	23.0	22.7
<b>Expenses (\$b)</b>	<b>240.9</b>	<b>242.5</b>	<b>252.6</b>	<b>252.7</b>
Per cent of GDP	22.0	21.4	21.9	21.4
Net operating balance (\$b)	11.2	13.1	13.0	15.7
Net capital investment (\$b)	0.6	1.2	0.0	1.0
<b>Fiscal balance (\$b)</b>	<b>10.6</b>	<b>11.9</b>	<b>13.0</b>	<b>14.7</b>
Per cent of GDP	1.0	1.0	1.1	1.2
<b>Underlying cash balance (\$b)(d)</b>	<b>11.2</b>	<b>11.8</b>	<b>12.0</b>	<b>14.0</b>
Per cent of GDP	1.0	1.0	1.0	1.2
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>11.4</b>	<b>14.6</b>	<b>12.3</b>	<b>14.8</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.

(b) Budget estimates, including the per cent of GDP, are as published in Budget Paper No. 1, *Budget Strategy and Outlook 2006-07*.

(c) For the 2006-07 MYEFO, 2007-08 has moved from a projection to an estimates year.

(d) Excludes expected Future Fund earnings.

Part 3: Fiscal outlook

Table 6 provides a reconciliation of the fiscal balance estimates between the 2006-07 Budget and the *Mid-Year Economic and Fiscal Outlook 2006-07* (MYEFO).

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

	Estimates		Projections	
	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m
<b>2006-07 Budget fiscal balance</b>	<b>10,290</b>	<b>9,940</b>	<b>10,566</b>	<b>12,972</b>
Per cent of GDP	1.0	0.9	1.0	1.1
<b>Changes between 2006-07 Budget and MYEFO</b>				
Effect of policy decisions <sup>(b)</sup>				
Revenue	-202	-1,609	-1,608	-1,753
Expenses	1,969	3,648	2,986	2,868
Net capital investment	159	134	106	307
Total policy decisions impact on fiscal balance	-2,330	-5,392	-4,700	-4,928
Effect of parameter and other variations				
Revenue	424	3,664	5,131	4,532
Expenses	-2,524	-1,883	-1,403	-2,792
Net capital investment	489	169	507	641
Total parameter and other variations impact on fiscal balance	2,459	5,378	6,028	6,683
<b>2006-07 MYEFO fiscal balance</b>	<b>10,420</b>	<b>9,926</b>	<b>11,893</b>	<b>14,728</b>
Per cent of GDP	1.0	0.9	1.0	1.2

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

## REVENUE

Total accrual revenue in 2006-07 is expected to be \$223 million higher than forecast at the 2006-07 Budget, comprising an additional \$323 million in non-tax revenue and a decrease of \$101 million in tax revenue.

The revised tax revenue estimates are driven by the flow on effects of a lower than expected revenue outcome in 2005-06 and downward revisions to expected revenue from capital gains from investors and petroleum resource rent tax, broadly offset by higher than expected revenue from higher forecasts of nominal economic growth in 2006-07.

Policy decisions since Budget have reduced revenue by \$202 million in 2006-07.

The Government announced details of the Simplified Superannuation package on 5 September 2006. This package will cost \$3.9 billion in revenue over the forward estimates. The revenue estimates in the 2006-07 Budget included an allowance for the package. The final package has now been incorporated into the estimates as a measure.



Other major policy measures reducing revenue over the four year period 2006-07 to 2009-10 include:

- \$53 million in 2006-07 (\$218 million over four years) owing to a decision to not proceed with planned increases in diesel excise and customs duty rates; and
- \$50 million in 2006-07 (\$350 million over four years) from an amendment to the investment rules for superannuation funds investing in instalment warrants.

A full list of revenue measures announced since the 2006-07 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2006-07, compared with the estimates published in the 2006-07 Budget, are provided in Table 7. Detailed cash estimates are in Table 12.

**Table 7: Australian Government general government sector revenue**

	2006-07			
	Budget \$m	MYEFO \$m	Change on Budget \$m	%
<i>Income taxation</i>				
Individuals and other withholding taxes(a)				
Gross income tax withholding	104,010	105,580	1,570	1.5
Gross other individuals	28,480	27,350	-1,130	-4.0
less: Refunds	16,790	16,790	0	0.0
Total individuals and other withholding taxation	115,700	116,140	440	0.4
Fringe benefits tax	3,720	3,730	10	0.3
Superannuation funds				
Contributions and earnings	5,890	6,450	560	9.5
Superannuation surcharge	680	520	-160	-23.5
Total superannuation taxation	6,570	6,970	400	6.1
Company tax	56,860	56,750	-110	-0.2
Petroleum resource rent tax	2,490	1,750	-740	-29.7
<b>Income taxation revenue</b>	<b>185,340</b>	<b>185,340</b>	<b>0</b>	<b>0.0</b>
<i>Excise and customs</i>				
<i>Excise duty</i>				
Petrol	7,310	7,110	-200	-2.7
Diesel	6,420	6,280	-140	-2.2
Other fuel products	450	610	160	35.6
Crude oil	470	580	110	23.4
Beer	1,760	1,780	20	1.1
Potable spirits	890	870	-20	-2.2
Tobacco	5,320	5,370	50	0.9
Total excise duty revenue	22,620	22,600	-20	-0.1
<i>Customs duty</i>				
Textiles, clothing and footwear	870	860	-10	-1.1
Passenger motor vehicles	1,300	1,140	-160	-12.3
Excise-like goods	2,160	2,170	10	0.5
Other imports	1,608	1,570	-38	-2.4
less: Refunds and drawbacks	300	230	-70	-23.3
Total customs duty revenue	5,638	5,510	-128	-2.3
<b>Excise and customs revenue</b>	<b>28,258</b>	<b>28,110</b>	<b>-148</b>	<b>-0.5</b>
<i>Other taxation</i>				
Wine equalisation tax	660	670	10	1.5
Luxury car tax	320	330	10	3.1
Agricultural levies	619	585	-34	-5.4
Other taxes	1,960	2,021	61	3.1
<b>Other taxation revenue</b>	<b>3,559</b>	<b>3,606</b>	<b>47</b>	<b>1.3</b>
<b>Taxation revenue</b>	<b>217,157</b>	<b>217,056</b>	<b>-101</b>	<b>0.0</b>
<i>Non-taxation</i>				
Sales of goods and services	4,846	4,984	138	2.8
Dividends	2,701	2,860	159	5.9
Interest received	3,717	3,581	-136	-3.7
Other non-taxation revenue	3,241	3,404	163	5.0
<b>Non-taxation revenue</b>	<b>14,505</b>	<b>14,828</b>	<b>323</b>	<b>2.2</b>
<b>Total revenue</b>	<b>231,662</b>	<b>231,885</b>	<b>223</b>	<b>0.1</b>

(a) The MYEFO estimate includes Medicare levy revenue of \$7,090 million in 2006-07.

The revenue estimates for 2006-07 and 2007-08 are constructed using the outcomes for 2005-06, information on revenue collections in the year to date and the revised economic forecasts for 2006-07 and 2007-08. Revenue estimates for the projection years – 2008-09 and 2009-10 – are based mainly on underlying trends in economic parameters and take no account of cyclical influences on economic activity. As at the 2006-07 Budget, key commodity prices are assumed to return to their long-run average level over the two projection years.

Total taxation revenue for 2006-07 is expected to be \$101 million lower than forecast at the 2006-07 Budget. Lower than expected revenue outcomes in 2005-06 for company tax and other individuals and downward revisions to expected revenue from capital gains and petroleum resource rent tax in 2006-07 are expected to be broadly offset by the effects of stronger than expected employment growth.

Estimated revenue from gross income tax withholding for 2006-07 has increased by \$1.6 billion since the 2006-07 Budget, in line with stronger than expected employment outcomes.

Superannuation contributions and earnings tax revenue has been revised up by \$560 million in 2006-07, in the light of the increased strength in the labour market and more buoyant conditions for superannuation fund earnings.

Company tax revenue in 2006-07 is expected to be \$110 million lower than the 2006-07 Budget estimate, reflecting a lower than expected outcome in 2005-06, partly offset by an increase in expected profits for 2006-07.

Expected gross revenue from other individuals tax has been revised down by \$1.1 billion in 2006-07, driven by a lower than expected outcome in 2005-06 and lower than expected growth in realised capital gains from investors.

Petroleum resource rent tax has been revised down by \$740 million in 2006-07 since the 2006-07 Budget, in the light of lower oil prices, higher than expected deductible costs – including wages and exploration – and lower than expected production.

Expected revenue from all other taxation in 2006-07 is broadly unchanged from Budget.

Non-taxation revenue in 2006-07 is expected to be \$323 million higher than the 2006-07 Budget estimate due in part from an increase in sales of goods and services by the Department of Defence.

## EXPENSES

Estimated accrual expenses in 2006-07 have decreased by \$554 million since the 2006-07 Budget. This reflects a net decrease of \$2.5 billion due to parameter and other variations, partially offset by new policy measures of \$2.0 billion in 2006-07.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>2006-07 Budget expenses</b>	<b>219,730</b>	<b>230,556</b>	<b>240,910</b>	<b>252,592</b>
<b>Changes between 2006-07 Budget and MYEFO</b>				
Effect of policy decisions(a)	1,969	3,648	2,986	2,868
Effect of economic parameter variations				
Unemployment benefits	-507	-348	-382	-503
Prices and wages	-235	542	874	691
Interest and exchange rates	-60	-50	-94	-48
<i>Total economic parameter variations</i>	<i>-802</i>	<i>144</i>	<i>398</i>	<i>139</i>
Public debt interest	103	47	44	51
Programme specific parameter variations	-1,085	-1,309	-1,510	-1,717
Slippage in 2006-07 Budget decisions	0	0	0	0
Other variations(b)	-740	-764	-335	-1,264
<b>Total variations</b>	<b>-554</b>	<b>1,766</b>	<b>1,583</b>	<b>76</b>
<b>2006-07 MYEFO expenses</b>	<b>219,175</b>	<b>232,322</b>	<b>242,493</b>	<b>252,669</b>

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

(b) The contingency reserve includes an allowance for the established tendency of existing government policy (particularly demand driven programmes) to be higher than estimated in the forward years. This allowance, known as the conservative bias allowance, is progressively reduced so that the budget year conservative bias is zero by the budget. As is standard practice, the conservative bias has been reduced at this MYEFO in the forward years from 2007-08 onwards.

Policy decisions announced since the 2006-07 Budget increase estimated expenses by \$2.0 billion in 2006-07 and include:

- \$522 million in 2006-07 (\$1.1 billion over three years) in funding for drought relief, including income support and interest rate subsidies to assist farmers and small businesses most affected by the drought;
- \$225 million in 2006-07 (\$1.3 billion over four years) for new and expanded listings on the Pharmaceutical Benefit Scheme (PBS), including Herceptin® for the treatment of early stage breast cancer (\$120 million in 2006-07);
- \$94 million in 2006-07 (\$1.1 billion over nine years) for Energy Initiatives that will provide cheaper fuel options through LPG excise concessions and further develop energy resources through investment in alternative fuels;

- \$82 million in 2006-07 (\$492 million over four years) to increase payments to healthcare providers treating veterans under the Gold Card and White Card arrangements;
- \$50 million in 2006-07 (\$473 million over five years) on measures to improve the retention and recruitment of Australian Defence Force personnel; and
- \$46 million in 2006-07 (\$3.4 billion over 11 years) for the establishment of the first of two light infantry battalions. A provision for the second battalion has been included in the Contingency Reserve.

A full list of expense measures announced since the 2006-07 Budget is provided at Appendix A.

Since the 2006-07 Budget, parameter and other variations have reduced estimated expenses by \$2.5 billion in 2006-07. This includes:

- a \$390 million reduction in expenses as a result of delays to defence acquisition projects. This reduction is offset by increased expenses in 2007-08 and 2008-09;
- a \$270 million reduction in expenses for the Pharmaceutical Benefits Scheme due to lower than expected expenditure against a number of drug groups (primarily chemotherapy, cholesterol lowering agents and blood pressure drugs);
- a \$214 million reduction in Newstart Allowance expenses as a result of a fall in the forecast number of unemployment benefit recipients reflecting improved labour market conditions;
- a \$192 million reduction in annual supplementary funding for government and non-government schools grants. This is due to a lower than anticipated increase in State and Territory expenditure on government schools, which is used to index the level of Australian Government funding each year;
- a \$151 million reduction in Disability Support Pension expenses primarily due to lower than expected customer numbers to date in 2006-07 based on trends over the previous two years;
- a \$127 million reduction in Job Network expenses resulting from a reduction in the estimate of Job Network provider activity for the remainder of the year; and
- a reduction in expense estimates following the inclusion of the provision for underspends in 2006-07. A provision is included each year at the MYEFO update to provide for the established tendency of departments and agencies to underspend their budgets in the current financial year.

*Part 3: Fiscal outlook*

These reductions in expenses are partially offset by:

- a \$132 million increase in Defence expenses as a result of an increase in the non-farm GDP deflator, which is used to index Defence operating expenses;
- an \$80 million increase in Medicare Services expenses due to higher than expected expenditure across a range of medical services provided by General Practitioners and specialists; and
- a \$75 million increase in expenses in 2006-07 for Australian Technical Colleges reflecting the reprofiling of funds from future programme years. A major proportion of the increased expenses reflects the earlier than anticipated establishment of some colleges.

## **NET CAPITAL INVESTMENT**

Estimated net capital investment in 2006-07 has increased by \$648 million since the 2006-07 Budget, partially reflecting new policy decisions of \$159 million, including:

- \$60 million in 2006-07 for additional construction costs at the Christmas Island Immigration Reception and Processing Centre;
- \$23 million (\$30 million over three years) to improve the capacity of the Australian Federal Police's International Deployment Group to respond to current and anticipated peace-keeping, peace restoration and capacity-building requirements;
- \$17 million (\$22 million over two years) to build a new system interface between the Department of Families, Community Services and Indigenous Affairs, Centrelink, and child care service providers to enable a more timely transfer of Child Care Benefit data; and
- \$11 million for the Australian Taxation Office to establish information technology systems to implement the Simplified Superannuation reforms (\$52 million over three years).

**Table 9: Reconciliation of general government sector net capital investment estimates<sup>(a)</sup>**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>2006-07 Budget net capital investment</b>	<b>1,642</b>	<b>174</b>	<b>602</b>	<b>38</b>
<b>Changes between 2006-07 Budget and MYEFO</b>				
Effect of policy decisions(b)	159	134	106	307
Effect of parameter and other variations	489	169	507	641
<b>Total variations</b>	<b>648</b>	<b>304</b>	<b>612</b>	<b>948</b>
<b>2006-07 MYEFO net capital investment</b>	<b>2,290</b>	<b>478</b>	<b>1,215</b>	<b>986</b>

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

(b) Excludes the public debt net interest affect of policy measures.

## CASH FLOWS

In 2006-07, the underlying cash balance is expected to be a surplus of \$11.8 billion compared to an estimate of \$10.8 billion at the 2006-07 Budget.

Detailed Australian Government general government sector receipt estimates for 2006-07, compared with the estimates published in the 2006-07 Budget, are provided in Table 12.

**Table 10: Summary of Australian Government general government sector cash flows (\$b)<sup>(a)</sup>**

	Estimates			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	230.7	231.4	239.3	241.4
Capital cash receipts(b)	0.2	0.2	0.2	0.3
Total cash receipts	230.8	231.6	239.5	241.7
Cash payments				
Operating cash payments	214.7	213.6	224.2	225.9
Capital cash payments(c)	3.5	4.0	2.7	3.0
Total cash payments	218.2	217.6	226.9	229.0
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>12.6</b>	<b>14.0</b>	<b>12.6</b>	<b>12.7</b>
Per cent of GDP	1.2	1.4	1.2	1.2
less Future Fund earnings	1.8	2.2	2.0	3.1
<b>Underlying cash balance(e)</b>	<b>10.8</b>	<b>11.8</b>	<b>10.6</b>	<b>9.7</b>
Per cent of GDP	1.1	1.1	1.0	0.9
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(f)	24.9	7.0	-1.9	4.9
plus Future Fund earnings(g)	1.8	2.2	2.0	3.1
<b>Headline cash balance</b>	<b>37.5</b>	<b>21.0</b>	<b>10.7</b>	<b>17.6</b>
	Projections			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts	250.5	253.8	263.9	267.0
Capital cash receipts(b)	0.2	0.1	0.1	0.1
Total cash receipts	250.7	254.0	264.0	267.1
Cash payments				
Operating cash payments	234.2	235.9	247.1	247.0
Capital cash payments(c)	2.8	3.0	2.6	3.3
Total cash payments	237.0	238.8	249.7	250.3
Finance leases and similar arrangements(d)	-0.3	-0.6	0.0	0.0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>13.3</b>	<b>14.6</b>	<b>14.3</b>	<b>16.8</b>
Per cent of GDP	1.2	1.3	1.2	1.4
less Future Fund earnings	2.1	2.8	2.3	2.8
<b>Underlying cash balance(e)</b>	<b>11.2</b>	<b>11.8</b>	<b>12.0</b>	<b>14.0</b>
Per cent of GDP	1.0	1.0	1.0	1.2
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(f)	-2.0	0.0	-2.0	-2.0
plus Future Fund earnings (g)	2.1	2.8	2.3	2.8
<b>Headline cash balance</b>	<b>11.4</b>	<b>14.6</b>	<b>12.3</b>	<b>14.8</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 decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.  
(e) Excludes expected Future Fund earnings.  
(f) Under the cash budgeting framework, these cash flows were referred to as net advances.  
(g) The earnings include the gross proceeds from the sale of Telstra to be transferred to the Future Fund. The Future Fund (excluding Telstra shares) is assumed to earn a rate of return initially equal to the yield on other term deposits held by the Australian Government then increasing to a rate consistent with the benchmark return specified in the Australian Government's investment mandate.



Major new policy decisions and parameter and other variations since the 2006-07 Budget have largely had the same impact on the 2006-07 underlying cash balance as the fiscal balance.

Table 11 provides a reconciliation of the variations in the underlying cash balance estimates.

**Table 11: Reconciliation of Australian Government general government sector underlying cash balance estimates**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>2006-07 Budget underlying cash balance</b>	<b>10,828</b>	<b>10,628</b>	<b>11,225</b>	<b>12,019</b>
<b>Changes from 2006-07 Budget to MYEFO</b>				
Effect of policy decisions(a)	-2,317	-5,455	-4,712	-5,010
Effect of parameter and other variations	3,316	4,489	5,331	6,987
<b>Total variations</b>	<b>999</b>	<b>-966</b>	<b>618</b>	<b>1,977</b>
<b>2006-07 MYEFO underlying cash balance(b)</b>	<b>11,827</b>	<b>9,662</b>	<b>11,844</b>	<b>13,997</b>

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

(b) Excludes expected Future Fund earnings.

Total receipts in 2006-07 are expected to be \$763 million higher than forecast at the 2006-07 Budget, comprising \$591 million in non-tax receipts and \$172 million in tax receipts. Similarly to the revisions to the revenue estimates, the revisions to tax receipts are driven by the flow on effects of a lower than expected outcome in 2005-06, broadly offset by higher than expected tax receipts due to an upward revision to nominal economic growth forecasts.

**Table 12: Australian Government general government sector receipts**

	2006-07			
	Budget \$m	MYEFO \$m	Change on Budget \$m	%
<i>Income taxation</i>				
Individuals and other withholding taxes(a)				
Gross income tax withholding	103,420	104,830	1,410	1.4
Gross other individuals	26,810	26,260	-550	-2.1
less: Refunds	16,790	16,790	0	0.0
Total individuals and other withholding taxation	113,440	114,300	860	0.8
Fringe benefits tax	3,690	3,800	110	3.0
Superannuation funds				
Contributions and earnings	5,840	6,400	560	9.6
Superannuation surcharge	650	710	60	9.2
Total superannuation taxation	6,490	7,110	620	9.6
Company tax	56,130	55,770	-360	-0.6
Petroleum resource rent tax	2,490	1,560	-930	-37.3
<b>Income taxation receipts</b>	<b>182,240</b>	<b>182,540</b>	<b>300</b>	<b>0.2</b>
<i>Excise and customs</i>				
Excise duty				
Petrol	7,310	7,100	-210	-2.9
Diesel	6,420	6,280	-140	-2.2
Other fuel products	450	610	160	35.6
Crude oil	470	580	110	23.4
Beer	1,760	1,780	20	1.1
Potable spirits	890	870	-20	-2.2
Tobacco	5,320	5,370	50	0.9
Total excise duty receipts	22,620	22,590	-30	-0.1
Customs duty				
Textiles, clothing and footwear	870	860	-10	-1.1
Passenger motor vehicles	700	680	-20	-2.9
Excise-like goods	2,160	2,170	10	0.5
Other imports	1,600	1,550	-50	-3.1
less: Refunds and drawbacks	300	370	70	23.3
Total customs duty receipts	5,030	4,890	-140	-2.8
<b>Excise and customs receipts</b>	<b>27,650</b>	<b>27,480</b>	<b>-170</b>	<b>-0.6</b>
<i>Other taxation</i>				
Wine equalisation tax	660	660	0	0.0
Luxury car tax	320	320	0	0.0
Agricultural levies	619	585	-33	-5.4
Other taxes	1,700	1,775	75	4.4
<b>Other taxation receipts</b>	<b>3,298</b>	<b>3,340</b>	<b>42</b>	<b>1.3</b>
<b>Taxation receipts</b>	<b>213,188</b>	<b>213,360</b>	<b>172</b>	<b>0.1</b>
<i>Non-taxation</i>				
Sales of goods and services	5,008	5,280	272	5.4
Dividends	3,000	3,170	170	5.7
Interest received	3,498	3,477	-21	-0.6
Other non-taxation receipts	6,124	6,295	170	2.8
<b>Non-taxation receipts</b>	<b>17,631</b>	<b>18,222</b>	<b>591</b>	<b>3.4</b>
<b>Total receipts</b>	<b>230,819</b>	<b>231,582</b>	<b>763</b>	<b>0.3</b>

(a) The MYEFO estimate includes Medicare levy receipts of \$7,090 million in 2006-07.

## **NET DEBT AND NET WORTH**

Net debt was eliminated in 2005-06, falling from a peak of 18.5 per cent of GDP in 1995-96. Since the 2006-07 Budget, the forecast level of net debt has fallen from -\$22.1 billion to -\$28.1 billion.

The estimates of net debt have changed since the 2006-07 Budget primarily as a result of changes to the technical assumptions regarding the expected financial asset composition of the Future Fund. These assumptions are for estimates purposes only and are not intended as a guide for the Future Fund Board of Guardians in finalising its investment strategy for the Fund. The net debt projections are therefore sensitive to the actual asset composition of the Fund.

As a result of the lower level of net debt, net interest payments will continue to fall in 2006-07 and beyond. Having peaked at \$8.4 billion in 1996-97, net interest payments are expected to fall to \$0.5 billion in 2006-07.

Australian Government general government sector net worth is expected to be -\$11.9 billion in 2006-07 compared with -\$12.0 billion at the 2006-07 Budget. Net worth over the forward estimates is expected to improve and, for the first time, is projected to be positive in 2008-09.

**Table 13: Australian Government general government sector net worth, net debt and net interest payments**

	Estimates			
	2006-07		2007-08	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	147.1	149.2	163.0	164.1
Non-financial assets (\$b)	45.5	47.6	45.6	48.0
<b>Total assets (\$b)</b>	<b>192.6</b>	<b>196.8</b>	<b>208.6</b>	<b>212.1</b>
<b>Total liabilities (\$b)</b>	<b>204.6</b>	<b>208.7</b>	<b>210.9</b>	<b>214.7</b>
<b>Net worth (\$b)</b>	<b>-12.0</b>	<b>-11.9</b>	<b>-2.3</b>	<b>-2.6</b>
<b>Net debt (\$b)(a)(b)</b>	<b>-22.1</b>	<b>-28.1</b>	<b>-24.7</b>	<b>-11.0</b>
Per cent of GDP	-2.2	-2.7	-2.4	-1.0
<b>Net interest payments (\$b)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.0</b>
Per cent of GDP	0.0	0.0	0.0	0.0
	Projections			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	178.3	182.3	194.5	200.8
Non-financial assets (\$b)	46.2	49.3	46.3	50.3
<b>Total assets (\$b)</b>	<b>224.5</b>	<b>231.6</b>	<b>240.8</b>	<b>251.1</b>
<b>Total liabilities (\$b)</b>	<b>215.7</b>	<b>219.6</b>	<b>219.1</b>	<b>223.1</b>
<b>Net worth (\$b)</b>	<b>8.8</b>	<b>12.0</b>	<b>21.6</b>	<b>28.0</b>
<b>Net debt (\$b)(a)(b)</b>	<b>-37.1</b>	<b>-26.6</b>	<b>-50.2</b>	<b>-42.3</b>
Per cent of GDP	-3.4	-2.3	-4.3	-3.6
<b>Net interest payments (\$b)</b>	<b>-0.2</b>	<b>0.2</b>	<b>-0.9</b>	<b>-0.8</b>
Per cent of GDP	0.0	0.0	-0.1	-0.1

- (a) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.
- (b) Includes the impact of the partial sale of the Australian Government's holding in Telstra and transfer of the Australian Government's remaining shares to the Future Fund. It is assumed that the Future Fund will increasingly be invested in equities until it reaches a portfolio equity allocation consistent with the benchmark return specified in the Australian Government's investment mandate.

## 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 for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods* cat. no. 5514.0, which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*.

The 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 and Territories (the States). Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and thus are not available for expenditure by the Australian Government. Because the Australian Taxation Office collects GST as an agent for the States, GST receipts are not shown as Australian Government revenue. Estimates of GST receipts are provided in Table E2 of Appendix E.

ABS GFS 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 AAS financial statements currently record IMF Special Drawing Rights (SDRs) as a liability. This is consistent with AAS. The GFS statements also record SDRs as a liability. However, in accordance with the IMF's GFS manual, IMF SDRs are not treated as a liability in ABS GFS although IMF treats them this way in some of its other documentation. As the statistical standard underpinning the GFS manual (the System of National Accounts 1993) is currently being updated and includes a proposal to treat SDRs as a liability, the current approach will remain in place at least until this update is finalised.

The GFS financial statements currently adopt the AAS treatment for circulating coins. Under this treatment revenue is recognised upon the issue of coins and no liability is recorded, as there is no legal obligation requiring coins on issue to be repurchased by

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the Australian Government. However, in ABS GFS, coins on issue are treated as a liability and no revenue is recognised. The treatment of coins on issue is listed for clarification as part of the update of the statistical standard referred to above and the current treatment will remain in place at least until the update is finalised.

Similarly, the GFS financial statements currently record education grants on the same basis as the AAS statements. Under this treatment the Australian Government's obligation to the States is recognised upon the annual Ministerial determination, usually occurring at the beginning of each funding year. However, in accordance with the latest guidance issued by the ABS, ABS GFS now recognises the obligation later in the year as monies are transferred to each State and Territory.

ABS GFS 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 and measured. This treatment does not affect the underlying cash and fiscal balances.

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

**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 divergences discussed in Attachment A.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Revenue</b>				
Taxation revenue	217,056	227,555	240,123	251,922
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,984	5,003	5,138	5,291
Interest income	3,581	3,896	3,648	4,584
Dividend income	2,860	2,812	3,343	3,338
Other	3,404	3,461	3,350	3,247
<b>Total revenue</b>	<b>231,885</b>	<b>242,726</b>	<b>255,601</b>	<b>268,383</b>
<b>Expenses</b>				
Gross operating expenses				
Depreciation	2,228	2,417	2,513	2,550
Superannuation	2,526	2,576	2,667	2,735
Salaries and wages	13,744	14,062	14,098	14,382
Payment for supply of goods and services	53,344	56,083	57,430	59,422
Other operating expenses	2,990	3,098	3,266	3,367
<i>Total gross operating expenses</i>	<i>74,832</i>	<i>78,236</i>	<i>79,973</i>	<i>82,455</i>
Nominal superannuation interest expense	5,725	5,869	6,163	6,371
Other interest expenses	3,996	3,862	3,712	3,674
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	41,486	45,011	46,011	47,302
Subsidy expenses	7,326	7,795	8,281	8,214
Personal benefit payments in cash	80,830	86,203	92,665	99,883
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>129,643</i>	<i>139,009</i>	<i>146,957</i>	<i>155,398</i>
Capital transfers	4,979	5,345	5,688	4,770
<b>Total expenses</b>	<b>219,175</b>	<b>232,322</b>	<b>242,493</b>	<b>252,669</b>
<b>Net operating balance</b>	<b>12,709</b>	<b>10,404</b>	<b>13,108</b>	<b>15,714</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	3,762	3,021	3,459	3,146
<i>less</i> Sales of non-financial assets	<i>184</i>	<i>255</i>	<i>143</i>	<i>72</i>
<i>less</i> Depreciation	<i>2,228</i>	<i>2,417</i>	<i>2,513</i>	<i>2,550</i>
<i>plus</i> Change in inventories	<i>680</i>	<i>129</i>	<i>344</i>	<i>338</i>
<i>plus</i> Other movements in non-financial assets	<i>259</i>	<i>0</i>	<i>67</i>	<i>124</i>
<b>Total net acquisition of non-financial assets</b>	<b>2,290</b>	<b>478</b>	<b>1,215</b>	<b>986</b>
<b>Net lending/fiscal balance(a)</b>	<b>10,420</b>	<b>9,926</b>	<b>11,893</b>	<b>14,728</b>

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



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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Assets</b>				
Financial assets				
Cash and deposits	2,014	2,244	2,029	1,993
Advances paid	22,775	24,543	26,350	27,964
Investments, loans and placements	67,316	50,159	64,294	77,596
Other non-equity assets	26,988	20,318	20,577	21,217
Equity(a)	30,063	66,841	69,075	72,073
<i>Total financial assets</i>	<i>149,156</i>	<i>164,104</i>	<i>182,325</i>	<i>200,843</i>
Non-financial assets				
Land	6,172	6,244	6,314	6,274
Buildings	15,070	15,370	15,969	16,324
Plant, equipment and infrastructure	9,609	9,741	9,983	10,209
Inventories	5,588	5,717	6,060	6,399
Heritage and cultural assets	7,702	7,715	7,725	7,741
Other non-financial assets	3,478	3,246	3,221	3,316
<i>Total non-financial assets</i>	<i>47,619</i>	<i>48,034</i>	<i>49,273</i>	<i>50,263</i>
<b>Total assets</b>	<b>196,775</b>	<b>212,138</b>	<b>231,598</b>	<b>251,106</b>
<b>Liabilities</b>				
Deposits held	300	300	300	300
Advances received	0	0	0	0
Government securities	57,923	59,842	59,984	59,260
Loans	5,381	5,406	5,099	5,094
Other borrowing	420	390	664	625
Superannuation liability	101,300	104,741	108,314	111,928
Other employee entitlements and provisions	8,171	8,390	8,708	9,068
Other non-equity liabilities	35,213	35,673	36,539	36,835
<b>Total liabilities</b>	<b>208,709</b>	<b>214,743</b>	<b>219,608</b>	<b>223,110</b>
<b>Net worth(b)</b>	<b>-11,934</b>	<b>-2,605</b>	<b>11,989</b>	<b>27,996</b>
Net debt(c)(d)	-28,081	-11,007	-26,626	-42,274

(a) Equity includes equity holdings of the Future Fund.

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

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

(d) Includes the impact of the partial sale of the Government's holding in Telstra and transfer of the Government's remaining shares to the Future Fund. It is assumed that the Future Fund will increasingly be invested in equities until it reaches a portfolio equity allocation consistent with the benchmark return (excluding Telstra shares) specified in the Government's investment mandate.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Cash receipts from operating activities</b>				
Taxes received	213,360	223,528	235,599	247,778
Receipts from sales of goods and services	5,280	5,238	5,392	5,517
Grants and subsidies received	0	0	0	0
Interest receipts	3,477	3,664	3,402	4,326
Dividends	3,170	2,782	3,343	3,338
GST input credits received by general government	3,027	2,988	2,996	3,058
Other receipts	3,083	3,240	3,114	2,987
<b>Total operating receipts</b>	<b>231,397</b>	<b>241,440</b>	<b>253,846</b>	<b>267,004</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services	-57,026	-59,840	-61,260	-63,313
Grants and subsidies paid	-51,638	-55,549	-56,593	-57,889
Interest paid	-3,948	-3,615	-3,560	-3,480
Personal benefit payments	-79,735	-85,287	-92,000	-99,370
Salaries, wages and other entitlements	-18,400	-18,996	-19,235	-19,693
GST payments by general government to taxation authority	-79	-81	-82	-85
Other payments for operating activities	-2,761	-2,572	-3,136	-3,153
<b>Total operating payments</b>	<b>-213,586</b>	<b>-225,941</b>	<b>-235,866</b>	<b>-246,982</b>
<b>Net cash flows from operating activities</b>	<b>17,811</b>	<b>15,499</b>	<b>17,980</b>	<b>20,022</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	185	267	147	77
Purchases of non-financial assets	-3,967	-3,046	-2,977	-3,302
<b>Net cash flows from investments in non-financial assets</b>	<b>-3,782</b>	<b>-2,779</b>	<b>-2,830</b>	<b>-3,226</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>7,038</b>	<b>4,878</b>	<b>41</b>	<b>-2,048</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-20,267	-19,281	-15,069	-13,982
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-20,267</b>	<b>-19,281</b>	<b>-15,069</b>	<b>-13,982</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	0	0	0	0
Borrowing (net)	-943	2,186	92	-589
Deposits received (net)	-20	0	0	0
Other financing (net)	232	-273	-429	-214
<b>Net cash flows from financing activities</b>	<b>-730</b>	<b>1,913</b>	<b>-337</b>	<b>-803</b>
<b>Net increase/decrease in cash held</b>	<b>70</b>	<b>230</b>	<b>-215</b>	<b>-36</b>

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>14,029</b>	<b>12,720</b>	<b>15,150</b>	<b>16,796</b>
Finance leases and similar arrangements(b)	-33	16	-551	30
<b>GFS cash surplus(+)/deficit(-)</b>	<b>13,997</b>	<b>12,736</b>	<b>14,599</b>	<b>16,826</b>
less Future Fund earnings	2,169	3,075	2,755	2,829
<b>Equals underlying cash balance(c)</b>	<b>11,827</b>	<b>9,662</b>	<b>11,844</b>	<b>13,997</b>
plus net cash flows from investments in financial assets for policy purposes	7,038	4,878	41	-2,048
plus Future Fund earnings	2,169	3,075	2,755	2,829
<b>Equals headline cash balance</b>	<b>21,035</b>	<b>17,614</b>	<b>14,640</b>	<b>14,778</b>

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

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

(c) The term underlying cash balance is not used by the ABS.

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

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Opening net worth</b>	<b>-23,122</b>	<b>-11,934</b>	<b>-2,605</b>	<b>11,989</b>
<b>Opening net worth adjustments(a)</b>	287	0	0	0
<b>Adjusted opening net worth</b>	<b>-22,835</b>	<b>-11,934</b>	<b>-2,605</b>	<b>11,989</b>
<b>Change in net worth from operating transactions</b>	<b>12,709</b>	<b>10,404</b>	<b>13,108</b>	<b>15,714</b>
<b>Change in net worth from other economic flows</b>				
Revaluation of equity(b)	205	-311	1,261	1
Net writedowns of assets (including bad and doubtful debts)	-2,434	-2,201	-1,971	-2,156
Assets recognised for the first time	178	18	19	30
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	-73	0	0	0
Net swap interest received	10	-51	-46	-41
Fair Value Gains Financial Instruments	348	1,279	2,248	2,455
Other economic revaluations(c)	-42	191	-24	5
<b>Total other economic flows</b>	<b>-1,808</b>	<b>-1,075</b>	<b>1,486</b>	<b>294</b>
<b>Closing net worth</b>	<b>-11,934</b>	<b>-2,605</b>	<b>11,989</b>	<b>27,996</b>

(a) Change in net worth arising from a change in 2005-06 outcomes.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects revaluation of assets and liabilities.

## SENSITIVITY OF FISCAL EXPENSES AND REVENUE TO ECONOMIC DEVELOPMENTS

A guide to the sensitivity of the forward estimates of expenses and revenue due to variations in economic parameters in 2006-07 is provided in Table 18. 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 fiscal expenses and revenue to changes in economic parameters**

	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Expenses</b>				
Prices(a)	370	480	630	620
Wages	0	320	500	520
Federal Minimum Wage decision	0	90	170	240
Unemployment benefit recipients	120	240	250	260
<b>Revenue</b>				
Prices	20	130	150	150
Wages	870	1,770	1,790	1,910
Employment	840	1,710	1,720	1,840
Private final demand	100	290	300	310
Profits	120	460	500	540

(a) A change in the methodology used to estimate liabilities under the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme means these estimates are now less sensitive to short-term changes in the CPI, compared to the estimates shown in previous MYEFO documents.

## 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 of the parameters will lead to a reduction in expenses.

### Prices

All price growth rates are assumed to change by one percentage point in the March quarter 2007 and to remain unchanged subsequently, with all wage and salary growth rates left unchanged through the Budget and forward years.

- The effect of a change in prices is due to the indexation of Australian Government expenses (which impacts more in the forward years than the Budget year) and a one-off impact on the liabilities of the military superannuation schemes in 2006-07 (which in turn impacts on the defence superannuation interest expense).

### **Wages**

All wage and salary growth rates are assumed to change by one percentage point in the March quarter 2007 and to remain unchanged subsequently, with all price growth rates left unchanged through the Budget and forward years.

- The effect of a change in wage and salary growth rates is largely due to the Government's commitment to maintain selected pensions at a minimum of 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.

### **The Federal Minimum Wage decision**

The Federal Minimum Wage increase determined by the Australian Fair Pay Commission (AFPC) is assumed to be \$2 per week higher in the Budget year and all forward years.

- Around \$60 billion of expenses in 2006-07, comprising agency departmental expenses, other Australian Government Own Purpose Expenses and Specific Purpose Payments to the States of a departmental expense nature, are indexed to weighted averages of movements in the Consumer Price Index and the Federal Minimum Wage decision.

### **Unemployment Benefit Recipients (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.

## **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 2007, with wage deflators left unchanged.

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- A change in prices affects revenue primarily through changes in excise revenue and petroleum resource rent tax.

### **Wages**

All wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2007, 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.

### **Employment**

The level of employment is assumed to change by one percentage point from the beginning of the March quarter 2007, with no change in the composition of employment.

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

### **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 2007, 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 2007.

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

## TAX EXPENDITURES

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

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

Table 19 provides aggregate tax expenditure estimates for the period from 2002-03 to 2009-10.

**Table 19: Aggregate tax expenditures 2002-03 to 2009-10<sup>(a)</sup>**

Year	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditures as a proportion of GDP (%)
2002-03 (est)	10,100	19,347	29,447	3.8
2003-04 (est)	13,540	20,015	33,555	4.0
2004-05 (est)	16,600	22,693	39,293	4.4
2005-06 (est)	18,080	24,064	42,144	4.4
2006-07 (proj)	17,255	24,064	41,319	4.0
2007-08 (proj)	20,250	26,420	46,670	4.3
2008-09 (proj)	22,230	27,692	49,922	4.4
2009-10 (proj)	23,940	28,756	52,696	4.5

(a) Preliminary estimates only — final estimates will be published in the *2006 Tax Expenditure Statement*.

Measured tax expenditures as a proportion of GDP are projected to fall from 4.4 per cent in 2005-06 to 4.0 per cent in 2006-07 mainly as a result of the impact of personal income tax rate reductions on the tax expenditure estimates. The ratio is projected to increase to 4.5 per cent by 2009-10 mainly because of changes in superannuation tax arrangements included in the *Simplified Superannuation* reforms.

Further detail on tax expenditures will be provided in the *2006 Tax Expenditures Statement*.

**SUPPLEMENTARY EXPENSE AND CAPITAL TABLES AND THE  
CONTINGENCY RESERVE**

**Expenses**

Table 20 shows estimates of Australian Government general government expenses by function and sub-function for 2006-07 and the forward years.



**Table 20: Estimates of Australian Government general government expenses by function and sub-function**

	Estimates						Projections					
	2006-07			2007-08			2008-09			2009-10		
	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	830	873	5	948	993	5	777	820	6	784	843	8
Financial and fiscal affairs	4,109	4,649	13	4,076	4,700	15	4,117	4,848	18	4,211	5,008	19
Foreign affairs and economic aid	3,293	3,184	-3	3,957	3,895	-2	4,420	4,357	-1	4,525	4,720	4
General research	2,386	2,393	0	2,437	2,438	0	2,446	2,445	0	2,498	2,505	0
General services	639	717	12	639	709	11	640	690	8	653	701	7
Government superannuation benefits	2,551	2,526	-1	2,600	2,576	-1	2,690	2,667	-1	2,783	2,735	-2
<b>Defence</b>	17,871	17,025	-5	17,955	18,300	2	18,078	18,713	4	19,013	19,021	0
<b>Public order and safety</b>	3,286	3,393	3	3,326	3,483	5	3,370	3,557	6	3,450	3,671	6
<b>Education</b>	16,633	16,584	0	17,041	16,993	0	17,606	17,576	0	18,353	18,307	0
<b>Health</b>	39,838	39,708	0	41,991	42,003	0	43,635	43,631	0	45,459	45,428	0
<b>Social security and welfare</b>	91,756	91,349	0	95,807	96,331	1	99,991	100,462	0	103,788	104,141	0
<b>Housing and community amenities</b>	2,790	2,712	-3	3,026	3,127	3	2,631	2,647	1	2,314	2,391	3
<b>Recreation and culture</b>	2,627	2,731	4	2,549	2,692	6	2,513	2,630	5	2,534	2,608	3
<b>Fuel and energy</b>	4,804	4,935	3	4,958	5,183	5	5,290	5,523	4	5,304	5,515	4
<b>Agriculture, fisheries and forestry</b>	2,300	2,620	14	1,942	1,895	-2	1,588	1,415	-11	1,331	1,296	-3
<b>Mining, manufacturing and construction</b>	2,085	2,122	2	2,030	2,075	2	2,046	2,123	4	2,038	2,109	3
<b>Transport and communication</b>	3,552	3,608	2	4,023	4,083	1	4,166	4,223	1	2,649	2,703	2
<b>Other economic affairs</b>												
Tourism and area promotion	197	201	2	196	198	1	126	128	2	126	131	4
Labour and employment affairs	4,461	4,404	-1	4,416	4,415	0	4,414	4,531	3	4,503	4,687	4
Other economic affairs nec	959	1,005	5	948	987	4	957	966	1	965	966	0

Table 20: Australian Government expenses by function and sub-function (continued)

	Estimates						Projections					
	2006-07			2007-08			2008-09			2009-10		
	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	3,514	3,617	3	3,447	3,494	1	3,310	3,355	1	3,283	3,333	2
Nominal superannuation interest	5,784	5,725	-1	5,870	5,869	0	6,077	6,163	1	6,289	6,371	1
General purpose inter-government transactions	2,617	2,595	-1	2,671	2,695	1	2,624	2,647	1	2,547	2,608	2
Natural disaster relief	99	117	18	93	93	0	93	93	0	93	93	0
Contingency reserve	747	386	-48	3,611	3,095	-14	7,303	6,285	-14	13,099	10,777	-18
<b>Total expenses</b>	<b>219,730</b>	<b>219,175</b>	<b>0</b>	<b>230,556</b>	<b>232,322</b>	<b>1</b>	<b>240,910</b>	<b>242,493</b>	<b>1</b>	<b>252,592</b>	<b>252,669</b>	<b>0</b>

## **Contingency Reserve**

The Contingency Reserve (other purposes function) 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. These allowances are removed from the reserve and allocated to specific agencies for appropriation and for outcome reporting closer to the time when they eventuate.

The Contingency Reserve makes allowance in 2006-07 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 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 events and pressures that are reasonably expected to affect the budget estimates.

## FEDERAL FINANCIAL RELATIONS

In 2006-07, the States and Territories (the States) will receive GST revenue of \$39.3 billion and other payments from the Australian Government of \$28.3 billion, totalling \$67.6 billion as shown in Table 21.

**Table 21: GST and Australian Government payments to the States, 2006-07**

(\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) GST revenue to the States	10,999	8,515	8,012	3,945	3,562	1,566	763	1,979	39,342
(2) General revenue assistance	5	4	3	2	2	1	..	1	17
(3) Specific purpose payments	9,139	6,521	5,447	3,437	2,183	694	444	421	28,285
SPPs to the States	6,658	4,598	3,950	2,639	1,586	501	297	333	20,562
SPPs through the States	2,334	1,814	1,398	736	567	170	146	75	7,240
SPPs direct to local government	147	109	100	62	29	22	1	14	484
(4) Australian Government payments to the States and local govt (2) + (3)	9,144	6,524	5,451	3,438	2,185	694	444	422	28,303
(5) GST and total payments (1) + (4)	20,143	15,040	13,463	7,383	5,747	2,261	1,207	2,401	67,644
Per cent of GDP	2.0	1.5	1.3	0.7	0.6	0.2	0.1	0.2	6.6

### GST revenue to the States

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST revenue is paid to the States. This provides the States with a secure, growing and broad based revenue source to spend according to their own budget priorities. Table 22 is a reconciliation of the estimates of GST revenue between the 2006-07 Budget and the 2006-07 MYEFO.

**Table 22: Reconciliation of GST revenue estimates**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>2006-07 Budget</b>	40,000	42,210	44,440	46,670
<b>Changes between 2006-07 Budget and MYEFO</b>				
Effect of policy decisions	..	..	..	..
Effect of revenue recognition variations(a)	390	340	260	350
Effect of parameter and other variations	240	580	930	980
Total variations	630	920	1,190	1,330
<b>2006-07 MYEFO</b>	40,630	43,130	45,630	48,000

(a) Accrual estimates for GST revenue at the 2006-07 Budget were recognised using the Taxation Liability Method (TLM) of revenue recognition. Since the 2005-06 Final Budget Outcome, GST revenue has been recognised using the Economic Transactions Method (ETM) of revenue recognition. Refer to Appendix F of Statement 5 in 2006-07 Budget Paper No. 1 for an explanation of the different methods of revenue recognition.

A change in the recognition methodology for GST revenue has increased the GST revenue estimate for 2006-07 by \$390 million above the estimate provided at the 2006-07 Budget. This change in methodology only affects GST revenue estimated on an accruals basis, and does not affect GST receipts (cash collections) or the GST revenue to the States. GST revenue for 2006-07 has been revised up by a further \$240 million, primarily due to the higher than expected outcome for 2005-06.

Under the Intergovernmental Agreement, the Commissioner for Taxation estimates the likely level of GST receipts in June, prior to the end of each financial year. A balancing adjustment is usually made in the following financial year to ensure that the States receive the full amount of GST receipts for a financial year.

In 2006-07, the States will receive GST revenue totalling an estimated \$39.3 billion – \$212 million higher than estimated at the 2006-07 Budget. The upward revision reflects an increase of \$240 million in the estimate of GST receipts for 2006-07, offset by the recovery of a \$28 million overpayment in respect of 2005-06. Estimates of GST revenue to the States are shown in Table 23.

**Table 23: GST revenue to the States, 2005-06 to 2009-10**

	Outcome	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
GST revenue	38,884	40,630	43,130	45,630	48,000
less change in GST receivables	1,442	1,260	1,270	1,250	1,380
GST receipts	37,442	39,370	41,860	44,380	46,620
plus variation from Commissioner's determination(a)	28				
plus prior year balancing adjustment	-288	-28			
GST revenue to the States	37,182	39,342	41,860	44,380	46,620

(a) The Commissioner's determination for 2005-06 was \$28 million higher than the final outcome.

GST revenue to the States has grown strongly since its introduction, as shown in Table 24. The average annual increase since 2001-02<sup>1</sup> has been 8.2 per cent.

**Table 24: GST revenue to the States, 2000-01 to 2006-07**

(\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2000-01	7,258	5,099	4,658	2,375	2,279	988	473	1,226	24,355
2001-02	8,132	5,593	5,019	2,518	2,477	1,060	544	1,290	26,632
2002-03	9,080	6,365	5,888	2,910	2,859	1,247	616	1,515	30,479
2003-04	9,667	6,961	6,553	3,158	3,146	1,394	658	1,681	33,219
2004-05	9,884	7,346	7,329	3,624	3,293	1,435	680	1,730	35,323
2005-06	10,362	7,833	7,689	3,804	3,442	1,496	723	1,834	37,182
2006-07	10,999	8,515	8,012	3,945	3,562	1,566	763	1,979	39,342

1 As only 11 monthly activity statements, 3 quarterly activity statements, and no annual activity statements were payable in 2000-01, the calculated annual increase uses 2001-02 as the base year.

### General revenue assistance

In the Intergovernmental Agreement, the Australian Government guaranteed that the budgetary position of each individual State would be no worse off than it would have been had the reforms in the Agreement not been implemented. The guaranteed minimum amount (GMA) is an estimate of the revenue that each State would have received under the previous system of financial assistance grants and if their own inefficient state taxes had not been abolished as part of the reforms.

For 2006-07, it is estimated that each State will receive more GST revenue than their GMA and, consequently, no State will require budget balancing assistance (BBA). Indeed, the States will receive a total revenue gain from the reforms of around \$2.0 billion above their GMA. These revenue gains are estimated to increase to around \$5.0 billion by 2009-10, as shown in Table 25.

**Table 25: Revenue gains to the States as a result of reform, 2006-07 to 2009-10<sup>(a)</sup>**

(\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2006-07</b>									
(1) GMA(b)	10,837	8,152	7,346	3,643	3,367	1,459	703	1,858	37,364
(2) GST revenue	10,999	8,515	8,012	3,945	3,562	1,566	763	1,979	39,342
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	162	363	666	302	195	108	60	121	1,978
<b>2007-08</b>									
(1) GMA	11,247	8,415	7,478	3,680	3,473	1,496	724	1,971	38,483
(2) GST revenue	11,906	9,138	8,400	4,139	3,763	1,621	809	2,086	41,860
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	659	722	922	459	290	125	85	115	3,377
<b>2008-09</b>									
(1) GMA	11,809	8,704	7,621	3,721	3,559	1,530	747	2,069	39,760
(2) GST revenue	12,903	9,765	8,744	4,317	3,938	1,674	852	2,187	44,380
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	1,094	1,061	1,122	596	380	145	105	118	4,620
<b>2009-10</b>									
(1) GMA(c)	12,593	9,035	7,925	3,850	3,684	1,568	782	2,173	41,609
(2) GST revenue	13,838	10,190	9,080	4,490	4,099	1,722	896	2,305	46,620
(3) States' revenue gain (2) - (1)	1,245	1,155	1,155	640	415	154	113	133	5,011

(a) Estimates from 2006-07 will be affected by variations in GMA components and GST revenue. Estimates from 2007-08 will be affected by recommendations by the Commonwealth Grants Commission on the distribution of GST provided to each of the States. Where GST revenue exceeds the GMA, no BBA is payable. As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, the Australian Government has extended the transitional period (in which BBA may be paid) from 30 June 2006 to 30 June 2009.

(b) As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, stamp duties on cheques, bills of exchange and promissory notes have been abolished in all States. The revenue foregone is included in the GMA from 2006-07.

(c) As part of the agreement with the States to abolish the majority of the state taxes listed for review under the Intergovernmental Agreement, all States will have abolished stamp duties on credit arrangements, instalment purchase arrangements, rental arrangements and leases by 1 July 2009. The revenue foregone is included in the GMA from 2009-10.

As no BBA is payable for 2006-07, general revenue assistance only consists of \$17 million in compensation payments to the States in respect of the cost of the Australian Government's decision to allow certain small businesses and non-profit organisations to pay their GST liability on an annual rather than quarterly basis (refer to 2004-05 Budget Paper No. 2). The compensation will ensure that the full financial impact of the decision is borne by the Australian Government and that there will be no impact on state budgets. Compensation payments for each year will be subject to an ex-post adjustment once final tax return data becomes available and the impact of the measure on GST revenue is known.

### Specific purpose payments

The States receive substantial specific purpose payments from the Australian Government to help fund areas such as education, health, social security, housing and transport. These payments are a financial contribution to important areas of state responsibility which the Australian Government makes to pursue its own objectives.

In 2006-07, the States are estimated to receive \$28.3 billion in specific purpose payments (Table 26). Of this, \$7.2 billion is paid through the States, to be passed on to local governments and to others (for example, non-government schools), and \$484 million is paid direct to local governments.

Specific purpose payments have grown significantly since 2000-01, by an average of 7 per cent per annum, and are estimated to grow in aggregate by a further 5 per cent in 2006-07.

**Table 26: Specific purpose payments, 2004-05 to 2006-07**

(\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>To the States</b>									
2004-05	5,924	4,022	3,341	2,196	1,428	474	281	303	17,969
2005-06	6,402	4,421	3,648	2,500	1,514	501	286	342	19,613
<b>2006-07</b>	<b>6,658</b>	<b>4,598</b>	<b>3,950</b>	<b>2,639</b>	<b>1,586</b>	<b>501</b>	<b>297</b>	<b>333</b>	<b>20,562</b>
<b>Through the States</b>									
2004-05	2,139	1,643	1,219	659	506	152	128	69	6,515
2005-06	2,221	1,752	1,324	705	540	163	138	73	6,915
<b>2006-07</b>	<b>2,334</b>	<b>1,814</b>	<b>1,398</b>	<b>736</b>	<b>567</b>	<b>170</b>	<b>146</b>	<b>75</b>	<b>7,240</b>
<b>Direct to local governments</b>									
2004-05	90	78	54	43	22	10	6	7	311
2005-06	105	90	84	44	26	16	1	11	376
<b>2006-07</b>	<b>147</b>	<b>109</b>	<b>100</b>	<b>62</b>	<b>29</b>	<b>22</b>	<b>1</b>	<b>14</b>	<b>484</b>
<b>Total specific purpose payments</b>									
2004-05	8,154	5,742	4,614	2,898	1,955	637	415	379	24,795
2005-06	8,727	6,262	5,055	3,249	2,079	680	426	426	26,904
<b>2006-07</b>	<b>9,139</b>	<b>6,521</b>	<b>5,447</b>	<b>3,437</b>	<b>2,183</b>	<b>694</b>	<b>444</b>	<b>421</b>	<b>28,285</b>

## Reform of state taxes

Implementation of the Intergovernmental Agreement has already delivered significant economic benefits as a result of abolishing a first tranche of inefficient state taxes from as early as 1 July 2000. The value of the revenue foregone from the abolition of these inefficient taxes is estimated to be \$3.9 billion in 2006-07 (Table 27).

The Australian Government has now agreed with the States on a schedule for the next tranche of state tax reform. The schedule provides for the abolition of all but one of the remaining taxes listed for review in the Agreement – these taxes were to be reviewed in 2005 to ensure that there was sufficient GST revenue to fund their abolition. The value of the revenue foregone from the second tranche of the abolition of state taxes is estimated to be a further \$0.6 billion in 2006-07 (Table 27), growing to \$1.7 billion by 2009-10.

**Table 27: State tax revenues foregone as a result of reform, 2006-07<sup>(a)</sup>**

(\$m)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Tranche 1</i>									
Financial institutions duty	809	435	na	166	111	26	22	22	1,591
Debits tax	357	284	385	127	64	24	20	9	1,269
Quotable marketable securities duty	545	282	30	35	19	1	27	1	939
Accommodation taxes	105	na	na	na	na	na	na	11	115
<b>Total</b>	<b>1,815</b>	<b>1,001</b>	<b>415</b>	<b>328</b>	<b>193</b>	<b>51</b>	<b>68</b>	<b>42</b>	<b>3,913</b>
<i>Tranche 2</i>									
Mortgage duty	0	227	0	73	31	8	na	na	338
Rental duty	0	26	48	15	0	4	0	0	93
Lease duty	0	52	27	16	3	1	0	1	100
Non-quotable marketable securities duty	0	22	6	10	0	1	0	1	39
Cheque duty	na	na	na	6	3	na	na	3	12
Non-real business assets duty	0	na	0	0	0	0	1	0	1
<b>Total</b>	<b>0</b>	<b>327</b>	<b>80</b>	<b>119</b>	<b>38</b>	<b>14</b>	<b>1</b>	<b>5</b>	<b>584</b>

(a) A not applicable (na) indicates that the State did not levy that particular tax at the time of the Intergovernmental Agreement. A zero indicates that the State levies that particular tax, but has agreed to abolish it at a later date. Revenue foregone from the abolition of a tax is only included in the calculation of GMA (Table 25) once all States have abolished the tax.

Under the Intergovernmental Agreement, stamp duty on business conveyances of real property is also to be abolished, by a date to be determined jointly by the Australian Government and the States, on the basis that no State would be worse off in any year, compared with their likely financial position if reform had not occurred. This is the last remaining tax listed in the Intergovernmental Agreement which all of the States have agreed to abolish, but none have so far set out its timetable.



# APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2006-07 BUDGET

## SUMMARY OF POLICY DECISIONS TAKEN SINCE THE 2006-07 BUDGET

**Table A1: Revenue measures since the 2006-07 Budget<sup>(a)</sup>**

Page	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
67	-13.2	-15.2	-	-
	<b>-13.2</b>	<b>-15.2</b>	<b>-</b>	<b>-</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Australian Customs Service</i>				
Excise and customs duty				
73	..	..	..	..
73	-	-	-	-
74	-	-	-	-
74	..	..	..	-
<i>Insolvency and Trustee Service Australia</i>				
92	0.1	1.1	1.0	1.0
	<b>0.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Communications and Media Authority</i>				
68	-	nfp	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Department of Education, Science and Training</i>				
106	-	..	..	0.1
107	-	..	..	..
110	-	-	..	0.1
	<b>-</b>	<b>..</b>	<b>0.1</b>	<b>0.2</b>
<b>HEALTH AND AGEING</b>				
<i>Department of Health and Ageing</i>				
Pharmaceutical Benefits Scheme				
144	nfp	nfp	nfp	nfp
145	nfp	nfp	nfp	nfp
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A1: Revenue measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07	2007-08	2008-09	2009-10
		\$m	\$m	\$m	\$m
	<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>				
	<i>Department of Immigration and Multicultural Affairs</i>				
69	Visas – arrangements for new European Union member states	-	-0.4	-0.4	-0.5
	<b>Portfolio total</b>	<b>-</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.5</b>
	<b>TREASURY</b>				
	<i>Australian Taxation Office</i>				
70	Alignment of small business tax concessions	-	-	-75.0	-75.0
176	British Nuclear Tests Programme – health testing and treatment for participants(b)	-	-	-	-
	Capital gains tax				
70	– changes to the tax treatment of testamentary trusts	*	*	*	*
71	– exemption of expense-reimbursing government grants	-	-	-	-
71	– small business concession amendments	..	*	*	*
72	Consolidation – group restructures	*	*	*	*
124	Cyclone Larry and Cyclone Monica – one-off income support(b)	-	..	-	-
156	Cyclones Monica and Larry Business Assistance Fund for Cape York – establishment(b)	..	..	..	..
72	Deductions for donations with a minor benefit – amendment to existing measure	-	-1.5	-6.0	-6.0
158	Energy initiatives – liquefied petroleum gas vehicle purchase and conversion rebate – establishment(b)	-1.0	-38.0	-146.0	-133.0
	Excise and customs duty				
73	– alignment of snuff tobacco rate with other tobacco rate	-	-	-	-
73	– removal of differential for high sulphur diesel	-	-	-	-
74	– removal of differential for leaded petrol	-	-	-	-
74	Excise and customs duty on diesel – no increase in rates	-53.0	-109.0	-56.0	-
74	Farm management deposits – increasing thresholds	-	-20.0	-18.0	-18.0
75	Foreign hybrid rules – treatment of UK limited liability partnerships	..	..	..	..
75	Fringe benefits tax – reporting exclusion for pooled or shared cars	-	-	-1.0	-1.0
76	International taxation – new tax treaties	..	-10.0	-10.0	-10.0
76	New international taxation arrangements – transitional arrangements for taxing capital gains on property owned by non-residents	-	-20.0	-15.0	-10.0
	Personal income tax				
76	– extension of the beneficiary tax offset to Cyclone Larry income support payments	..	-0.5	-	-
77	– status of Australian Defence Force overseas operations	-0.4	-1.4	-	-
	Philanthropy				
77	– changes to prescribed private funds	-28.9	-17.2	-15.4	-15.6
77	– updating the list of eligible deductible gift recipients	-0.4	-10.8	-7.0	-5.8
79	Private company distributions – changes to integrity rules	*	*	*	*

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A1: Revenue measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07	2007-08	2008-09	2009-10
		\$m	\$m	\$m	\$m
	<b>TREASURY (continued)</b>				
79	Simplified imputation system – dividend tainting and transfer pricing adjustments	..	..	..	..
80	Simplified Superannuation	-55.0	-1276.0	-1159.5	-1413.0
81	Statutory effective life caps for tractors and harvesters	-	-	-	-
82	Superannuation fund investment rules – instalment warrants	-50.0	-90.0	-100.0	-110.0
82	Tax concessions for the International Criminal Court	..	..	..	..
83	Tax secrecy laws – changes to allow better information sharing for Project Wickenby	..	..	..	..
83	Thin capitalisation rules – application to groups containing certain authorised deposit-taking institutions	..	..	..	..
84	Trans-Tasman imputation	*	*	*	*
84	Unclaimed superannuation – improved administration arrangements	-	-	-	-
	<b>Portfolio total</b>	<b>-188.7</b>	<b>-1594.4</b>	<b>-1608.9</b>	<b>-1797.4</b>
	<b>Decisions taken but not yet announced</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44.0</b>
	<b>Total impact of revenue measures(c)</b>	<b>-201.8</b>	<b>-1608.9</b>	<b>-1608.3</b>	<b>-1752.7</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) Details of these measures can be found under Part 2: Expense measures

(c) Measures may not add due to rounding.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup>**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
	<i>Department of Agriculture, Fisheries and Forestry</i>				
85	Drought assistance – Exceptional Circumstances assistance	414.4	422.7	-	-
	Drought Package 2006				
86	– assistance for small businesses	90.2	111.2	-	-
86	– Country Women's Association community grants	2.3	2.3	-	-
86	– professional advice	19.2	13.9	-	-
87	– Rural Financial Counselling Service	2.9	4.1	-	-
87	Gunns pulp mill – additional funding	2.6	-	-	-
173	Horticulture Mandatory Code of Conduct – enforcement	-	-	-	-
88	Pandemic influenza preparedness – establishing rapid deployment teams for thermal scanning at airports	2.1	2.8	2.9	3.0
88	Tobacco grower adjustment assistance	42.0	-	-	-
	<b>Portfolio total</b>	<b>575.6</b>	<b>557.1</b>	<b>2.9</b>	<b>3.0</b>
	<b>ATTORNEY-GENERAL'S</b>				
	<i>Attorney-General's Department</i>				
	Addressing violence and child abuse in Indigenous communities				
89	– community legal education	-	1.1	0.9	1.1
90	– judicial training	-	0.2	0.1	0.1
91	Anti-money laundering and counter-terrorism financing reforms	0.3	8.7	5.4	0.5
93	Crime Stoppers Australia – additional funding	0.3	0.3	0.2	0.2
93	Government response to the report on Overseas Adoption in Australia	0.7	2.0	2.6	2.6
94	National Action Plan for social cohesion, harmony and security – improving crisis management for the Muslim community	0.8	0.6	0.7	0.8
95	National Emergency Call Centre and National Security Hotline – database connectivity	*	*	*	*
95	United Nations Oil-For-Food Programme – additional funding for Commission of Inquiry	5.8	-	-	-
	<i>Australian Crime Commission</i>				
90	Addressing violence and child abuse in Indigenous communities – National Indigenous Violence and Child Abuse Intelligence Task Force	4.0	4.3	1.9	0.3
	<i>Australian Customs Service</i>				
94	Maritime Security – Australian Maritime Identification System	6.4	-	-	-
	<i>Australian Federal Police</i>				
	Addressing violence and child abuse in Indigenous communities				
89	– joint strike teams	0.3	0.5	0.5	0.5
90	– National Indigenous Violence and Child Abuse Intelligence Task Force	0.2	0.4	0.4	0.2
92	Australian Federal Police – international deployments	9.2	52.0	105.8	147.3

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>ATTORNEY-GENERAL'S (continued)</b>				
	<i>Australian Institute of Criminology</i>				
91	Anti-money laundering and counter-terrorism financing reforms	-	0.8	0.8	0.9
	<i>Australian Transaction Reports and Analysis Centre</i>				
91	Anti-money laundering and counter-terrorism financing reforms	2.5	29.0	31.6	32.6
	<i>Human Rights and Equal Opportunity Commission</i>				
94	National Action Plan for social cohesion, harmony and security – combating extremism	1.1	1.1	1.0	1.1
	<i>Insolvency and Trustee Service Australia</i>				
92	Bankruptcy Act 1966 – amendments to improve the operation of debt agreements	0.2	1.8	1.7	1.7
	<i>Office of the Privacy Commissioner</i>				
91	Anti-money laundering and counter-terrorism financing reforms	0.2	0.6	0.5	0.4
	<b>Portfolio total</b>	<b>31.7</b>	<b>103.4</b>	<b>154.3</b>	<b>190.3</b>
	<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
	<i>Australian Communications and Media Authority</i>				
97	Digital Action Plan for Australia's Transition to digital television	-	2.5	1.2	1.3
99	Protecting Australian Families Online – restructure of NetAlert	1.0	2.0	2.0	-
	<i>Australian Sports Commission</i>				
96	50th anniversary of the 1956 Melbourne Olympic Games – contribution	-	-	-	-
154	National Action Plan for social cohesion, harmony and security – pilot programmes	0.6	0.7	0.7	-
100	Tom Hoad Cup – contribution	-	-	-	-
	<i>Department of Communications, Information Technology and the Arts</i>				
96	Australia Business Arts Foundation – additional funding	0.6	-	-	-
96	Deaf Sports Australia – additional funding	0.1	..	0.1	-
97	Digital Action Plan for Australia's Transition to digital television	1.5	4.2	4.6	4.9
97	National Aboriginal and Islander Skills Development Association Dance College relocation – assistance	3.2	3.1	0.3	0.3
98	National Training Centre for Aerial Skiing – establishment	2.5	-	-	-
	Protecting Australian Families Online				
98	– consumer information campaign	11.4	6.3	0.5	-
99	– establishment of a National Filter Scheme	23.4	31.6	38.2	-
	<i>National Archives of Australia</i>				
177	National Archives of Australia – a new repository(b)	0.6	0.4	0.6	8.4
	<i>National Gallery of Australia</i>				
177	National Gallery of Australia – additional funding for building refurbishment and enhancement(b)	-	-	-	0.5
	<b>Portfolio total</b>	<b>45.0</b>	<b>50.8</b>	<b>48.2</b>	<b>15.4</b>

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>CROSS PORTFOLIO</b>				
	<i>Various Agencies</i>				
129	Lebanon – evacuation, recovery and reconstruction	*	-	-	-
	<b>Portfolio total</b>	-	-	-	-
	<b>DEFENCE</b>				
	<i>Department of Defence</i>				
101	Australian Army – additional infantry battalion	46.2	403.0	301.3	264.4
101	Australian Defence Force retention and recruitment – new initiatives	49.6	82.1	98.8	97.1
102	East Timor – funding to help restore peace and stability	120.8	7.4	-	-
	<b>Portfolio total</b>	<b>216.5</b>	<b>492.5</b>	<b>400.1</b>	<b>361.5</b>
	<b>EDUCATION, SCIENCE AND TRAINING</b>				
	<i>Department of Education, Science and Training</i>				
103	Addressing violence and child abuse in Indigenous communities – establishment of a National School Attendance Unit	2.0	2.7	-	-
103	Alfred Deakin Institute – support for establishment at Deakin University	4.0	-	-	-
104	Australian History Prize	0.2	0.2	0.2	0.3
104	Australian Technical Colleges	29.1	43.9	33.9	10.6
104	Australian-American Fulbright Commission – additional contribution	0.2	0.2	0.2	0.2
	COAG Health Workforce				
105	– support for medical schools	25.5	-	-	-
106	– support for more medical places	0.6	2.9	5.9	9.0
85	Drought assistance – Exceptional Circumstances assistance	11.3	11.9	-	-
86	Drought Package 2006 – assistance for small businesses	3.1	4.0	-	-
107	Larry Knight Scholarship – establishment	1.0	-	-	-
	National Action Plan for social cohesion, harmony and security				
107	– establishment of an Islamic studies centre	2.6	2.7	1.3	1.2
154	– pilot programmes	0.3	0.4	0.3	-
108	National School Chaplaincy Programme	14.1	35.0	34.1	24.2
108	Research Quality Framework – implementation	-	40.6	34.3	8.2
	Skills for the Future				
109	– advertising campaign	15.0	-	-	-
109	– business skills vouchers for apprentices	1.0	1.5	2.7	3.2
109	– incentives for higher technical skills	1.6	5.3	8.9	16.8
110	– more engineering places at university	-	7.0	12.4	16.6
110	– support for mid-career apprentices	1.6	44.0	68.7	87.3
111	– work skills vouchers	38.6	80.5	96.1	96.1
111	Tropical Cyclone Larry – school assistance	-	-	-	-
112	United States Studies Centre – establishment	-	-	-	-
112	University College Dublin – Keith Cameron Chair of Australian History	1.5	-	-	-
	<b>Portfolio total</b>	<b>153.4</b>	<b>282.7</b>	<b>299.0</b>	<b>273.6</b>

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>EMPLOYMENT AND WORKPLACE RELATIONS</b>				
	<i>Comcare</i>				
116	Occupational health and safety – expanded arrangements	1.9	-	-	-
	<i>Department of Employment and Workplace Relations</i>				
113	Cyclone Larry – extension of the wage assistance programme	-	-	-	-
	General Employee Entitlements and Redundancy Scheme				
113	– funding liquidators to pursue litigation	2.0	8.0	-	-
114	– increased redundancy cap	4.7	4.7	4.8	4.9
114	Income support – ex-gratia payments	..	..	-	-
	Labour assistance package				
114	– Beaconsfield mine	-	-	-	-
115	– Coles Myer	2.5	0.5	0.1	..
115	– Electrolux	1.1	2.8	0.8	0.2
116	– Port Kembla BlueScope	0.8	0.2	..	..
154	National Action Plan for social cohesion, harmony and security – pilot programmes	0.8	0.4	0.4	-
80	Simplified Superannuation(c)	0.6	16.4	20.7	21.1
155	Visas – improvements to the management of temporary skilled migration	1.0	1.5	1.5	1.6
116	Widow Allowance – ex-gratia payments	1.5	0.9	0.5	0.3
117	Workplace Relations Reform – continuation of the WorkChoices Employer Advisor Programme	12.5	-	-	-
	<i>Office of Workplace Services</i>				
117	Workplace Relations Reform – raising awareness of the Office of Workplace Services and Office of the Employment Advocate	7.3	7.2	3.0	3.0
	<b>Portfolio total</b>	<b>36.7</b>	<b>42.5</b>	<b>32.0</b>	<b>31.2</b>
	<b>ENVIRONMENT AND HERITAGE</b>				
	<i>Department of the Environment and Heritage</i>				
118	Blackburn Lake Sanctuary – support for land acquisition	1.8	-	-	-
118	Energy Initiatives – Renewable Remote Power Generation Programme – enhancement	-	30.9	30.9	30.9
118	Great Barrier Reef Structural Adjustment Package – enhancement	27.4	-	-	-
119	Qantas' first 707 Aircraft – return to Australia	1.0	-	-	-
119	St Patrick's Cathedral – support for reconstruction	-	-	-	-
120	St Peter and Paul's Old Cathedral – support for restoration	-	-	-	-
120	Used oil recyclers – additional transitional funding	-	-	-	-
121	View of Geelong painting – support for acquisition	0.8	-	-	-
	<b>Portfolio total</b>	<b>31.0</b>	<b>30.9</b>	<b>30.9</b>	<b>30.9</b>

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>				
	<i>Australian Institute of Family Studies</i>				
178	Australian Institute of Family Studies – additional funding(b)	0.3	0.2	-	-
	<i>Department of Families, Community Services and Indigenous Affairs</i>				
122	Addressing violence and child abuse in Indigenous communities – improved policing in remote areas	4.7	15.2	21.8	0.4
122	Baby Bonus – compulsory instalment payments for mothers under 18	1.3	0.4	0.1	0.1
123	Child Care Management System	28.5	26.4	1.0	-4.9
124	Cyclone Larry and Cyclone Monica – one-off income support	-	-	-	-
87	Drought Package 2006 – Rural Financial Counselling Service	-	2.1	-	-
124	Egypt Terrorist Bombings – ex gratia assistance	0.1	-	-	-
93	Government response to the report on Overseas Adoption in Australia	-	0.7	0.3	0.1
124	Jobs, Education and Training (JET) child care fee assistance – additional funding	20.7	-	-	-
154	National Action Plan for social cohesion, harmony and security – pilot programmes	0.2	0.2	0.2	-
95	National Emergency Call Centre and National Security Hotline – database connectivity	*	*	*	*
125	Pandemic influenza preparedness – mitigating social and community impacts	3.1	-	-	-
80	Simplified Superannuation(c)	9.3	583.6	801.5	905.0
178	Social Security Appeals Tribunal – additional funding(b)	..	-	-	-
	<b>Portfolio total</b>	<b>68.5</b>	<b>628.7</b>	<b>825.0</b>	<b>900.7</b>
	<b>FINANCE AND ADMINISTRATION</b>				
	<i>Australian Electoral Commission</i>				
126	Federal elections – improving the operation of Australian federal elections	1.5	6.1	..	0.1
	<i>Department of Finance and Administration</i>				
126	ASC Pty Ltd – sale costs	0.4	6.5	6.3	-
127	Parliamentary entitlements – reform package	12.8	10.5	8.6	16.6
	<b>Portfolio total</b>	<b>14.8</b>	<b>23.0</b>	<b>14.9</b>	<b>16.7</b>
	<b>FOREIGN AFFAIRS AND TRADE</b>				
	<i>Australian Agency for International Development</i>				
128	Australia Pacific Technical College	-	30.9	32.1	33.8
129	Emergency and humanitarian relief – contributions	-	-	-	-
129	Lebanon – evacuation, recovery and reconstruction	-	-	-	-
	<i>Department of Foreign Affairs and Trade</i>				
128	Australia Network – providing Australian television services to the Asia-Pacific region	18.0	18.7	18.8	19.3
	<b>Portfolio total</b>	<b>18.0</b>	<b>49.6</b>	<b>50.9</b>	<b>53.1</b>



**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>HEALTH AND AGEING</b>				
	<i>Department of Health and Ageing</i>				
	Addressing violence and child abuse in Indigenous communities				
130	– drug and alcohol treatment and rehabilitation services for Indigenous Australians in remote and regional areas	2.2	17.5	15.1	14.5
130	– Indigenous child health checks	1.9	1.9	-	-
131	Aged Care – improved arrangements for complaints handling	10.8	21.8	22.6	23.8
132	APEC 2007 – Health Ministers' meeting	1.0	0.1	-	-
132	Australian Red Cross Society – contribution to humanitarian relief and community support	5.0	5.0	-	-
	COAG Health Workforce				
132	– establishing a taskforce on the national health workforce	1.4	1.4	1.4	1.4
133	– expanding medical specialist training to a broader range of settings	5.9	9.8	17.8	25.3
133	– increasing the proportion of medical students bonded to areas of workforce shortage	0.3	0.6	0.8	0.8
134	– national registration and accreditation schemes	3.3	5.2	5.5	2.0
134	– new Medicare item	0.7	3.9	8.9	12.5
135	– strengthening the health workforce in rural and remote areas and in Indigenous communities	1.3	4.4	5.1	6.2
106	– support for more medical places	0.1	0.4	1.9	6.2
	Community Care				
180	– developing a needs identification model(b)	0.4	0.8	0.6	0.2
135	– review of community aged care arrangements	0.7	0.8	-	-
85	Drought assistance – Exceptional Circumstances assistance	2.5	3.3	..	-
86	Drought Package 2006 – assistance for small businesses	0.7	1.1	-	-
	Home and Community Care				
136	– funding to improve access to community care	-	30.0	-	-
136	– implementation of new planning and reporting arrangements	1.1	1.9	2.4	2.4
137	Indigenous Communities – reducing substance abuse (petrol sniffing) – roll out of Opal fuel in Alice Springs	-	3.9	4.0	4.1
137	Latent tuberculosis skin test	0.9	0.9	0.9	0.1
138	Medicare Benefits Schedule – new and revised listings	18.6	29.0	30.6	32.6
151	Medicare rebates – electronic claiming via EFTPOS	0.8	0.4	0.2	0.1
	National Immunisation Programme				
138	– human papilloma virus vaccine	92.1	220.4	85.3	39.0
139	– vaccine price increase	4.1	4.5	4.5	4.5
139	Pandemic influenza – additional funding for avian influenza vaccine trial	2.3	-	-	-
140	Pandemic influenza preparedness – improving border control and airport responses	0.8	0.8	0.4	0.4

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>HEALTH AND AGEING (continued)</b>				
	Pharmaceutical Benefits Scheme				
140	– broadened eligibility for the use of lipid-lowering drugs	8.7	28.4	48.7	61.2
141	– extension to the listing of Mabthera® (rituximab)	21.6	23.6	27.3	27.4
142	– extension to the listing of Pegasys® (peginterferon alfa-2a)	11.7	13.8	14.4	14.9
142	– extension to the listings of Enbrel® (etanercept), Humira® (adalimumab) and Remicade® (infliximab)	3.2	7.2	9.6	11.1
143	– extension to the listings of Taxotere® (docetaxel) and Anzatax®, Paclitaxel Ebewe® and Taxol® (paclitaxel)	5.1	8.0	9.8	11.7
144	– listing of Herceptin® (trastuzumab)	118.2	117.2	113.8	116.5
145	– listing of Lantus® (insulin glargine) and Levemir® (insulin detemir)	18.7	32.6	42.0	49.6
145	– listing of Prexige® (lumiracoxib)	4.4	15.0	20.7	26.8
146	– minor new listings	24.9	41.7	52.4	58.2
	Pharmaceutical Benefits Scheme reform				
147	– achieving better value	2.3	6.6	-455.7	-560.3
148	– pharmacy and pharmaceutical wholesaler structural adjustment package	-	8.3	295.2	320.2
149	Reciprocal health care agreement with Denmark	-	0.1	0.1	0.1
152	Regulation reform agenda – electronic forms for general practitioners and reducing red tape for doctors	0.2	0.1	0.1	0.1
149	Removal Pending Bridging Visa – health costs	..	..	..	..
149	Royal Flying Doctor Service – additional funding	5.0	-	-	-
80	Simplified Superannuation(c)	-	7.6	14.9	19.0
	<b>Portfolio total</b>	<b>382.9</b>	<b>680.0</b>	<b>401.3</b>	<b>332.5</b>
	<b>HUMAN SERVICES</b>				
	<i>Centrelink</i>				
152	Regulation reform agenda – electronic forms for general practitioners and reducing red tape for doctors	0.3	..	..	..
	<i>Department of Human Services</i>				
151	Drought Package 2006 – communications	4.7	2.1	-	-
151	Medicare rebates – electronic claiming via EFTPOS	11.6	4.1	-	-
	<i>Medicare Australia</i>				
	COAG Health Workforce				
134	– new Medicare item	0.1	0.4	0.5	0.7
135	– strengthening the health workforce in rural and remote areas and in Indigenous communities	0.2	0.1	0.1	0.1
151	Medicare rebates – electronic claiming via EFTPOS	3.1	-1.3	-7.1	-15.9
	Pharmaceutical Benefits Scheme				
140	– broadened eligibility for the use of lipid-lowering drugs	0.1	0.3	0.4	0.5
141	– extension to the listing of Mabthera® (rituximab)	..	..	..	..
142	– extension to the listing of Pegasys® (peginterferon alfa-2a)	..	..	..	..
142	– extension to the listings of Enbrel® (etanercept), Humira® (adalimumab) and Remicade® (infliximab)	0.2	0.3	0.3	0.3
143	– extension to the listings of Taxotere® (docetaxel) and Anzatax®, Paclitaxel Ebewe® and Taxol® (paclitaxel)	..	..	..	..

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07	2007-08	2008-09	2009-10
		\$m	\$m	\$m	\$m
	<b>HUMAN SERVICES (continued)</b>				
	Pharmaceutical Benefits Scheme				
144	– listing of Herceptin® (trastuzumab)	0.3	0.4	0.4	0.4
145	– listing of Prexige® (lumiracoxib)	0.1	0.1	0.2	0.2
146	– minor new listings	0.5	0.9	1.0	1.2
	Pharmaceutical Benefits Scheme reform				
148	– pharmacy and pharmaceutical wholesaler structural adjustment package	3.6	14.0	13.2	14.4
152	– streamlining authority prescribing arrangements	0.7	1.4	1.0	1.0
152	Regulation reform agenda – electronic forms for general practitioners and reducing red tape for doctors	0.8	0.6	0.5	0.5
	<b>Portfolio total</b>	<b>26.1</b>	<b>23.4</b>	<b>10.6</b>	<b>3.6</b>
	<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>				
	<i>Department of Immigration and Multicultural Affairs</i>				
153	International Council of Christians and Jews biennial world conference – contribution	-	-	-	-
153	National Action Plan for social cohesion, harmony and security – community engagement	3.8	3.7	3.8	3.8
155	Visas – improvements to the management of temporary skilled migration	3.8	4.5	4.6	4.6
	<b>Portfolio total</b>	<b>7.6</b>	<b>8.2</b>	<b>8.3</b>	<b>8.5</b>
	<b>INDUSTRY, TOURISM AND RESOURCES</b>				
	<i>Department of Industry, Tourism and Resources</i>				
156	Beaconsfield Community Fund – establishment	7.2	1.1	-	-
156	Cyclones Monica and Larry Business Assistance Fund for Cape York – establishment	8.8	-	-	-
	Energy initiatives				
157	– ethanol distribution scheme – establishment	6.3	8.2	2.8	-
158	– liquefied petroleum gas vehicle purchase and conversion rebate – establishment	74.7	105.6	154.9	124.2
158	– pre-competitive data development – expansion	0.4	0.5	0.4	0.3
159	General Motors Holden – assistance	2.0	2.0	-	2.7
159	Innovation and Investment Fund for South Australia – establishment	1.0	11.7	10.5	5.2
160	Pandemic influenza preparedness – industry assistance	0.7	-	-	-
160	Port Kembla Industry Facilitation Fund – establishment	2.6	2.6	-	-
	Regulation reform agenda				
161	– business consultation website	0.4	0.2	0.3	0.3
174	– improved business registration process	0.5	-	-	-
161	– national mine safety framework	0.4	0.5	0.4	-
161	– national trade measurement	0.3	0.1	0.1	-
162	– new to business checklist	0.1	0.1	0.1	0.1
162	Small and Medium Enterprises Intermediary Services	-	-	-	-
163	South Pacific Regional Trade and Economic Cooperation Agreement Scheme – amendment	-	-	-	-

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>INDUSTRY, TOURISM AND RESOURCES (continued)</b>				
	<i>Geoscience Australia</i>				
	Energy initiatives				
157	– identifying potential onshore energy sources – establishment	7.4	14.8	14.8	12.7
158	– pre-competitive data development – expansion	5.0	22.4	21.2	13.2
	<b>Portfolio total</b>	<b>117.8</b>	<b>169.8</b>	<b>205.6</b>	<b>158.7</b>
	<b>PARLIAMENTARY DEPARTMENTS</b>				
	<i>Department of the House of Representatives</i>				
164	Parliamentarians – superannuation funding	0.1	0.3	0.4	0.4
	<i>Department of the Senate</i>				
164	Parliamentarians – superannuation funding	0.1	0.1	0.3	0.3
	<b>Portfolio total</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>
	<b>PRIME MINISTER AND CABINET</b>				
	<i>Department of the Prime Minister and Cabinet</i>				
132	APEC 2007 – Health Ministers' meeting	4.7	-	-	-
165	Council of Australian Governments (COAG) priorities endorsed by the Australian Government	1.8	0.1	-	-
181	Department of the Prime Minister and Cabinet – funding for accommodation(b)	1.5	-	-	-
166	Examination of inquiries into the death of Pilot Officer Craig Mackelmann	0.3	-	-	-
166	Office of Water Resources – establishment	2.0	2.5	-	-
167	Regulation reform agenda – improved support to government decision-making process	0.3	0.3	0.3	0.3
167	State Occasions and Official Visits – additional funding	0.4	-	-	-
167	Strategic Maritime Management Committee secretariat – additional funding	0.2	0.3	0.3	0.3
168	Uranium Mining Processing and Nuclear Energy Review Taskforce – establishment	3.9	-	-	-
	<i>Office of the Commonwealth Ombudsman</i>				
166	Office of the Commonwealth Ombudsman – additional resourcing	1.2	1.3	1.3	1.4
	<b>Portfolio total</b>	<b>16.2</b>	<b>4.6</b>	<b>1.9</b>	<b>1.9</b>
	<b>TRANSPORT AND REGIONAL SERVICES</b>				
	<i>Civil Aviation Safety Authority</i>				
169	Airspace management reform in Australia	2.0	-	-	-
	<i>Department of Transport and Regional Services</i>				
169	Airspace management reform in Australia	-	4.2	-	-
169	Australian Outback Development Consortium – contribution	0.5	-	-	-
170	Better roads – upgrade of intersection at Whitehorse and Springvale Roads, Victoria	-	-	-	-
170	Enhancing aviation security – screening for liquids, aerosols and gels	*	*	*	*
171	National aerial firefighting – additional assistance	-	-	-	-
	<i>National Capital Authority</i>				
182	York Park(b)	-	0.1	0.1	0.1
	<b>Portfolio total</b>	<b>2.5</b>	<b>4.3</b>	<b>0.1</b>	<b>0.1</b>

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>TREASURY</b>				
	<i>Australian Competition and Consumer Commission</i>				
173	Horticulture Mandatory Code of Conduct – enforcement	2.5	2.2	2.2	2.2
	<i>Australian Prudential Regulation Authority</i>				
172	Australian Prudential Regulation Authority – revised funding arrangements	-	2.5	2.5	2.5
	<i>Australian Securities and Investments Commission</i>				
172	Australian Securities and Investments Commission – revised funding arrangements	-	2.5	2.5	2.5
	<i>Australian Taxation Office</i>				
172	Fuel Tax Credit – transitional arrangements	7.6	4.9	-	-
174	Regulation reform agenda – improved business registration process	2.2	-	-	-
80	Simplified Superannuation(c)	47.6	206.1	198.3	187.2
120	Used oil recyclers – additional transitional funding	5.3	3.6	1.7	-
	<i>Department of the Treasury</i>				
173	Regulation reform agenda – coordination of implementation	0.4	0.3	0.3	0.3
175	Tax Information Exchange Agreements – technical assistance	0.1	0.1	0.1	0.1
	<i>Productivity Commission</i>				
174	Regulation reform agenda – enhanced role of the Office of Best Practice Regulation	2.9	2.6	3.1	3.2
	<b>Portfolio total</b>	<b>68.7</b>	<b>224.8</b>	<b>210.7</b>	<b>198.0</b>
	<b>VETERANS' AFFAIRS</b>				
	<i>Department of Veterans' Affairs</i>				
176	British Nuclear Tests Programme – health testing and treatment for participants	4.0	3.4	3.8	4.4
	COAG Health Workforce				
134	– new Medicare item	..	0.3	0.4	0.7
135	– strengthening the health workforce in rural and remote areas and in Indigenous communities	..	0.1	0.1	0.1
138	Medicare Benefits Schedule – new and revised listings	2.6	3.8	3.9	3.9
	Pharmaceutical Benefits Scheme				
140	– broadened eligibility for the use of lipid-lowering drugs	1.5	2.9	2.7	2.7
141	– extension to the listing of Mabthera® (rituximab)	1.6	1.8	1.9	1.9
142	– extension to the listing of Pegasys® (peginterferon alfa-2a)	0.1	0.1	0.1	0.1
142	– extension to the listings of Enbrel® (etanercept), Humira® (adalimumab) and Remicade® (infliximab)	..	0.1	0.1	0.2
143	– extension to the listings of Taxotere® (docetaxel) and Anzatax®, Paclitaxel Ebewe® and Taxol® (paclitaxel)	0.2	0.3	0.3	0.4
144	– listing of Herceptin® (trastuzumab)	1.8	2.0	1.8	1.8
145	– listing of Lantus® (insulin glargine) and Levemir® (insulin detemir)	0.6	1.1	1.3	1.5
145	– listing of Prexige® (lumiracoxib)	0.4	1.2	1.6	2.0
146	– minor new listings	1.0	2.3	2.9	3.2

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A2: Expense measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07	2007-08	2008-09	2009-10
		\$m	\$m	\$m	\$m
	<b>VETERANS' AFFAIRS (continued)</b>				
	Pharmaceutical Benefits Scheme reform				
147	– achieving better value	-	0.1	-30.0	-34.9
148	– pharmacy and pharmaceutical wholesaler structural adjustment package	-	1.9	22.0	23.8
80	Simplified Superannuation(c)	0.1	41.2	61.2	58.2
176	Veterans' Healthcare – increased payments for services provided to eligible veterans	81.6	130.9	136.7	142.9
	<b>Portfolio total</b>	<b>95.4</b>	<b>193.4</b>	<b>210.9</b>	<b>212.6</b>
	<b>Decisions taken but not yet announced</b>	<b>53.2</b>	<b>64.0</b>	<b>54.9</b>	<b>46.3</b>
	<b>Depreciation expense</b>	<b>7.5</b>	<b>14.0</b>	<b>23.0</b>	<b>28.9</b>
	<b>Total impact of expense measures(d)</b>	<b>1969.3</b>	<b>3648.3</b>	<b>2986.3</b>	<b>2868.0</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) Details of these measures can be found under Part 3: Capital measures.

(c) Details of these measures can be found under Part 1: Revenue measures.

(d) Measures may not add due to rounding.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A3: Capital measures since the 2006-07 Budget<sup>(a)</sup>**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>ATTORNEY-GENERAL'S</b>				
	<i>Attorney-General's Department</i>				
89	Addressing violence and child abuse in Indigenous communities – community legal education(b)	-	0.1	-	-
91	Anti-money laundering and counter-terrorism financing reforms(b)	0.1	0.1	-	-
93	Government response to the report on Overseas Adoption in Australia(b)	0.1	0.1	0.1	-
94	National Action Plan for social cohesion, harmony and security – improving crisis management for the Muslim community(b)	..	-	-	-
95	National Emergency Call Centre and National Security Hotline – database connectivity(b)	*	*	*	*
	<i>Australian Crime Commission</i>				
90	Addressing violence and child abuse in Indigenous communities – National Indigenous Violence and Child Abuse Intelligence Task Force(b)	1.0	-	-	-
	<i>Australian Customs Service</i>				
94	Maritime Security – Australian Maritime Identification System(b)	0.9	-	-	-
	<i>Australian Federal Police</i>				
89	Addressing violence and child abuse in Indigenous communities – joint strike teams(b)	0.1	-	-	-
92	Australian Federal Police – international deployments(b)	22.5	7.7	0.1	-
	<i>Australian Transaction Reports and Analysis Centre</i>				
91	Anti-money laundering and counter-terrorism financing reforms(b)	0.7	7.0	-	-
	<i>Human Rights and Equal Opportunity Commission</i>				
94	National Action Plan for social cohesion, harmony and security – combating extremism(b)	0.1	-	-	-
	<i>Insolvency and Trustee Service Australia</i>				
92	Bankruptcy Act 1966 – amendments to improve the operation of debt agreements(b)	0.5	-	-	-
	<i>Office of the Privacy Commissioner</i>				
91	Anti-money laundering and counter-terrorism financing reforms(b)	0.1	0.1	-	-
	<b>Portfolio total</b>	<b>26.1</b>	<b>15.1</b>	<b>0.2</b>	<b>-</b>
	<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
	<i>Australian Communications and Media Authority</i>				
97	Digital Action Plan for Australia's Transition to digital television(b)	-	0.3	-	-
	<i>Australian Sports Commission</i>				
154	National Action Plan for social cohesion, harmony and security – pilot programmes(b)	..	-	-	-
	<i>Department of Communications, Information Technology and the Arts</i>				
97	Digital Action Plan for Australia's Transition to digital television(b)	1.4	..	..	-

**Table A3: Capital measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued)</b>				
	<i>National Archives of Australia</i>				
177	National Archives of Australia – a new repository	-	-	-	16.5
	<i>National Gallery of Australia</i>				
177	National Gallery of Australia – additional funding for building refurbishment and enhancement	9.1	16.9	35.8	14.5
	<b>Portfolio total</b>	<b>10.6</b>	<b>17.2</b>	<b>35.8</b>	<b>31.0</b>
	<b>DEFENCE</b>				
	<i>Department of Defence</i>				
101	Australian Army – additional infantry battalion(b)	-	30.9	77.4	301.3
102	East Timor – funding to help restore peace and stability(b)	-	37.7	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>68.6</b>	<b>77.4</b>	<b>301.3</b>
	<b>EDUCATION, SCIENCE AND TRAINING</b>				
	<i>Department of Education, Science and Training</i>				
106	COAG Health Workforce – support for more medical places(b)	-	-	-	-
107	National Action Plan for social cohesion, harmony and security – establishment of an Islamic studies centre(b)	-	-	-	-
110	Skills for the Future – more engineering places at university(b)	-	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>EMPLOYMENT AND WORKPLACE RELATIONS</b>				
	<i>Department of Employment and Workplace Relations</i>				
155	Visas – improvements to the management of temporary skilled migration(b)	0.3	-	-	-
	<b>Portfolio total</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>				
	<i>Aboriginal Hostels Limited</i>				
178	Aboriginal Hostels Limited – additional funding	0.2	2.1	1.2	1.9
	<i>Australian Institute of Family Studies</i>				
178	Australian Institute of Family Studies – additional funding	0.8	-	-	-
	<i>Department of Families, Community Services and Indigenous Affairs</i>				
123	Child Care Management System(b)	11.2	3.9	-	-
178	Social Security Appeals Tribunal – additional funding	3.0	-	-	-
	<b>Portfolio total</b>	<b>15.1</b>	<b>6.0</b>	<b>1.2</b>	<b>1.9</b>
	<b>FINANCE AND ADMINISTRATION</b>				
	<i>Australian Electoral Commission</i>				
126	Federal elections – improving the operation of Australian federal elections(b)	2.8	-	-	-
	<i>Department of Finance and Administration</i>				
179	Adelaide Law Courts – additional funding	7.3	-	-	-
179	Christmas Island Immigration Reception and Processing Centre – additional funding	60.0	-	-	-



**Table A3: Capital measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
	<b>FINANCE AND ADMINISTRATION (continued)</b>				
127	Parliamentary entitlements – reform package(b)	2.5	1.0	0.2	0.7
	<b>Portfolio total</b>	<b>72.6</b>	<b>1.0</b>	<b>0.2</b>	<b>0.7</b>
	<b>HEALTH AND AGEING</b>				
	<i>Department of Health and Ageing</i>				
131	Aged Care – improved arrangements for complaints handling(b)	7.2	2.2	1.8	-
	COAG Health Workforce				
132	– establishing a taskforce on the national health workforce(b)	0.1	-	-	-
133	– expanding medical specialist training to a broader range of settings(b)	0.7	-	-	-
133	– increasing the proportion of medical students bonded to areas of workforce shortage(b)	0.6	-	-	-
134	– national registration and accreditation schemes(b)	0.4	-	-	-
135	– strengthening the health workforce in rural and remote areas and in Indigenous communities(b)	0.1	-	-	-
106	– support for more medical places(b)	..	-	-	-
180	Community Care – developing a needs identification model	-	-	1.6	1.0
136	Home and Community Care – implementation of new planning and reporting arrangements(b)	2.8	1.9	-	-
140	Pandemic influenza preparedness – improving border control and airport responses(b)	1.6	-	-	-
147	Pharmaceutical Benefits Scheme reform – achieving better value(b)	-	1.4	-	-
	<b>Portfolio total</b>	<b>13.5</b>	<b>5.5</b>	<b>3.4</b>	<b>1.0</b>
	<b>HUMAN SERVICES</b>				
	<i>Centrelink</i>				
123	Child Care Management System(b)	5.4	1.7	-	-
	<i>Medicare Australia</i>				
151	Medicare rebates – electronic claiming via EFTPOS(b)	1.7	0.2	-	-
148	Pharmaceutical Benefits Scheme reform – pharmacy and pharmaceutical wholesaler structural adjustment package(b)	0.6	0.4	-	-
	<b>Portfolio total</b>	<b>7.7</b>	<b>2.2</b>	<b>-</b>	<b>-</b>
	<b>INDUSTRY, TOURISM AND RESOURCES</b>				
	<i>Geoscience Australia</i>				
158	Energy initiatives – pre-competitive data development – expansion(b)	-	2.0	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>2.0</b>	<b>-</b>	<b>-</b>
	<b>PRIME MINISTER AND CABINET</b>				
	<i>Department of the Prime Minister and Cabinet</i>				
181	Department of the Prime Minister and Cabinet – funding for accommodation	7.3	-	-	-
167	State Occasions and Official Visits – additional funding(b)	-	-	-	-

Appendix A: Policy decisions taken since the 2006-07 Budget

**Table A3: Capital measures since the 2006-07 Budget<sup>(a)</sup> (continued)**

Page		2006-07	2007-08	2008-09	2009-10
		\$m	\$m	\$m	\$m
	<b>PRIME MINISTER AND CABINET (continued)</b>				
	<i>Office of the Commonwealth Ombudsman</i>				
166	Office of the Commonwealth Ombudsman – additional resourcing(b)	0.1	-	-	-
	<b>Portfolio total</b>	<b>7.3</b>	-	-	-
	<b>TRANSPORT AND REGIONAL SERVICES</b>				
	<i>National Capital Authority</i>				
182	York Park	1.5	-	-	-
	<b>Portfolio total</b>	<b>1.5</b>	-	-	-
	<b>TREASURY</b>				
	<i>Australian Taxation Office</i>				
80	Simplified Superannuation(c)	11.0	30.5	10.8	-
	<i>Productivity Commission</i>				
174	Regulation reform agenda – enhanced role of the Office of Best Practice Regulation(b)	0.7	-	-	-
	<b>Portfolio total</b>	<b>11.7</b>	<b>30.5</b>	<b>10.8</b>	-
	<b>VETERANS' AFFAIRS</b>				
	<i>Department of Veterans' Affairs</i>				
176	British Nuclear Tests Programme – health testing and treatment for participants(b)	0.2	-	-	-
80	Simplified Superannuation(c)	0.1	0.2	-	-
183	Totally and Permanently Incapacitated Veterans' Association (NSW) – one-off supplementary housing services to veterans	-	-	-	-
	<b>Portfolio total</b>	<b>0.2</b>	<b>0.2</b>	-	-
	<b>Depreciation expense</b>	<b>-7.5</b>	<b>-14.0</b>	<b>-23.0</b>	<b>-28.9</b>
	<b>Total capital measures(d)</b>	<b>158.9</b>	<b>134.4</b>	<b>105.9</b>	<b>306.9</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 increased capital.

(b) Details of these measures can be found under Part 2: Expense measures

(c) Details of these measures can be found under Part 1: Revenue measures.

(d) Measures may not add due to rounding.

## Revenue Measures

### AGRICULTURE, FISHERIES AND FORESTRY

#### Abolition of domestic sugar levy

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	-13.2	-15.2	-	-

The Government will abolish the domestic sugar levy, effective from 1 December 2006, resulting in a reduction in revenue of \$28.4 million over two years.

The abolition of the levy will lead to cost reductions for sugar users, such as the food manufacturing and beverage industries, which the Government expects will be passed on as price reductions to consumers. The abolition will not affect the Government's commitment to the 2004 Sugar Industry Reform Programme.

Further information can be found in the press release of 23 November 2006 issued jointly by the Minister for Agriculture, Fisheries and Forestry and the Treasurer.

## COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

### Digital services — allocation of new channels on spare spectrum

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Communications and Media Authority	-	nfp	-	-

The Government will introduce amendments to legislation to enable two unallocated channels of broadcasting spectrum, Channels A and B, to be allocated under a price-based mechanism by the Australian Communications and Media Authority (ACMA).

Subject to the passage of the amendments, participation in the sale for Channel A would be subject to the successful applicant demonstrating the financial capacity and willingness to roll-out and maintain new digital services in capital cities and major regional centres for the life of the licence.

Participation in the sale for Channel B would also be subject to the successful applicant commencing a service within 18 months of the allocation of the datacasting transmitter licence or such longer period as permitted by ACMA.

Estimates of the sale proceeds have been included in the Contingency Reserve and are unable to be disclosed, as this would be likely to affect the sale price.

Further information can be found in the press release of 12 September 2006 issued by the Minister for Communications, Information Technology and the Arts.

## IMMIGRATION AND MULTICULTURAL AFFAIRS

### Visas — arrangements for new European Union member states

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Immigration and Multicultural Affairs	-	-0.4	-0.4	-0.5

The Government will remove the visa application charge for three-month electronic tourist visas and short stay business visitor visas for visitors from new European Union member states from 1 July 2007. This will result in a reduction in revenue of \$1.3 million over three years.

Further information can be found in the press release of 17 December 2006 issued by the Minister for Immigration and Multicultural Affairs.

## TREASURY

### Alignment of small business tax concessions

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-75.0	-75.0

The Government will introduce a new small business framework that will allow any business with average annual turnover of less than \$2 million to access any of the small business tax concessions, with effect from 1 July 2007.

The framework includes small business concessions relating to the goods and services tax, the Simplified Tax System, capital gains tax, fringe benefits tax and pay-as-you-go tax instalments.

This measure builds on the 2006-07 Budget measure *Small business – aligning definitions in the tax laws* and will allow small businesses to choose those concessions that meet their business needs.

Further information can be found in the joint press release of 13 November 2006 issued by the Treasurer and the Minister for Small Business and Tourism.

### Capital gains tax — changes to the tax treatment of testamentary trusts

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government will allow the trustees of testamentary trusts to choose to be assessed on some or all of an amount of net capital gain under certain circumstances, with effect from the 2005-06 income year.

This measure applies to trustees where:

- part, or all of a net capital gain would be assessed to a presently entitled income beneficiary of the trust; and
- that beneficiary has no vested interest under the terms of the trust to trust property representing the gain.

Previously the net income of a testamentary trust, including trust capital gains, would have been assessed to a presently entitled income beneficiary of the trust even though, under the terms of the trust, they would not have received the capital gains.

Further information can be found in the press release of 17 October 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Capital gains tax — exemption of expense-reimbursing government grants**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government has extended a capital gains tax (CGT) exemption to employees who receive financial support from the WorkChoices grants, the Unlawful Termination Assistance Scheme and the Alternative Dispute Resolution Assistance Scheme. This measure ensures that recipients of these grants do not incur CGT liability in respect of the grant, with effect from the 2005-06 income year.

The Government has also expanded the CGT exemption to include other government grants that reimburse expenses. This provides greater certainty on the tax treatment of such grants.

For details of the WorkChoices grants, see the related measure entitled Workplace Relations Reforms — alternative dispute resolution (see *Mid-Year Economic and Fiscal Outlook 2005-06*, pages 134-5).

**Capital gains tax — small business concession amendments**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	*	*	*

The Government will build on the small business capital gains tax (CGT) concessions announced in the 2006-07 Budget by implementing a number of improvements identified in consultations, with effect from the 2006-07 income year.

The changes to the 2006-07 Budget measures include:

- extending the small business CGT retirement exemption to include gifts of property; and
- making a number of technical amendments to the small business CGT concessions to ensure the intended policy effect is achieved.

The changes will reduce compliance costs and make access to the concessions simpler, clearer and fairer.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Consolidation — group restructures**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government will amend the consolidation tax regime to allow consolidated groups to convert to multiple entry consolidated (MEC) groups, and vice versa, with minimal tax consequences, with effect from 27 October 2006.

These changes will significantly reduce compliance costs for businesses that restructure and ensure that the law operates as intended. Under these changes, when a change in the type of consolidated group occurs:

- the tax cost setting rules will not apply to the assets of the ongoing group members (and therefore certain capital gains and losses will not arise);
- tax losses of the ongoing group will not be tested and the capital losses that are apportioned over five years will not become immediately available;
- the ongoing group's history will be transferred to the new group; and
- certain notifications currently required to be given to the Commissioner of Taxation will be removed.

In addition, when a MEC group changes to a consolidated group, the existing integrity provisions will continue to apply.

Further information can be found in the press release of 27 October 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Deductions for donations with a minor benefit — amendment to existing measure**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-1.5	-6.0	-6.0

The Government will broaden the scope of the current minor benefits measure to lower the minimum threshold for contributions to Deductible Gift Recipient (DGR) fund-raising events where a minor benefit is received, and allow higher benefits to be provided in return for contributions. This measure will take effect from 1 January 2007.



*Appendix A: Policy decisions taken since the 2006-07 Budget*

The minor benefits measure currently allows an individual to receive a deduction for eligible contributions to DGRs where the value of the contributions is more than \$250, and the minor benefit received in return is no more than \$100 or 10 per cent of the value of the contribution, whichever is less. A deduction is available for the amount of the contribution less the GST inclusive market value of the minor benefit received by the contributor in return for the contribution.

The Government will amend the thresholds of the current minor benefits measure, to reduce the minimum contribution an individual must make from \$250 to \$150, increase the relative benefit value cap from 10 to 20 per cent and raise the maximum benefit cap from \$100 to \$150. These changes will apply to specific one off fund raising events, which may include fund raising auctions.

**Excise and customs duty — alignment of snuff tobacco rate with other tobacco rate**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Customs Service	..	..	..	..
Australian Taxation Office	-	-	-	-
Total	..	..	..	..

The Government has aligned the snuff tobacco excise and customs duty rate with the other tobacco excise and customs duty rate, with effect from 1 July 2006.

Previously, snuff tobacco attracted a separate rate of excise and customs duty which was significantly lower than the rate of excise and customs duty applied to other tobacco not in stick form.

Further information can be found in the press release of 11 May 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Excise and customs duty — removal of differential for high sulphur diesel**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-
Australian Customs Service	-	-	-	-
Total	-	-	-	-

The Government has removed the differential rate of excise duty for high sulphur diesel, with effect from 1 July 2006.

Previously, a higher rate of excise duty applied to high sulphur diesel (with a sulphur content exceeding 50 parts per million) than to ultra low sulphur diesel (with a sulphur content not exceeding 50 parts per million). The sale of high sulphur diesel in Australia was generally prohibited from 1 January 2006.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Excise and customs duty — removal of differential for leaded petrol**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-
Australian Customs Service	-	-	-	-
Total	-	-	-	-

The Government has removed the differential rate of excise duty for leaded petrol, with effect from 1 July 2006.

Previously, a higher rate of excise duty applied to leaded petrol than to unleaded petrol. The sale of leaded petrol in Australia was generally prohibited from 1 January 2002.

**Excise and customs duty on diesel — no increase in rates**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Customs Service	..	..	..	-
Australian Taxation Office	-53.0	-109.0	-56.0	-
Total	-53.0	-109.0	-56.0	-

The Government will not proceed with planned increases in diesel excise and customs duty rates to assist in funding cleaner fuel grants, as had been announced in the 2003-04 Budget. The grants will proceed without any increase in excise or customs duty on diesel and will be provided from 1 January 2007 to 31 December 2008.

Further information can be found in the press release of 30 October 2006, issued by the Treasurer and the Minister for the Environment and Heritage, and the 2003-04 Budget measure *Better Environment – Cleaner Fuels* (see Budget Paper No. 2 Budget Measures 2003-04, pages 41 and 223).

**Farm management deposits — increasing thresholds**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-20.0	-18.0	-18.0

The Government will extend the farm management deposit scheme by increasing the non-primary production income threshold from \$50,000 to \$65,000 and increasing the total deposit limit from \$300,000 to \$400,000. This measure will have effect from the income year in which the amending act receives Royal Assent.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

A farm management deposit is a tax-linked, financial risk management tool for primary producers that is designed to allow primary producers to set aside income from profitable years for subsequent 'draw-down' in low-income years. The scheme reduces the risk to primary producers of income variability owing to factors such as drought.

This measure will increase the number of primary producers who are eligible for the scheme and will also increase the amount of income they can set aside to assist with the ongoing drought.

Further information can be found in the press release of 24 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Foreign hybrid rules — treatment of UK limited liability partnerships**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	..	..	..

The Government will make regulations enabling United Kingdom limited liability partnerships to be treated as foreign hybrid companies, with effect from the start of the income year in which the regulations are made.

The foreign hybrid rules address the adverse taxation implications that arise where an entity is treated as a company for Australian tax purposes but as a transparent entity (such as a partnership) for foreign tax purposes.

This measure will enable UK limited liability partnerships to elect for partnership treatment under the foreign hybrid rules.

Further information can be found in the press release of 1 December 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Fringe benefits tax — reporting exclusion for pooled or shared cars**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-1.0	-1.0

The Government will remove the requirement for fringe benefits arising from pooled or shared cars that give rise to a fringe benefit for more than one employee to be recorded on the payment summaries of employees, with effect from 1 April 2007.

The Government announced this measure as part of its final response to the *Report of the Taskforce on Reducing Regulatory Burdens on Business – Rethinking Regulation*.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**International taxation — new tax treaties**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	-10.0	-10.0	-10.0

The Government has signed new tax treaties with France, Finland and Norway in order to recognise changes in tax policy in these countries and remove existing barriers to trade and investment. The tax treaties will come into force once the signatory countries have completed the necessary domestic processes (which in Australia involve enabling legislation).

Tax treaties determine which country has a taxing right over income and investment flows between the two countries. The new tax treaties will provide long term benefits for business, making it cheaper for Australian business enterprises to obtain intellectual property, equity and finance for expansion.

Further information can be found in the press releases of 21 June 2006 (France) and 20 November 2006 (Finland) issued by the Treasurer and the press release of 8 August 2006 (Norway) issued by the Minister for Revenue and Assistant Treasurer.

**New international taxation arrangements — transitional arrangements for taxing capital gains on property owned by non-residents**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-20.0	-15.0	-10.0

The Government will ensure that the interposed entity rule announced in the 2005-06 Budget will apply only in respect of gains accruing from 10 May 2005.

In the 2005-06 Budget the Government announced reforms to the CGT treatment applying to non-residents including narrowing the range of assets on which non-residents are liable to CGT to Australian real property. In addition, the reforms included an interposed entity rule which applied CGT to non-portfolio interests in interposed entities (including foreign interposed entities) where the value of the interest was wholly or principally attributable to Australian real property. This measure will ensure the interposed entity rule applies on a prospective basis.

**Personal income tax — extension of the beneficiary tax offset to Cyclone Larry income support payments**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	-0.5	-	-

The Government has extended eligibility for the beneficiary tax offset to farmers and small business owners in receipt of Cyclone Larry income support payments. The payments were available for 6 months from 22 March 2006.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure ensures consistent taxation treatment with Newstart Allowance and Cyclone Monica income support payments.

Further information can be found in the press release of 25 May 2006, issued by the Minister for Revenue and Assistant Treasurer, and the Budget Measure entitled *Cyclone Larry – one-off income support* (see Budget Paper No. 2 Budget Measures 2006-07, pages 213-4).

**Personal income tax — status of Australian Defence Force overseas operations**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-0.4	-1.4	-	-

Since the 2006-07 Budget, the Government has recognised the uncongenial nature of service in the following operations for taxation purposes:

- Operation Astute, with effect from 12 May 2006;
- Operation Pakistan Assist, with effect from 28 October 2005; and
- Operations Sumatra Assist I and II, with effect from 26 December 2004 to 26 May 2005.

This entitles Australian Defence Force members serving on these operations access to the Overseas Forces Tax Offset.

**Philanthropy — changes to prescribed private funds**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-28.9	-17.2	-15.4	-15.6

Since the 2006-07 Budget, 100 funds have been approved for prescription as prescribed private funds (PPFs). Two funds have been declared to be no longer a PPF. PPFs allow businesses, families and individuals to establish and donate to a charitable trust of their own, for the purposes of disbursing funds to a range of other deductible gift recipients. At present, there are 438 PPFs.

**Philanthropy — updating the list of eligible deductible gift recipients**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-0.4	-10.8	-7.0	-5.8

Since the 2006-07 Budget, the Government has announced that qualifying gifts of \$2 or more to the following organisations have been made tax deductible:

- Don Chipp Foundation Ltd;

*Appendix A: Policy decisions taken since the 2006-07 Budget*

- The Lingiari Policy Centre Limited;
- Nonprofit Australia Ltd, granting gift deductibility status to 28 June 2009;
- Point Nepean Community Trust, granting gift deductibility status to 10 June 2009;
- St Paul's Cathedral Restoration Fund, extending gift deductibility status to 22 April 2008;
- The Dunn & Lewis Youth Development Foundation Limited, extending gift deductibility status to 31 December 2007;
- Yachad Accelerated Learning Project Limited, extending gift deductibility status to 30 June 2008;
- St Michael's Church Restoration Fund, extending gift deductibility status to 23 February 2008;
- The Australian Embassy for Timor-Leste Fund Limited, extending gift deductibility status to 31 December 2009;
- Finding Sydney for one year;
- St George's Cathedral Restoration Fund from 28 September 2006 until 31 December 2007; and
- The American Australian Association.

In addition, since the 2006-07 Budget there have been:

- 26 admissions to and 3 removals from the Register for Environmental Organisations;
- 57 admissions to and 30 removals from the Register of Cultural Organisations;
- Seven admissions to the Register of Harm Prevention Charities; and
- Eight admissions to the Overseas Aid Gift Deduction Scheme.

The Register of Environmental Organisations can be found on the Department of Environment and Heritage website at [www.deh.gov.au](http://www.deh.gov.au). 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 Harm Prevention Charities can be found on the Department of Families, Community Services and Indigenous Affairs website at [www.facsia.gov.au](http://www.facsia.gov.au). The list of overseas aid relief funds on the Overseas Aid Gift Deduction Scheme can be found on the AusAID website at [www.ausaid.gov.au](http://www.ausaid.gov.au).

**Private company distributions — changes to integrity rules**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government will improve the operation of the integrity rules concerning distributions by private companies, in particular non-commercial loans involving shareholders or their associates.

The changes include:

- removing the automatic debiting of a private company’s franking account when a deemed dividend arises;
- extending the Commissioner of Taxation’s discretion in respect of when a deemed dividend arises in certain circumstances; and
- making a number of technical amendments, including changes to the fringe benefits tax (FBT) laws to simplify their interaction with these provisions of the income tax laws.

The changes generally have effect from 1 July 2006 however the discretion will apply from 1 July 2002 and the FBT amendments from 1 April 2007.

This measure will provide a significant reduction in compliance costs for taxpayers, especially for the thousands of small businesses which use a private company structure.

Further information can be found in the press release of 6 December 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Simplified imputation system — dividend tainting and transfer pricing adjustments**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	..	..	..

The Government will remove the dividend tainting rules, with effect from 1 July 2004. These changes will remove both the dividend tainting rules and the rules that deny franking credits when additional tax is paid because of a transfer pricing adjustment.

The changes will also ensure that amounts paid from tainted share capital accounts continue to be taxed as unfranked dividends.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

The general anti-avoidance rule that targets franking credit trading and dividend streaming schemes will also be changed to allow consideration to be given to whether a franked distribution made under a scheme was sourced directly or indirectly from unrealised or untaxed profits in determining whether the rule applies.

These changes will significantly reduce compliance costs for companies by removing rules that are no longer necessary since the introduction of the simplified imputation system.

Further information can be found in the press release of 9 November 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Simplified Superannuation**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-55.0	-1276.0	-1159.5	-1413.0
<i>Related expense (\$m)</i>				
Australian Taxation Office	47.6	206.1	198.3	187.2
Department of Families, Community Services and Indigenous Affairs	9.3	583.6	801.5	905.0
Department of Employment and Workplace Relations	0.6	16.4	20.7	21.1
Department of Veterans' Affairs	0.1	41.2	61.2	58.2
Department of Health and Ageing	-	7.6	14.9	19.0
<b>Total</b>	<b>57.6</b>	<b>854.7</b>	<b>1096.6</b>	<b>1190.3</b>
<i>Related capital (\$m)</i>				
Australian Taxation Office	11.0	30.5	10.8	-
Department of Veterans' Affairs	0.1	0.2	-	-
<b>Total</b>	<b>11.1</b>	<b>30.7</b>	<b>10.8</b>	<b>-</b>

The Government will provide \$7.2 billion over four years to implement Simplified Superannuation, as announced on 5 September 2006. Provision towards these costs of \$6.2 billion over four years was made in the 2006-07 Budget.

Simplified Superannuation comprises a suite of reforms that sweep away the current raft of complex tax arrangements and restrictions that apply to superannuation, increase retirement incomes and boost the incentives to work and save.

The Simplified Superannuation arrangements will abolish superannuation benefits tax for Australians aged 60 and over who have already paid tax on their superannuation contributions and earnings. Other key elements include:

- Abolishing reasonable benefit limits and age based contribution limits.



*Appendix A: Policy decisions taken since the 2006-07 Budget*

- Making the pension assets test fairer by halving the taper rate to \$1.50 per fortnight for every \$1,000 of assets above the assets test free area. Retirees will keep more of their age pension when they exceed the assets test free area.
- Providing individuals with greater flexibility as to how and when they draw on their superannuation in retirement. Retirees will no longer be required to take their benefits when they reach a particular age.
- Allowing the self-employed to claim a full deduction for their superannuation contributions and be eligible for the Government co-contribution for their after tax contributions. These measures will provide a significant boost to the incentives for the self employed to contribute to superannuation.
- Increasing the upper age limit to make deductible superannuation contributions from 70 to 75.
- Making it easier for people to find lost superannuation and transfer their benefits between funds.

Simplified Superannuation reflects the final policy decisions following the Government's extensive consultation on *A Plan to Simplify and Streamline Superannuation*, which was released with the 2006-07 Budget.

The measure includes \$3.3 billion over four years in administered and departmental expenses. This comprises the cost of higher age and service pension payments (\$2.4 billion over four years), agency funding to implement and administer the new arrangements (\$426.6 million over four years), the extension of the Government co-contribution to the self-employed (\$340.0 million over four years), consequential additional health and aged care funding resulting from the change to the assets test (\$40.6 million over four years) and capital funding of \$52.6 million for information technology costs.

Further information is contained in the joint press release of 5 September 2006 issued by the Treasurer and the Minister for Revenue and Assistant Treasurer.

**Statutory effective life caps for tractors and harvesters**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government will introduce a statutory effective life cap of 6 $\frac{2}{3}$  years for tractors and harvesters used in the primary production sector.

This measure would preserve the current effective lives for these assets should the Commissioner of Taxation determine a longer 'safe harbour' effective life.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

The primary production sector covers primary production industries and includes contractor suppliers of tractors and harvesting services.

Further information can be found in the press release of 16 November 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Superannuation fund investment rules — instalment warrants**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-50.0	-90.0	-100.0	-110.0

The Government will amend the investment rules for superannuation funds to legitimise the longstanding practice of funds investing in instalment warrants. The measure will have effect from the date of Royal Assent of the enabling legislation.

Over a number of years instalment warrants have been marketed to superannuation funds — particularly self managed superannuation funds. The Commissioner of Taxation and the Australian Prudential Regulation Authority recently concluded that these products entail a borrowing and are therefore not an allowable investment.

This measure will allow superannuation funds to continue to invest in these products, consistent with longstanding practice. This will avoid unwarranted disruption to a market in which superannuation fund investment plays a significant role.

Further information can be found in the press release of 3 November 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Tax concessions for the International Criminal Court**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	..	..	..

The Government will provide the International Criminal Court (ICC) with certain concessions for income tax, customs duty and various other Commonwealth taxes consistent with Australia's obligations under the Agreement on the Privileges and Immunities of the International Criminal Court (APIC). The measure will have effect from a date to be determined.

To comply with the APIC, Australia needs to ensure that the ICC is exempt from taxes, custom duties and import and export restrictions.

According to the APIC, ICC staff members are exempt from taxation on the salaries, emoluments and allowances paid to them by the Court. The ICC is also exempt from custom duties and import and export restrictions. These concessions will not be available to individuals who are Australian nationals or permanent residents.

**Tax secrecy laws — changes to allow better information sharing for Project Wickenby**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	..	..	..

The Government will allow agencies participating in, or supporting, the Project Wickenby taskforce to share more information to aid law enforcement. The measure will have effect from the date of Royal Assent of the enabling legislation.

Project Wickenby is a multi-agency taskforce investigating international arrangements allegedly involving tax avoidance and evasion and, in some cases, money-laundering.

Currently, the tax secrecy laws impose tight constraints on the ability of the Commissioner of Taxation to share information with other agencies.

This measure will allow the Commissioner to disclose information obtained under the taxation law to agencies for the purposes of Project Wickenby. This will assist the taskforce to detect, prosecute and deter promotion of, or participation in, illegal international tax arrangements.

Further information can be found in the press release of 17 August 2006 issued jointly by the Treasurer and the Minister for Revenue and Assistant Treasurer.

**Thin capitalisation rules — application to groups containing certain authorised deposit-taking institutions**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	..	..	..	..

The Government will simplify the application of the thin capitalisation rules to consolidated groups that include certain authorised deposit-taking institutions (ADI). The measure will apply to income years beginning on or after 1 January 2004.

Currently, under the thin capitalisation rules the head company of a consolidated group containing an ADI is required to apply the rules as if it was itself an ADI. This includes calculation of risk-weighted assets across all entities in the group.

There are certain ADIs that are prudentially supervised on a stand-alone, rather than a consolidated, basis. Groups containing only these types of ADIs are not required to risk-weight assets across the group for prudential purposes. The changes will allow such groups to apply the thin capitalisation rules as if the group did not contain any ADIs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

The measure will reduce compliance costs for affected groups, which would otherwise have to make calculations under the thin capitalisation rules they are not required to make for prudential purposes.

**Trans-Tasman imputation**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government will make changes to the simplified imputation system so that franking credits are available to an Australian company that receives a franked distribution of non-assessable non-exempt income from a New Zealand company that has elected into the Australian imputation system, with effect from 1 April 2003.

This measure will ensure that the trans-Tasman imputation arrangements operate as intended.

Further information can be found in the press release of 22 June 2006 issued by the Minister for Revenue and Assistant Treasurer.

**Unclaimed superannuation — improved administration arrangements**

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government will take full responsibility for the management of unclaimed superannuation to improve arrangements in respect of lost and unclaimed superannuation, with effect from 1 July 2007.

The current law provides for the payment of unclaimed superannuation to the government of the State or Territory in which the superannuation fund is based when an individual reaches age 65 and cannot be contacted by their fund. These monies are held in trust by the relevant government until claimed by the rightful owner or their estate. This results in a fragmented system for individuals searching for unclaimed superannuation, particularly if they have worked in more than one state or their fund was based in a different state to that in which they were employed. These arrangements are not optimal for older Australians trying to find their superannuation.

The measure will provide a single access point for individuals searching for lost or unclaimed superannuation and a simpler, nationalised claims process. As a result, individuals will be able to seek advice directly from the ATO on any superannuation-related issue, without having to contact numerous agencies.

Further information can be found in the press release of 7 December 2006 issued by the Treasurer and the Minister for Revenue and Assistant Treasurer.

## Expense measures

### AGRICULTURE, FISHERIES AND FORESTRY

#### Drought assistance — Exceptional Circumstances assistance

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	414.4	422.7	-	-
Department of Education, Science and Training	11.3	11.9	-	-
Department of Health and Ageing	2.5	3.3	..	-
Total	428.2	438.0	..	-

The Government will provide an additional \$867.9 million over four years (including \$1.7 million in 2005-06) to support primary producers in regions that have been declared eligible for Exceptional Circumstances assistance.

Farmers who have not experienced a break in drought over the past 18 months can have Exceptional Circumstances drought declarations extended to the end of their next production cycle. Such extensions are considered following the receipt of information and advice from the National Rural Advisory Council and the Department of Agriculture, Fisheries and Forestry Drought Taskforce.

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

Further information can be found in the press release of 16 October 2006 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Drought Package 2006 — assistance for small businesses**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	90.2	111.2	-	-
Department of Education, Science and Training	3.1	4.0	-	-
Department of Health and Ageing	0.7	1.1	-	-
Total	94.0	116.3	-	-

The Government will provide \$210.3 million over two years for Exceptional Circumstances drought relief for farm-dependent small businesses, which derive at least 70 per cent of their income from agriculture. The funding includes \$7.2 million for the Department of Education, Science and Training and \$1.8 million for the Department of Health and Ageing.

The small business assistance comprises interest rate subsidies and income support to assist viable farm-dependent businesses and their families who are adversely affected by the prolonged drought. Eligible recipients will also be provided with a health care concession card and access to Youth Allowance.

Further information can be found in the press release of 7 November 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Drought Package 2006 — Country Women's Association community grants**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	2.3	2.3	-	-

The Government will provide \$4.6 million over two years to the Country Women's Association to provide emergency family and community aid grants.

Further information can be found in the press release of 24 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Drought Package 2006 — professional advice**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	19.2	13.9	-	-

The Government will provide \$33.1 million over two years as taxable grants (of up to \$5,500) for eligible farmers in areas that have been Exceptional Circumstances declared for more than three years to obtain professional business and financial planning advice.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 24 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Drought Package 2006 — Rural Financial Counselling Service**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	2.9	4.1	-	-
Department of Families, Community Services and Indigenous Affairs	-	2.1	-	-
Total	2.9	6.2	-	-

The Government will provide \$7.0 million over two years to enhance the Rural Financial Counselling Service programme, which assists rural communities to employ financial counsellors. This funding is to employ ten additional counsellors.

A further \$2.1 million in 2007-08 will fund the provision of family and emotional counselling services through the Family Relationship Services Programme.

Further information can be found in the press release of 24 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Gunns pulp mill — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	2.6	-	-	-

The Government will provide a further \$2.6 million in 2006-07 to assist with the project costs associated with the development of an environmental best practice pulp mill in Tasmania by Gunns Limited.

This is in addition to the \$2.4 million provided in 2005-06, and fulfils the measure announced as part of the Government's election commitment, *A Sustainable Future for Tasmania*.

Further information can be found in the press release of 13 May 2005 issued by the Prime Minister.

**Pandemic influenza preparedness — establishing rapid deployment teams for thermal scanning at airports**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	2.1	2.8	2.9	3.0

The Government will provide \$10.8 million over four years to help establish rapid deployment teams at each of Australia's eight international airports to screen incoming passengers and crew for influenza-like symptoms in the early stages of a possible influenza pandemic.

The rapid deployment teams will comprise officers from the Australian Quarantine and Inspection Service and will be established in consultation with the Department of Health and Ageing and the Australian Customs Service.

See also the related expense measures for *Pandemic influenza preparedness* in the Health and Ageing; Families, Community Services and Indigenous Affairs; and Industry, Tourism and Resources portfolios.

**Tobacco grower adjustment assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Agriculture, Fisheries and Forestry	42.0	-	-	-

The Government will provide \$42.0 million in 2006-07 to assist former and current tobacco growers to move into other business activities. Grants will be capped at \$150,000 per grower.

This measure includes funding of \$0.6 million for the Department of Agriculture, Fisheries and Forestry and \$0.5 million for Centrelink for programme implementation and delivery.

Further information can be found in the press release of 26 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.



## ATTORNEY-GENERAL'S

### Addressing violence and child abuse in Indigenous communities — community legal education

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	-	1.1	0.9	1.1
<i>Related capital (\$m)</i>				
<i>Attorney-General's Department</i>	-	0.1	-	-

The Government will provide \$4.1 million over four years commencing in 2007-08 (including \$1 million in 2010-11 and \$58,000 in capital funding in 2007-08) in community legal education measures for Indigenous Australians to combat any misunderstanding about the effect of customary law and cultural practice on their legal rights. The funding will also be used to ensure that Indigenous Australians know how to access assistance and are encouraged to report incidents of violence and abuse.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

### Addressing violence and child abuse in Indigenous communities — joint strike teams

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Federal Police	0.3	0.5	0.5	0.5
<i>Related capital (\$m)</i>				
<i>Australian Federal Police</i>	0.1	-	-	-

The Government will provide \$1.8 million over four years to establish joint strike teams, led by the Australian Federal Police, to address problems of violence and child abuse in Indigenous communities.

The Joint Strike Teams will comprise members of the Australian Federal Police and the Northern Territory Police Force. They will target serious serial violence and abuse in Indigenous communities, including contributing criminal activity, such as organised drug supply, distribution networks, fraud and corruption. They will be based in Darwin.

This measure includes \$0.1 million in capital funding in 2006-07 for information technology and accommodation fit-out costs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

**Addressing violence and child abuse in Indigenous communities — judicial training**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	-	0.2	0.1	0.1

The Government will provide \$0.5 million over four years (including funding of \$0.1 million in 2010-11) to the National Judicial College of Australia to develop and deliver training to assist judges and magistrates to better understand Indigenous issues, particularly in relation to criminal sentencing, bail regimes, customary law and cultural practices.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

**Addressing violence and child abuse in Indigenous communities — National Indigenous Violence and Child Abuse Intelligence Task Force**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Crime Commission	4.0	4.3	1.9	0.3
Australian Federal Police	0.2	0.4	0.4	0.2
Total	4.2	4.7	2.3	0.5
<i>Related capital (\$m)</i>				
Australian Crime Commission	1.0	-	-	-

The Government will provide \$12.8 million over four years to establish the National Indigenous Violence and Child Abuse Intelligence Task Force (the Task Force). The Task Force will be led by the Australian Crime Commission.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

The Task Force will comprise personnel from the Australian Crime Commission, the Australian Federal Police, and State and Territory police forces. The Task Force will support existing intelligence and investigatory capacity by providing a whole-of-government response to violence and child abuse in Indigenous communities. It will monitor organised criminal activity relating to drugs, alcohol and pornography, and will be based in Alice Springs.

This measure includes \$1.0 million in capital funding in 2006-07 for Information Technology and accommodation fit-out costs.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Justice and Customs and the Minister for Families, Community Services and Indigenous Affairs.

**Anti-money laundering and counter-terrorism financing reforms**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Transaction Reports and Analysis Centre	2.5	29.0	31.6	32.6
Attorney-General's Department	0.3	8.7	5.4	0.5
Office of the Privacy Commissioner	0.2	0.6	0.5	0.4
Australian Institute of Criminology	-	0.8	0.8	0.9
<b>Total</b>	<b>3.0</b>	<b>39.2</b>	<b>38.4</b>	<b>34.3</b>
<i>Related capital (\$m)</i>				
Australian Transaction Reports and Analysis Centre	0.7	7.0	-	-
Attorney-General's Department	0.1	0.1	-	-
Office of the Privacy Commissioner	0.1	0.1	-	-
<b>Total</b>	<b>0.8</b>	<b>7.2</b>	<b>-</b>	<b>-</b>

The Government will provide \$157.0 million over five years (including \$34.2 million in 2010-11) for the implementation of the anti-money laundering and counter terrorism financing reforms. This measure includes \$8.0 million in capital funding for accommodation fit-out and information technology equipment.

The reforms will be introduced through the *Anti-Money Laundering and Counter-Terrorism Financing Bill 2006*.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 27 October 2006 issued by the Minister for Justice and Customs.

**Australian Federal Police — international deployments**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Federal Police	9.2	52.0	105.8	147.3
<i>Related capital (\$m)</i>				
<i>Australian Federal Police</i>	22.5	7.7	0.1	-

The Government will provide \$493.2 million over five years (including \$148.6 million in 2010-11) to increase the capacity of the Australian Federal Police to respond to peace-keeping, peace restoration and capacity-building requirements overseas. This increased capacity will allow the Australian Federal Police to respond more quickly and comprehensively to international crisis situations and will help strengthen law enforcement capabilities across the region.

This measure includes \$30.4 million in capital funding for infrastructure and equipment.

Further information can be found in the press release of 25 August 2006 issued by the Prime Minister.

**Bankruptcy Act 1966 — amendments to improve the operation of debt agreements**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Insolvency and Trustee Service Australia	0.2	1.8	1.7	1.7
<i>Related revenue (\$m)</i>				
<i>Insolvency and Trustee Service Australia</i>	0.1	1.1	1.0	1.0
<i>Related capital (\$m)</i>				
<i>Insolvency and Trustee Service Australia</i>	0.5	-	-	-

The Government will provide \$6.0 million over four years, including \$0.5 million in capital funding in 2006-07 for initial setup costs, to introduce an enhanced regime for regulating debt agreement administrators.

The cost of this measure will be partially offset by an increase in the fees and charges payable under the *Bankruptcy Act 1966* and related legislation.

Further information can be found in the press release of 27 July 2006 issued by the Attorney-General.

**Crime Stoppers Australia — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	0.3	0.3	0.2	0.2

The Government will provide \$1.0 million over four years to support the national Crime Stoppers programme. The funding will enable Crime Stoppers to promote and coordinate crime prevention initiatives including the operation of the Crime Stoppers telephone hotline.

This funding is in addition to the \$1.0 million provided to the programme in the 2006-07 Budget measure *Crime Stoppers Australia – continuation of funding*.

**Government response to the report on Overseas Adoption in Australia**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	0.7	2.0	2.6	2.6
Department of Families, Community Services and Indigenous Affairs	-	0.7	0.3	0.1
<b>Total</b>	<b>0.7</b>	<b>2.7</b>	<b>2.9</b>	<b>2.8</b>
<i>Related capital (\$m)</i>				
Attorney-General's Department	0.1	0.1	0.1	-

The Government will provide \$8.2 million over four years, including \$0.3 million in capital funding, to expand the Attorney-General's Department's (AGD) role in the establishment and management of overseas adoption programmes. This expanded role for AGD is part of the Government's response to the House of Representatives Standing Committee on Family and Human Services' report *Overseas Adoption in Australia*.

Included in the \$8.2 million for AGD is funding of \$0.8 million to establish a national peak overseas adoption body, to facilitate information sharing and raise the profile of intercountry adoptions in Australia.

The Department of Families, Community Services and Indigenous Affairs will also be provided with \$1.1 million over four years to expand the Maternity Immunisation Allowance from 1 July 2008 to cover children adopted from overseas who enter Australia before the age of sixteen years.

Further information can be found in the press release of 14 September 2006 issued by the Attorney-General.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Maritime Security — Australian Maritime Identification System**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Customs Service	6.4	-	-	-
<i>Related capital (\$m)</i>				
<i>Australian Customs Service</i>	0.9	-	-	-

The Government will provide \$7.3 million in 2006-07 (including \$0.9 million in capital funding) to progress the new Australian Maritime Identification System (AMIS) to the detailed design phase. When completed, AMIS will bring together maritime data currently collected by several agencies to help form a coordinated picture of sea-going activity in Australia's maritime region. The capital funding is for fit-out and equipment.

**National Action Plan for social cohesion, harmony and security — combating extremism**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Human Rights and Equal Opportunity Commission	1.1	1.1	1.0	1.1
<i>Related capital (\$m)</i>				
<i>Human Rights and Equal Opportunity Commission</i>	0.1	-	-	-

The Government will provide \$4.4 million over four years (including \$88,000 in capital funding) to develop specialist training, education materials and forums aimed at assisting law enforcement agencies and Muslim communities resolve conflict and discrimination issues.

Further information can be found in the press release of 16 July 2006 issued by the Attorney-General and the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs.

**National Action Plan for social cohesion, harmony and security — improving crisis management for the Muslim community**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	0.8	0.6	0.7	0.8
<i>Related capital (\$m)</i>				
<i>Attorney-General's Department</i>	..	-	-	-

The Government will provide \$2.9 million over four years (including \$38,000 in capital funding in 2006-07) to assist the Muslim community plan for and respond to national security issues and incidents, and emergencies.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure will help the development of initiatives aimed at improving Muslim community awareness of national security arrangements and emergency response agencies. The measure will also seek to enhance law enforcement and emergency personnel's understanding of Muslim community issues by building effective communication pathways.

Further information can be found in the joint press release of 16 July 2006 issued by the Attorney-General and the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs.

**National Emergency Call Centre and National Security Hotline — database connectivity**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	*	*	*	*
Attorney-General's Department	*	*	*	*
<b>Total</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>
<i>Related capital (\$m)</i>				
<i>Attorney-General's Department</i>	*	*	*	*

The Government will provide funding to improve connectivity between the National Emergency Call Centre and the National Security Hotline. Provision has been included in the Contingency Reserve.

**United Nations Oil-For-Food Programme — additional funding for Commission of Inquiry**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Attorney-General's Department	5.8	-	-	-

The Government provided an additional \$5.8 million in 2006-07 for the Commission of Inquiry into issues relating to the United Nations Oil-For-Food Programme.

This funding will cover all remaining costs incurred by the Commission of Inquiry until its reporting date, and is in addition to the \$6.8 million provided in the *Mid-Year Economic and Fiscal Outlook 2005-06*, and the \$2.7 million provided in the 2006-07 Budget.

Further information may be found in the Report of the Cole Inquiry into the United Nations Oil-For-Food Programme Tabling Statement of 27 November 2006 issued by the Attorney-General.

## COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

### 50th anniversary of the 1956 Melbourne Olympic Games — contribution

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Sports Commission	-	-	-	-

The Australian Government contributed \$50,000 in 2006-07 towards the celebrations of the 50th anniversary of the 1956 Melbourne Olympic Games.

The cost of this measure will be met from within the existing resources of the Communications, Information Technology and the Arts portfolio.

### Australia Business Arts Foundation — additional funding

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	0.6	-	-	-

The Government will provide one-off funding of \$0.6 million in 2006-07 to the Australia Business Arts Foundation to strengthen its role in encouraging and facilitating private sector support for the arts.

Further information can be found in the press release of 3 August 2006 issued by the Minister for the Arts and Sport.

### Deaf Sports Australia — additional funding

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	0.1	..	0.1	-

The Government will provide funding of \$192,000 over 3 years from 2006-07 to Deaf Sports Australia.

This funding will assist in promoting sports participation in the Australian deaf and hard-of-hearing community and preparing the Australian team for the 2009 Deaflympic Games in Taipei.



**Digital Action Plan for Australia's Transition to digital television**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	1.5	4.2	4.6	4.9
Australian Communications and Media Authority	-	2.5	1.2	1.3
<b>Total</b>	<b>1.5</b>	<b>6.7</b>	<b>5.9</b>	<b>6.2</b>
<i>Related capital (\$m)</i>				
Department of Communications, Information Technology and the Arts	1.4	..	..	-
Australian Communications and Media Authority	-	0.3	-	-
<b>Total</b>	<b>1.4</b>	<b>0.3</b>	<b>..</b>	<b>-</b>

The Government will provide \$16.7 million over four years to the Department of Communications, Information Technology and the Arts to establish an office, Digital Australia, to be located in Sydney, to coordinate implementation of a Digital Action Plan for the switch over to digital television. This funding includes \$1.5 million over three years from 2006-07 to 2008-09 in capital funding for the purchase of equipment to furnish the office.

The Government will also provide \$5.4 million over three years from 2007-08 to 2009-10 to the Australian Communications and Media Authority to undertake research tasks to assist the transition from analogue to digital television transmission. This funding includes \$0.3 million in 2007-08 in capital funding for the purchase of technical equipment to undertake the research tasks.

Further information can be found in the press release of 23 November 2006 issued by the Minister for Communications, Information Technology and the Arts.

**National Aboriginal and Islander Skills Development Association Dance College relocation — assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	3.2	3.1	0.3	0.3

The Government will provide \$7.0 million over four years to the National Aboriginal and Islander Skills Development Association (NAISDA). This funding will assist with the fitout and relocation of the NAISDA Dance College from its current premises at The Rocks, NSW to Gosford, NSW. The measure includes funding of \$0.3 million per year for additional operational costs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**National Training Centre for Aerial Skiing — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	2.5	-	-	-

The Government will provide \$2.5 million in 2006-07 to establish a National Training Centre for Aerial Skiing in southern Queensland.

The proposed centre will feature five jumps over a 30 metre by 25 metre pool and can also be utilised for water polo. Its location in Queensland will allow for year-round training.

This funding is subject to the Queensland Government providing a matching amount to the proposed project.

**Protecting Australian Families Online — consumer information campaign**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	11.4	6.3	0.5	-

The Government will provide \$18.3 million over three years to run a consumer information campaign to raise awareness of the Government's Internet safety initiatives, including a National Filter Scheme and Internet safety information.

See also the related expense measures titled *Protecting Australian Families Online – establishment of a National Filter Scheme*, and *Protecting Australian Families Online – restructure of NetAlert* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Communications, Information Technology and the Arts.

**Protecting Australian Families Online — establishment of a National Filter Scheme**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Communications, Information Technology and the Arts	23.4	31.6	38.2	-

The Government will provide \$93.3 million over three years to establish a National Filter Scheme ('the Scheme') to provide a free Internet filter, or filtered Internet service, for all Australian families and public libraries. The Australian Communications and Media Authority will test and accredit a selection of filters for use.

The Scheme will be administered by the Department of Communications, Information Technology and the Arts with the support of NetAlert, the Government's Internet advisory body.

See also the related expense measures titled *Protecting Australian Families Online – restructure of NetAlert*, and *Protecting Australian Families Online – consumer information campaign* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Communications, Information Technology and the Arts.

**Protecting Australian Families Online — restructure of NetAlert**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Communications and Media Authority	1.0	2.0	2.0	-

The Government will provide \$4.9 million over three years to NetAlert, its Internet advisory body, to expand its educational and research role in raising community awareness of Internet content issues and to support the *Protecting Australian Families Online* package.

This package will include moving NetAlert from Hobart to co-locate with the Australian Communications and Media Authority's office in Melbourne.

See also the related expense measures titled *Protecting Australian Families Online – establishment of a National Filter Scheme*, and *Protecting Australian Families Online – consumer information campaign* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Communications, Information Technology and the Arts.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Tom Hoad Cup — contribution**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Sports Commission	-	-	-	-

The Government will contribute \$0.2 million in 2006-07 to the Melville Water Polo Club, to support an expansion of the international water polo competition, the Tom Hoad Cup, to be held in Perth in December 2006. This funding is subject to matching funding from the Western Australian Government.

The cost of this measure will be met from within the existing resources of the Communications, Information Technology and the Arts portfolio.

## DEFENCE

### Australian Army — additional infantry battalion

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Defence	46.2	403.0	301.3	264.4
<i>Related capital (\$m)</i>				
<i>Department of Defence</i>	-	30.9	77.4	301.3

The Government will provide \$4.1 billion over eleven years from 2006-07 (including \$2.7 billion over seven years from 2010-11) to increase the size of the Australian Army by one light infantry battalion, implementing Stage 1 of the Enhanced Land Force. This involves the acquisition of additional equipment including Infantry Mobility Vehicles, and an increase in military and civilian personnel and provides for Australian Defence Force support elements. This measure includes \$724.5 million in capital funding over five years from 2007-08 (including \$314.9 million over two years from 2010-11) to develop facilities at Defence bases.

The additional personnel and operating costs for the new equipment required have yet to be finalised, but are expected to be comparatively minor. Provision for these costs, and for a second additional battalion planned for the Enhanced Land Force, has been included in the Contingency Reserve.

Further information can be found in the press releases of 24 August 2006 issued by the Prime Minister and of 7 December 2006 issued by the Minister for Defence.

### Australian Defence Force retention and recruitment — new initiatives

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Defence	49.6	82.1	98.8	97.1

The Government will provide \$1.0 billion over 11 years from 2006-07 (including \$688.8 million over seven years from 2010-11) to help improve the retention and recruitment of Australian Defence Force (ADF) personnel. This funding includes \$226.4 million for retention bonuses and allowances, \$371.1 million to reform ADF recruiting, \$306.4 million for a new military 'gap year' scheme for recent high school leavers, and \$112.5 million for Navy Seagoing and Submarine Service (Disability) allowances.

These initiatives will assist the ADF to increase the number of people who want to join and remain in the military, streamline the recruitment process, and create more pathways to ADF career opportunities.

Further information can be found in the press release of 15 December 2006 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**East Timor — funding to help restore peace and stability**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Defence	120.8	7.4	-	-
<i>Related capital (\$m)</i>				
<i>Department of Defence</i>	-	37.7	-	-

The Government will provide \$184.5 million over three years (including \$18.6 million in 2005-06 and \$37.7 million in capital funding) for the Australian Defence Force's contribution to restoring peace and stability in East Timor as part of Operation ASTUTE.

Further information can be found in the press release of 26 May 2006 issued by the Department of Defence.

## EDUCATION, SCIENCE AND TRAINING

### Addressing violence and child abuse in Indigenous communities — establishment of a National School Attendance Unit

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	2.0	2.7	-	-

The Government will provide \$4.6 million over two years from 2006-07 to establish a National School Attendance Unit (NSAU). The NSAU will report on non-attendance and enrolment rates of all students by demographic profile and State and Territory jurisdiction, and provide nationally consistent information on the level of non-attendance among all children of compulsory school age.

The collection of this data will assist to identify the links between low rates of school attendance, and intergenerational social dysfunction — particularly poor employment, welfare dependence and incidences of violence and abuse.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

### Alfred Deakin Institute — support for establishment at Deakin University

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	4.0	-	-	-

The Government will provide \$4.0 million in 2006-07 to support the establishment of the Alfred Deakin Institute at Deakin University in Geelong. The Institute will house the Alfred Deakin Prime Ministerial Library, which will serve as a repository for the University's collection of Alfred Deakin's books, papers and memorabilia. It will also provide a centre for teaching and research leadership in political science, public policy and governance, international relations and globalisation, journalism and communication.

Further information can be found in the joint press release of 3 August 2006 issued by the Treasurer and the Minister for Education, Science and Training.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Australian History Prize**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	0.2	0.2	0.2	0.3

The Government will provide \$1.1 million over five years, including \$0.2 million in 2010-11, to establish the Prime Minister's Prize for Australian history.

The prize of \$100,000 will be awarded annually in recognition of an outstanding publication, or body of work that contributes significantly to an understanding of Australian history, and promotes the use of historical research in the teaching of Australian history in schools.

Further information can be found in the Prime Minister's Address to the History Summit, of 17 August 2006.

**Australian Technical Colleges**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	29.1	43.9	33.9	10.6

The Government will provide additional funding of \$117.4 million over four years from 2006-07 for the establishment and operation of 25 Australian Technical Colleges. These colleges will accommodate up to 7,500 Year 11 and 12 students undertaking school-based New Apprenticeships, and academic, information technology and business courses. Five colleges have commenced in 2006 and the remaining 20 colleges will be in operation by the start of the 2008 school year.

Further information can be found in the press release of 7 December 2006 issued by the Minister for Vocational and Technical Education.

**Australian-American Fulbright Commission — additional contribution**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	0.2	0.2	0.2	0.2

The Government will provide an additional contribution of \$1.0 million over five years (including \$200,000 in 2010-11) to the Australian-American Fulbright Commission to increase support for the Fulbright Scholarships Programme. The funding will be used to provide scholarships for Australians to study and undertake research in the United States to help further Australian-United States relations through cultural and educational exchange.



*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 15 May 2006 issued by the Prime Minister.

**COAG Health Workforce — support for medical schools**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	25.5	-	-	-

The Government will provide a one-off grant totalling \$25.5 million in 2006-07 for capital funding of medical schools at a number of universities in New South Wales and Queensland. James Cook University will receive \$15 million, the University of Queensland will receive \$7.5 million and the new joint programme between the University of New England and University of Newcastle will receive \$3 million in funding.

This funding is subject to the relevant State governments providing matching funding, and supports the additional Commonwealth-funded medical places allocated to these universities out of the 605 new medical school places announced in 2006.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training Portfolios.

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Prime Minister's press release of 13 July 2006 and the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**COAG Health Workforce — support for more medical places**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	0.6	2.9	5.9	9.0
Department of Health and Ageing	0.1	0.4	1.9	6.2
<b>Total</b>	<b>0.7</b>	<b>3.3</b>	<b>7.8</b>	<b>15.2</b>
<i>Related revenue (\$m)</i>				
Department of Education, Science and Training	-	..	..	0.1
<i>Related capital (\$m)</i>				
Department of Health and Ageing	..	-	-	-
Department of Education, Science and Training	-	-	-	-
<b>Total</b>	<b>..</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Government will provide \$37.8 million over five years from 2006-07 (including \$10.8 million in 2010-11) to provide an additional 205 medical school places to supplement the 400 places announced by the Prime Minister on 8 April 2006. Additional places will be established progressively from 2007 with all places being provided by 2011.

Amounts loaned under the Higher Education Loans Programme (HELP) for students taking up these places are treated as financial assets and therefore do not impact on the fiscal balance. Payments by students of the indexation component of their HELP loan is treated as interest revenue. These payments will affect the fiscal balance from 2007-08. The additional public debt interest incurred by the Australian Government in financing the loans is separately accounted for in the Mid-Year Economic and Fiscal Outlook.

See the related *COAG Health Workforce* expense measures in the Health and Ageing, and Education, Science and Training portfolios.

This measure forms a part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Prime Minister's press releases of 8 April 2006 and 13 July 2006 and the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**Larry Knight Scholarship — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	1.0	-	-	-

The Government will provide \$1.0 million in 2006-07 to establish a Larry Knight equity scholarship at the University of Tasmania. The scholarship will honour the memory of Larry Knight and help support Tasmanian students to undertake courses in mining and engineering.

See also the related expense measure titled *Beaconsfield Community Fund – establishment* in the Industry, Tourism and Resources portfolio.

Further information can be found in the press release of 29 May 2006 issued by the Prime Minister.

**National Action Plan for social cohesion, harmony and security — establishment of an Islamic studies centre**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	2.6	2.7	1.3	1.2
<i>Related revenue (\$m)</i>				
Department of Education, Science and Training	-	..	..	..
<i>Related capital (\$m)</i>				
Department of Education, Science and Training	-	-	-	-

The Government will provide \$7.9 million over four years to establish a National Centre of Research and Educational Excellence in Islamic Studies within a major Australian university. This Centre is to play a leadership role in exploring the place of Islam in modern society, and will provide tertiary accredited undergraduate and post-graduate qualifications in fields as diverse as architecture, art and commerce. Up to 300 students are expected to enrol at the Centre with classes anticipated to begin in 2007.

Amounts loaned under the Higher Education Loans Programme (HELP) for students taking up these places are treated as financial assets and therefore do not impact on the fiscal balance. Payments by students of the indexation component of their HELP loan is treated as interest revenue. These payments will affect the fiscal balance from 2007-08. The additional public debt interest incurred by the Australian Government in financing the loans is separately accounted for in the Mid-Year Economic and Fiscal Outlook.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the joint press release of 16 July 2006 issued by the Minister for Education, Science and Training and the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs.

**National School Chaplaincy Programme**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	14.1	35.0	34.1	24.2

The Government will provide \$107.5 million over four years to assist government and non-government schools that want to provide chaplaincy services for their school community.

Commencing in 2007 up to \$30.0 million will be provided annually for three years under the National School Chaplaincy Programme to provide grants of up to \$20,000 a year directly to eligible schools. Funding will contribute to the cost of engaging chaplains. School communities will also be expected to contribute funding and support for chaplaincy programmes at their school.

Further information can be found in the press release of 29 October 2006 issued by the Prime Minister.

**Research Quality Framework — implementation**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	-	40.6	34.3	8.2

The Government will provide \$87.3 million over four years from 2007-08 (including \$4.2 million in 2010-11) to implement the Research Quality Framework (RQF) in Australian higher education institutions.

The RQF is a new framework for assessing the quality and impact of research undertaken at Australian higher education institutions and will provide transparency with regard to public investment in research.

This funding will also provide for the creation of an electronic data storage system to manage information regarding research groups.

Further information can be found in the press release of 14 November 2006 issued by the Minister for Education, Science and Training.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Skills for the Future — advertising campaign**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	15.0	-	-	-

The Government will provide \$18.0 million in 2006-07 to promote the career options available under the *Skills for the Future* initiative announced by the Prime Minister on 12 October 2006. \$3.0 million of the cost of this measure will be met from within the existing resourcing of the Department of Education, Science and Training.

The *Skills for the Future* initiative provides \$837.0 million over five years to develop a more skilled and dynamic workforce with an increased focus on continuous upgrading of skills over the course of an individual's working life.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Skills for the Future — business skills vouchers for apprentices**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	1.0	1.5	2.7	3.2

The Government will provide \$12.3 million over five years including \$4.0 million in 2010-11 to encourage apprentices to acquire additional business management skills.

From 1 January 2007, 6,300 vouchers valued at up to \$500 will be available to apprentices each year to contribute towards the costs of accredited small business skills training. Apprentices who are undertaking an apprenticeship in a traditional trade will be eligible to apply for the voucher any time from the end of their second year until two years after completion of their course.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Skills for the Future — incentives for higher technical skills**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	1.6	5.3	8.9	16.8

The Government will provide \$54.4 million over five years including \$21.9 million in 2010-11 to extend and increase employer incentives for up to 24,800 employees over five years to undertake Diploma and Advanced Diploma level qualifications in certain occupations.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

From 1 January 2007, employers will receive incentive payments of \$1,500 for each employee commencing a Diploma or Advanced Diploma programme and \$2,500 when they complete employment or institutional based training. The Government will also remove the rule which prevents workers with prior qualifications at Certificate III and IV level receiving benefits; open the programme to an employer's existing workforce; and in consultation with industry, increase the range of eligible higher level qualifications in engineering.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Skills for the Future — more engineering places at university**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	-	7.0	12.4	16.6
<i>Related revenue (\$m)</i>				
Department of Education, Science and Training	-	-	..	0.1
<i>Related capital (\$m)</i>				
Department of Education, Science and Training	-	-	-	-

The Government will provide \$56.0 million over four years including \$19.9 million in 2010-11 to fund an extra 500 Commonwealth supported university engineering places from 2008.

Amounts loaned under the Higher Education Loans Programme (HELP) for students taking up these places are treated as financial assets and therefore do not impact on the fiscal balance. Payments by students of the indexation component of their HELP loan are treated as interest revenue. These payments will affect the fiscal balance from 2008-09. The additional public debt interest incurred by the Australian Government in financing the loans is separately accounted for in the Mid-Year Economic and Fiscal Outlook.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Skills for the Future — support for mid-career apprentices**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	1.6	44.0	68.7	87.3

The Government will provide \$306.6 million over five years including \$105.1 million in 2010-11 to support mid-career workers to overcome wage related disincentives to the take up of traditional trade apprenticeships.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

From 1 July 2007, incentives will be available each year for up to 10,000 people aged 30 or over who are starting an apprenticeship at the Certificate III or IV level in an occupation in high demand. The incentive payable by the Government will be \$150 a week in the first year and \$100 a week in the second year. The incentive will be paid to the employer where industrial arrangements require the employer to maintain the existing wage, or pay an adult apprenticeship wage for an existing worker who becomes an apprentice. Where such industrial arrangements are not in place the new mid-career incentive will be paid directly to the apprentice to boost their income.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Skills for the Future — work skills vouchers**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	38.6	80.5	96.1	96.1

The Government will provide \$407.6 million over five years (including \$96.3 million in 2010-11) to support people aged 25 years and over to gain year 12 or equivalent qualifications.

From 1 January 2007, 30,000 vouchers valued at up to \$3,000 will be available to this group each year to assist them to undertake accredited literacy/numeracy, basic education and Certificate level II courses. Vouchers will be allocated in priority order to unskilled workers wishing to acquire qualifications; income support recipients returning to the work force; unemployed jobseekers receiving income support and participating in the Job Network who are undertaking active job search; and people not in the work force intending to seek work after achieving their qualification.

Further information can be found in the *Skills for the Future* Ministerial Statement to Parliament of 12 October 2006 by the Prime Minister.

**Tropical Cyclone Larry — school assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	-	-	-	-

The Government will provide \$0.8 million in 2006-07 to assist Catholic and Independent schools in northern Queensland that suffered significant damage as a result of Cyclone Larry, so that they can continue to provide educational services and families can retain their choice of education for the remainder of 2006 and throughout 2007.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Assistance will be provided to cover lost income from school fees, and other fund-raising activities which would normally be contributed by parents and the community. Funding will provide for vital services such as relief teaching, counselling and pastoral services for those affected.

The cost of this measure will be met from within the existing resourcing of the Department of Education, Science and Training.

**United States Studies Centre — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	-	-	-	-

The Australian Government provided a one-off contribution of \$25 million in 2005-06 towards the establishment of a United States Studies Centre at the University of Sydney. This is a joint initiative with the American-Australian Association.

The partnership between the University of Sydney and the American-Australian Association will increase the awareness of the study of American politics and government, promote collaborative research between institutions in Australia and the United States and operate as a think-tank for the Australia-America relationships. The Government will introduce legislation to allow tax deductions for gifts of \$2 or more to the American-Australian Association.

Further information can be found in the press releases of 16 May and 14 November 2006 issued by the Prime Minister.

**University College Dublin — Keith Cameron Chair of Australian History**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Education, Science and Training	1.5	-	-	-

The Government will provide a one-off contribution of \$1.5 million in 2006-07 to support the Keith Cameron Chair of Australian History at University College, Dublin, in Ireland. The Keith Cameron Chair first received an endowment from the Australian Government in 1985. This funding initiative will encourage a wider understanding of Australia and Australian history in Ireland through strengthening the Australian-Irish education relationship.

Further information can be found in the Prime Minister's address to University Students, Belfield Campus, University College Dublin of 22 May 2006.



## EMPLOYMENT AND WORKPLACE RELATIONS

### Cyclone Larry — extension of the wage assistance programme

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	-	-	-	-

The Government will provide \$32.0 million in 2006-07 to increase support for businesses and farmers under the *Cyclone Larry – wage assistance programme* announced in the 2006-07 Budget. Claimants are now eligible to receive wage subsidy assistance for 26 weeks, whereas previously support was limited to 13 weeks. The closing date for applications for assistance was also extended to 31 August 2006.

The cost of this measure will be met from existing resources for the *Cyclone Larry – wage assistance programme*.

Further information can be found in the press release of 3 August 2006 issued by the Prime Minister.

### General Employee Entitlements and Redundancy Scheme — funding liquidators to pursue litigation

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	2.0	8.0	-	-

The Government will provide \$10.0 million over two years from 2006-07 under the General Employee Entitlements and Redundancy Scheme (GEERS) to expand asset recovery activity relating to companies that are declared bankrupt or are being liquidated.

Under GEERS, if a company goes into liquidation or bankruptcy occurs, the Government will provide eligible employees a financial guarantee of certain entitlements where employers are unable to meet their obligations.

The assistance provided to employees under GEERS is on the basis that the Commonwealth's rights to recovery are protected. The funds provided by this measure will be used to pursue increased litigation activity to recover company funds.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**General Employee Entitlements and Redundancy Scheme — increased redundancy cap**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	4.7	4.7	4.8	4.9

The Government will provide \$19.2 million over four years to increase the General Employee Entitlements and Redundancy Scheme (GEERS) redundancy cap from 8 weeks to 16 weeks for liquidations and bankruptcies that occur from 1 July 2006.

Under GEERS, if a company goes into liquidation or bankruptcy occurs, the Government will provide eligible employees a financial guarantee of certain entitlements where employers are unable to meet their obligations.

Further information can be found in the press release of 22 August 2006 issued by the Minister for Employment and Workplace Relations.

**Income support — ex-gratia payments**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	..	..	-	-

The Government will provide an estimated \$14,000 over two years in ex-gratia assistance to support an income support recipient who will remain overseas longer than the 13 weeks allowed under income support legislation, in order to support a family member sentenced to death. Continued access to the assistance will be reviewed periodically and is subject to meeting other qualifications for the payment.

The ex-gratia payment will be equivalent to the recipient's current rate of income support.

**Labour assistance package — Beaconsfield mine**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	-	-	-	-

The Government will provide \$0.2 million over five years to assist miners affected by the scale back of operations at the Beaconsfield mine in Northern Tasmania.

The labour assistance package provides retrenched workers with immediate and full access to Job Network services.

The cost of this measure will be met from within existing resources of the Department of Employment and Workplace Relations.

Appendix A: Policy decisions taken since the 2006-07 Budget

Further information can be found in the press release of 2 June 2006 issued by the Minister for Employment and Workplace Relations.

**Labour assistance package — Coles Myer**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	2.5	0.5	0.1	..

The Government will provide \$3.1 million over five years (including \$31,000 in 2010-11) to assist Coles Myer workers affected by the closure of distribution centres located in New South Wales and Victoria.

The labour assistance package provides retrenched workers with immediate and full access to Job Network services and other assistance including wage subsidies, relocation assistance and self-employment assistance under the New Enterprise Incentive Scheme.

Further information can be found in the press release of 19 July 2006 issued by the Minister for Employment and Workplace Relations.

**Labour assistance package — Electrolux**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	1.1	2.8	0.8	0.2

The Government will provide \$4.9 million over four years to assist Electrolux workers affected by the closure of two plant operations located in South Australia.

The labour assistance package provides retrenched workers with immediate and full access to Job Network services and other assistance including wage subsidies, relocation assistance, self-employment assistance under the New Enterprise Incentive Scheme, and industry specific training.

See also the related expense measure titled *Innovation and Investment Fund for South Australia – establishment* in the Industry, Tourism and Resources portfolio.

Further information can be found in the press release of 14 September 2006 issued by the Minister for Industry, Tourism and Resources.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Labour assistance package — Port Kembla BlueScope**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	0.8	0.2	..	..

The Government will provide \$1.0 million over five years (including \$15,000 in 2010-11) to assist BlueScope workers affected by the closure of the tin mill operation located in Port Kembla, New South Wales.

The labour assistance package provides retrenched workers with immediate and full access to Job Network services and other assistance including wage subsidies, relocation assistance, self-employment assistance under the New Enterprise Incentive Scheme, and industry-specific training.

See also the related expense measure titled *Port Kembla Industry Facilitation Fund – establishment*, in the Industry, Tourism and Resources portfolio.

Further information can be found in the press release of 29 June 2006 issued by the Treasurer.

**Occupational health and safety — expanded arrangements**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Comcare	1.9	-	-	-

The Government will provide \$1.9 million in 2006-07 to meet transitional costs related to the expansion of the Australian Government's occupational health and safety jurisdiction to include corporations licensed for workers' compensation self-insurance under the *Safety, Rehabilitation and Compensation Act 1988*.

**Widow Allowance — ex-gratia payments**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	1.5	0.9	0.5	0.3

The Government will provide \$4.0 million over ten years (including \$0.3 million in 2005-06 and a total of \$0.4 million beyond the forward estimates) to grant ex-gratia assistance to a small number of widow allowees who are not currently eligible to transfer onto other, more appropriate, income support payments. Ex-gratia assistance will be available until they meet eligibility for another payment.

The ex-gratia payment will be equivalent to the Widow Allowance rate and include add-on payments such as the Pensioner Education Supplement, Rent Assistance, Remote Area Allowance and Pharmaceutical Allowance.

**Workplace Relations Reform — continuation of the WorkChoices Employer Advisor Programme**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	12.5	-	-	-

The Government will provide an additional \$12.5 million in 2006-07 to continue the WorkChoices Employer Advisor Programme (EAP) until the end of 2006.

This programme is an extension of the EAP, which commenced in April 2006, to develop a national network of industry-based advisors to educate and assist employers on the application of the workplace relations reforms. The extended programme will increase the number of industry-based organisations delivering EAP from 17 to 25 and help reach a broader target audience including employees, independent contractors and small to medium sized businesses.

Further information can be found in the press release of 19 July 2006 issued by the Minister for Employment and Workplace Relations.

**Workplace Relations Reform — raising awareness of the Office of Workplace Services and Office of the Employment Advocate**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Office of Workplace Services	7.3	7.2	3.0	3.0

The Government will provide \$20.5 million over four years to raise public awareness of the services provided by the Office of Workplace Services and the Office of the Employment Advocate. The education and awareness campaign includes newspaper and radio advertising.

The aim of the campaign is to educate employees and employers to direct workplace complaints to the Office of Workplace Services and employers and employees to approach the Office of the Employment Advocate for information and clarification on agreement making.

## ENVIRONMENT AND HERITAGE

### Blackburn Lake Sanctuary — support for land acquisition

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	1.8	-	-	-

The Government will provide up to \$1.8 million in 2006-07 for the purchase of land adjacent to the Blackburn Lake Sanctuary in Melbourne. This funding will protect and extend the Blackburn Lake Sanctuary area and is conditional on matching funding from both the Victorian Government and the City of Whitehorse, and the Victorian Government publicly releasing the valuation of the site.

Further information can be found in the press release of 1 September 2006 issued by the Federal Member for Deakin.

### Energy Initiatives — Renewable Remote Power Generation Programme — enhancement

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	-	30.9	30.9	30.9

The Government will provide \$123.5 million over four years from 2007-08 (including \$30.9 million in 2010-11) to support the replacement of diesel-powered power generation and water pumping systems, in regional and remote communities, with renewable energy. The funding will also support energy efficiency projects to reduce demand, and industry support activities to increase the uptake of renewable energy technologies in areas at the fringes of electricity grids and off grid areas of Australia.

Further information can be found in the *Prime Minister's Statement to Parliament on Energy Initiatives* of 14 August 2006.

### Great Barrier Reef Structural Adjustment Package — enhancement

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	27.4	-	-	-

The Government will provide \$27.4 million in 2006-07 to enhance the Great Barrier Reef structural adjustment package announced in the 2004-05 Budget. The package is designed to assist eligible commercial fishers and other businesses adversely affected by the implementation of the Representative Areas Programme for the Great Barrier Reef, which came into effect on 1 July 2004.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Enhancements include changes to ensure that assistance covers the approved full cost of restructuring a business, a further 20 per cent increase in payments for approved applications for business restructuring assistance, extending the provision of financial and relationship counsellors to the region for a further twelve months, and measures to expedite the assessment of applications.

This funding is in addition to the \$143.4 million already provided, bringing the Government's total contribution to \$170.8 million over three years.

Further information can be found in the press release of 26 May 2006 issued by the Minister for the Environment and Heritage.

**Qantas' first 707 Aircraft — return to Australia**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	1.0	-	-	-

The Government will provide \$1.0 million in 2006-07 to Qantas Foundation Memorial Limited to bring Qantas' first 707 Aircraft back to Australia for display at the Qantas Founders Outback Museum in Longreach. Part of the arrangement involves the assistance of Qantas Airways in promoting Australia's National Heritage listed properties.

Further information can be found in the press release of 9 October 2006 issued by the Minister for the Environment and Heritage.

**St Patrick's Cathedral — support for reconstruction**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	-	-	-	-

The Government will provide \$5.0 million in 2006-07 for the reconstruction of St Patrick's Cathedral in Bunbury, Western Australia. This funding will support efforts to rebuild the cathedral and parish centre following their loss in a tornado in 2005. The cost of this measure will be met from within existing resources of the Department of the Environment and Heritage.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**St Peter and Paul's Old Cathedral — support for restoration**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	-	-	-	-

The Government will provide \$1.5 million in 2006-07 for the restoration of the St Peter and Paul's Old Cathedral in Goulburn, NSW. This funding will support efforts to repair and preserve this important heritage building. The cost of this measure will be met from within existing resources of the Department of the Environment and Heritage.

Further information can be found in the press release of 13 October 2006 issued by the Federal Member for Hume.

**Used oil recyclers — additional transitional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	5.3	3.6	1.7	-
Department of the Environment and Heritage	-	-	-	-
Total	5.3	3.6	1.7	-

The Government will provide \$10.6 million over three years to assist used oil recyclers who produce burner fuel from used oil. This funding is in addition to the \$30.1 million provided in the 2006-07 Budget.

This additional transitional funding recognises the impact of changed excise arrangements from 1 July 2006 on fuel recovered from used oil. It will be administered under the Product Stewardship for Oil Programme, under which the Australian Taxation Office administers product benefit payments. Funding will be progressively reduced over the three-year period as used oil recyclers adjust to new market conditions.

Further information on the changed excise arrangements can be found in the press release of 11 May 2006, issued by the Minister for Revenue and Assistant Treasurer in the context of the introduction of the relevant excise legislation.



Appendix A: Policy decisions taken since the 2006-07 Budget

**View of Geelong painting — support for acquisition**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Environment and Heritage	0.8	-	-	-

The Government has provided \$0.8 million in 2006-07 to support the acquisition of the Eugène von Guérard painting, *View of Geelong*, by the Geelong Art Gallery, because of the painting's significant cultural heritage value. This amount is in addition to funding of \$0.2 million from the National Cultural Heritage Account that was provided towards acquisitions in 2005-06.

Further information can be found in the press release of 29 June 2006 issued by the Federal Member for Corangamite.

## **FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS**

### **Addressing violence and child abuse in Indigenous communities — improved policing in remote areas**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	4.7	15.2	21.8	0.4

The Government will provide \$42.1 million over four years to improve policing in remote areas.

Funding of \$40.0 million will be provided to the States and the Northern Territory for the construction of police stations and associated infrastructure, including police housing, to boost policing in remote communities. Funding of \$0.2 million will also be provided for an independent review of policing requirements in remote areas.

The funding also includes the provision of \$1.9 million over four years for two additional sniffer dog teams to contribute to the joint efforts of the South Australian, Western Australian and Northern Territory Governments to reduce the use of illicit substances in Indigenous communities. The sniffer dog teams will be provided to the Central Desert Substance Abuse Intelligence Desk for remote area operations.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

### **Baby Bonus — compulsory instalment payments for mothers under 18**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	1.3	0.4	0.1	0.1

The Government will provide \$2.0 million over four years to implement a change in the payment of the Baby Bonus (formerly called the Maternity Payment) to mothers under 18 years of age.

The Baby Bonus is currently paid as a lump sum payment of \$4,100 to all eligible parents on the birth of a child. It will now be paid to mothers under 18 years of age in fortnightly instalments over 13 fortnights. This is expected to affect 3,250 recipients per year.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

From January 2007 payment by instalments will be the Government's preferred option for mothers under the age of 18 and will be mandatory from 1 July 2007.

Further information can be found in the press release of 12 November 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

**Child Care Management System**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	28.5	26.4	1.0	-4.9
<i>Related capital (\$m)</i>				
<i>Department of Families, Community Services and Indigenous Affairs</i>	11.2	3.9	-	-
<i>Centrelink</i>	5.4	1.7	-	-
<i>Total</i>	16.6	5.6	-	-

The Government will provide \$73.2 million over four years to develop a new Child Care Management System to improve timeliness and availability of information relating to the national supply, usage and demand for child care places across Australia. This includes capital funding of \$22.2 million to build a new system interface between the Department of Families, Community Services and Indigenous Affairs (FaCSIA) and Centrelink to enable a more timely transfer of Child Care Benefit data. An online system between child care service providers and FaCSIA to simplify reporting requirements and improve compliance in the child care sector will also be built. The new system will also enable families to access an online monthly statement outlining their child care records.

This measure will be implemented progressively with an online reporting system for Long Day Care and Family Day Care services commencing from July 2007 and an online reporting system for Outside School Hours Care, Occasional Care and In-home Services from July 2008.

As part of this measure the Government will support child care service providers to convert to the new system through training and other support arrangements.

This measure also includes a reduction in resourcing to Centrelink which results in net savings of \$4.9 million per annum from 2009-10 onwards as Centrelink will no longer be responsible for maintaining the information database on child care usage.

Further information can be found in the press release of 23 October 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Cyclone Larry and Cyclone Monica — one-off income support**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	-	-	-	-
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-	..	-	-

The Government provided one-off income support for eligible farmers and businesses affected by Cyclone Larry in North Queensland in the 2006-07 Budget. This measure was extended to include those also affected by Cyclone Monica.

In addition, the Government has extended eligibility for the beneficiary tax offset to those in receipt of these payments. This ensures consistent taxation treatment with Newstart payments.

Further information can be found in the press release of 26 May 2006 issued by the Prime Minister.

**Egypt Terrorist Bombings — ex gratia assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	0.1	-	-	-

The Government provided funding of \$0.1 million in 2006-07 to assist Australians injured in the terrorist bombings which occurred in Egypt on 24 April 2006. This included funding for Centrelink of \$57,000 in 2006-07.

Affected Australians were provided with assistance for travel, accommodation and medical costs. Those affected also received assistance with the costs of counselling and psychological care for family members.

**Jobs, Education and Training (JET) child care fee assistance — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	20.7	-	-	-

The Government will provide an additional \$20.7 million in 2006-07 to the Jobs, Education and Training (JET) Child Care fee assistance programme.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

JET Child Care fee assistance provides parents undertaking eligible study or training courses, with additional child care assistance by paying most of the 'gap fee' (the difference between the fee charged by the child care service and the maximum rate of Child Care Benefit). Assistance may be approved for up to 26 weeks for parents undertaking paid or unpaid work, up to 20 days for Job Search and up to 12 months for education and training.

This measure will provide affordable child care to an additional 3,500 recipients in 2006-07 and builds on the measure '*Child Care – Jobs, Education and Training (JET) Child Care fee assistance – continue and extend*' in the 2006-07 Budget, which provided additional funding of \$15.4 million over two years to the JET programme.

**Pandemic influenza preparedness — mitigating social and community impacts**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	3.1	-	-	-

The Government will provide funding of \$3.1 million in 2006-07 to support activities designed to mitigate the social and community impacts of a potential pandemic influenza. This includes funding for Centrelink of \$0.5 million in 2006-07 to ensure its ability to deliver certain services in the event of a pandemic influenza.

The Australian Government in consultation with the States and Territories, local government and non-government organisations will develop a nationally consistent approach for the management of critical social infrastructure services in the event of an influenza pandemic, with a particular focus on support for vulnerable groups. The work will involve the development and delivery of a business continuity guide for non-government organisations and the not-for-profit sectors, a volunteering strategy, research and scenario planning, and development of key communication messages.

See related expense measures for *Pandemic influenza preparedness* in the Health and Ageing; Agriculture, Fisheries and Forestry; and Industry, Tourism and Resources portfolios.

## FINANCE AND ADMINISTRATION

### ASC Pty Ltd — sale costs

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Finance and Administration	0.4	6.5	6.3	-

The Government will provide \$13.1 million over three years to the Department of Finance and Administration for the costs of selling ASC Pty Ltd. This relates to the costs of external expert advisers including business, legal, process, communications and accounting advisers, and internal costs for the Department. This follows the Government's consideration of the recent scoping study into the sale of ASC Pty Ltd.

Further information can be found in the press release of 16 August 2006 issued by the Minister for Finance and Administration.

### Federal elections — improving the operation of Australian federal elections

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Electoral Commission	1.5	6.1	..	0.1
<i>Related capital (\$m)</i>				
<i>Australian Electoral Commission</i>	2.8	-	-	-

The Government will provide \$10.8 million over five years (including \$0.2 million in 2010-11) to the Australian Electoral Commission (AEC) to help educate the community in the use of postal and pre-poll voting and to improve the operation of federal elections. The total funding includes \$2.8 million in capital, largely to enable the AEC to develop the capacity to undertake two electronic voting trials.

This measure forms part of the Government's response to recommendations of the Joint Standing Committee on Electoral Matters' *Report of the Inquiry into the Conduct of the 2004 Federal Election and Matters Related Thereto*.

Further information can be found in the press release of 22 August 2006 issued by the Special Minister of State.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Parliamentary entitlements — reform package**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Finance and Administration	12.8	10.5	8.6	16.6
<i>Related capital (\$m)</i>				
<i>Department of Finance and Administration</i>	2.5	1.0	0.2	0.7

The Government will provide \$52.9 million over four years to provide Senators and Members with additional resources to represent their constituents effectively, and undertake Parliamentary and official business efficiently. The package includes changes to printing entitlements, travel allowance, relief staff entitlements and electorate office entitlements.

The measure includes \$4.4 million in capital funding for electorate and ministerial office fit out.

## FOREIGN AFFAIRS AND TRADE

### Australia Network — providing Australian television services to the Asia-Pacific region

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Foreign Affairs and Trade	18.0	18.7	18.8	19.3

The Government will provide \$94.2 million over five years (including \$19.4 million in 2010-11) for the continued provision of an Australian television service to the Asia-Pacific region.

The television service, to be known as the Australia Network, will be operated by the Australian Broadcasting Corporation. The service supports Australia's national interests in Asia and the Pacific through the delivery of high quality, contemporary programming and information about Australia's engagement with the region. It reaches more than 40 countries, from French Polynesia in the Pacific, northwards to Japan and westwards to Pakistan.

Further information can be found in the press release of 10 July 2006 issued by the Minister for Foreign Affairs.

### Australia Pacific Technical College

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Agency for International Development	-	30.9	32.1	33.8

The Government will provide \$151.9 million over five years (including \$34.9 million in 2010-11) to establish an Australia Pacific Technical College to deliver Australian standard qualifications to Pacific islanders. The college will offer courses in hospitality and tourism; health and community services; automotive mechanics; manufacturing trades; and construction and electrical trades.

The cost of this measure will be partially funded by \$20.3 million (\$10.3 million in 2006-07 and \$2.5 million per annum from 2007-08 to 2010-11) from within AusAID's existing resources.

Further information can be found in the press release of 25 October 2006 issued by the Prime Minister.



*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Emergency and humanitarian relief — contributions**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Agency for International Development	-	-	-	-

The Government has provided \$16.5 million in 2006-07 for emergency and humanitarian relief efforts. The funding has been provided through various non-government agencies such as CARE Australia and the International Committee of the Red Cross and a number of United Nations agencies. Examples of countries assisted include East Timor, Sri Lanka and Sudan.

The cost of these measures was met fully from within AusAID's existing resourcing.

Further information can be found in various press releases issued by the Minister for Foreign Affairs.

**Lebanon — evacuation, recovery and reconstruction**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Agency for International Development	-	-	-	-
Various Agencies	*	-	-	-
Total	*	-	-	-

The Government will provide \$16.5 million for humanitarian relief and \$7.5 million for reconstruction efforts in Lebanon. The funding will be provided through the United Nations Children's Fund, the World Health Organisation and other aid agencies. The cost of these activities will be met fully from within AusAID's existing resources.

The Government also evacuated Australian citizens, permanent residents and their immediate families from Lebanon. The cost of the evacuation, net of recoveries from evacuees, has yet to be finalised. Provision for this measure has been included in the Contingency Reserve.

Further information can be found in the press releases of 22 July 2006 and 24 October 2006 issued by the Minister for Foreign Affairs.

## HEALTH AND AGEING

### Addressing violence and child abuse in Indigenous communities — drug and alcohol treatment and rehabilitation services for Indigenous Australians in remote and regional areas

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	2.2	17.5	15.1	14.5

The Government will provide \$49.3 million over four years to improve access to drug and alcohol treatment and rehabilitation services for Indigenous Australians in remote and regional areas. This measure will enhance the capacity of 29 existing services and provide capital and recurrent funding for an additional 16 new treatment and rehabilitation services.

All services will provide new treatment and rehabilitation service models including safe places to sober up, establishing new multi-disciplinary teams with a range of skills, and developing services to support individuals leaving rehabilitation and returning to their communities. This will assist in preventing relapses.

The Government will also strengthen support for communities affected by alcohol and drug abuse by implementing alcohol management plans and restricting the import of kava for cultural use.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

### Addressing violence and child abuse in Indigenous communities — Indigenous child health checks

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	1.9	1.9	-	-

The Government will provide \$3.8 million over two years for an intensive roll-out of Aboriginal and Torres Strait Islander child health checks under the Medicare Benefits Schedule in up to ten priority regions across Australia.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure will establish dedicated health check teams, comprising a general practitioner, a registered nurse, Aboriginal health workers and a psychologist, to provide comprehensive child health checks to children aged 0-14 years within the priority regions. It is expected that 2,000 additional health checks will be conducted as a result of this measure. Funding for a follow-up team will also be provided to work with local primary health care services to ensure that all health conditions identified through the health check are responded to appropriately.

This initiative is one of several measures that address violence and child abuse in Indigenous communities announced by the Australian Government at the Council of Australian Governments' meeting in July 2006. Together, these measures contribute additional funding of \$118.6 million.

Further information can be found in the press release of 14 July 2006 issued by the Minister for Families, Community Services and Indigenous Affairs.

**Aged Care — improved arrangements for complaints handling**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	10.8	21.8	22.6	23.8
<i>Related capital (\$m)</i>				
Department of Health and Ageing	7.2	2.2	1.8	-

The Government will provide \$90.3 million over four years to improve arrangements for the handling and investigation of aged care complaints. A new Office for Aged Care Quality and Compliance will be established within the Department of Health and Ageing with trained investigative staff and greater powers to examine complaints from residents, their families and staff of residential aged care homes.

This measure will also introduce an independent Aged Care Commissioner who will have wide-ranging powers to conduct and initiate investigations into the quality of care provided in residential facilities. Other reforms included in the measure are the introduction of compulsory reporting of abuse by approved providers and legislative protections for whistleblowers.

This measure includes \$4.6 million in capital funding in 2006-07 for building fit-out costs. The measure also includes \$6.6 million in capital funding from 2006-07 to 2008-09 to develop a new database that will provide an integrated system for compliance and complaints tracking and enable the public to register complaints securely while maintaining privacy.

This measure builds on the \$10.4 million over four years from 2006-07 that was provided in the 2006-07 Budget measures *Aged Care – Increased Spot Checks of Residential Aged Care Homes*, and *Aged Care – Police Checks for Community Visitors Scheme Volunteers*.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 27 July 2006 issued by the Minister for Ageing.

**APEC 2007 — Health Ministers' meeting**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	4.7	-	-	-
Department of Health and Ageing	1.0	0.1	-	-
Total	5.7	0.1	-	-

The Government will provide \$5.8 million over two years to host an APEC Health Ministers' Meeting during 2007, which will reinforce Australia's engagement with the Asia Pacific region on public health issues. The APEC Health Ministers' Meeting will be held in Sydney and involve Health Ministers and accompanying delegations from 21 APEC economies as well as observer organisations.

**Australian Red Cross Society — contribution to humanitarian relief and community support**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	5.0	5.0	-	-

The Government will provide \$10.0 million over two years from 2006-07 as a contribution to the Australian Red Cross Society's health-related work on humanitarian relief and community support in Australia and the region.

**COAG Health Workforce — establishing a taskforce on the national health workforce**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	1.4	1.4	1.4	1.4
<i>Related capital (\$m)</i>				
<i>Department of Health and Ageing</i>	0.1	-	-	-

The Government will provide \$5.7 million over four years, to be matched by the States and Territories, to establish a taskforce on the national health workforce to advise on workforce innovation and reform. This measure includes \$0.1 million in capital funding in 2006-07 for building fit-out costs for the Department of Health and Ageing.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**COAG Health Workforce — expanding medical specialist training to a broader range of settings**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	5.9	9.8	17.8	25.3
<i>Related capital (\$m)</i>				
<i>Department of Health and Ageing</i>	0.7	-	-	-

The Government will provide \$59.5 million over four years to expand clinical placements for medical specialist trainees beyond traditional public teaching hospitals. This will include expanding public sector training placements in regional, rural and ambulatory settings, and private sector placements in hospital and clinical settings, community settings and non-clinical environments. This measure includes \$0.7 million in capital funding in 2006-07 for building fit-out costs.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**COAG Health Workforce — increasing the proportion of medical students bonded to areas of workforce shortage**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	0.3	0.6	0.8	0.8
<i>Related capital (\$m)</i>				
<i>Department of Health and Ageing</i>	0.6	-	-	-

The Government will provide \$3.1 million over four years to increase the proportion of Government funded medical school places bonded to areas of workforce shortage. This measure includes \$0.6 million in capital funding in 2006-07 for a new information technology system and building fit-out costs.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**COAG Health Workforce — national registration and accreditation schemes**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	3.3	5.2	5.5	2.0
<i>Related capital (\$m)</i>				
Department of Health and Ageing	0.4	-	-	-

The Government will provide \$16.4 million over four years to develop a single national registration scheme and a single national accreditation scheme to facilitate structural reforms to the registration of health professionals and accreditation of health education and training courses. This will enhance workforce mobility, improve consistency across jurisdictions and reduce red tape. This measure includes \$0.4 million in capital funding in 2006-07 for building fit-out costs for the Department of Health and Ageing.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**COAG Health Workforce — new Medicare item**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	0.7	3.9	8.9	12.5
Medicare Australia	0.1	0.4	0.5	0.7
Department of Veterans' Affairs	..	0.3	0.4	0.7
Total	0.8	4.6	9.9	13.9

The Government will provide \$29.2 million over four years to introduce a new Medicare item for practice nurses and registered Aboriginal health workers to provide ongoing support for patients with a general practitioner chronic disease care plan.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**COAG Health Workforce — strengthening the health workforce in rural and remote areas and in Indigenous communities**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	1.3	4.4	5.1	6.2
Medicare Australia	0.2	0.1	0.1	0.1
Department of Veterans' Affairs	..	0.1	0.1	0.1
<b>Total</b>	<b>1.5</b>	<b>4.6</b>	<b>5.3</b>	<b>6.4</b>
<i>Related capital (\$m)</i>				
Department of Health and Ageing	0.1	-	-	-

The Government will provide \$17.8 million over four years to improve access to medical services in rural and remote areas and in Indigenous communities. This measure includes \$0.1 million in capital funding in 2006-07 for building fit-out costs for the Department of Health and Ageing.

This measure will recognise the Australian College of Rural and Remote Medicine's rural training programme as another way for general practitioners to gain the formal recognition needed to access a higher Medicare rebate. This initiative is subject to the training programme receiving accreditation by the Australian Medical Council.

See the related *COAG Health Workforce* expense measures in the Health and Ageing and Education, Science and Training portfolios.

This measure forms part of the Government's contribution to the COAG Health Workforce package. Further information can be found in the Council of Australian Governments' Meeting Communiqué of 14 July 2006.

**Community Care — review of community aged care arrangements**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	0.7	0.8	-	-

The Government will provide \$1.5 million over two years from 2006-07 to review all Australian Government funded community aged care programmes following the release of the Government's strategy to improve and simplify community care, *A New Strategy for Community Care – The Way Forward*.

The review will develop options for restructuring community care subsidy and fee arrangements so as to reduce overlap and duplication with other programmes, improve equity and consumer choice, improve quality and accountability, and ensure the sector's long-term sustainability.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

See the related capital measure *Community Care – developing a needs identification model* in the Health and Ageing portfolio.

Further information can be found in the press release of 18 September 2006 issued by the Minister for Ageing.

**Home and Community Care — funding to improve access to community care**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	-	30.0	-	-

The Government will provide \$30 million in 2007-08 to the States and Territories for the one-off costs associated with implementing reforms to improve and simplify community care, as outlined in *A New Strategy for Community Care – The Way Forward*, released in August 2004. The payment will assist the States and Territories to implement improved and nationally consistent arrangements for providing access to services, assessment and referral under the Home and Community Care Programme.

See the related expense measure *Home and Community Care – implementation of new planning and reporting arrangements* in the Health and Ageing portfolio.

Further information can be found in the press release of 26 July 2006 issued by the Minister for Ageing.

**Home and Community Care — implementation of new planning and reporting arrangements**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	1.1	1.9	2.4	2.4
<i>Related capital (\$m)</i>				
<i>Department of Health and Ageing</i>	2.8	1.9	-	-

The Government will provide \$12.4 million over four years to strengthen the Australian Government's input into the planning process for the Home and Community Care Programme. This will ensure that the Government's priorities are achieved, in particular a continued focus to support frail older Australians in their home environment so as to prevent or delay the need for residential aged care.



Appendix A: Policy decisions taken since the 2006-07 Budget

This measure will improve the quality of planning under the Home and Community Care Programme by moving to a three-year planning cycle. It will improve State and Territories' accountability for the funds provided to them by requiring a published annual consolidated report on the programme, including a comparative analysis of performance. The new arrangements will also include financial penalties for not complying with agreed reporting and other requirements, reduced red tape for State and Territories and streamlined approval processes.

This measure includes \$4.7 million in capital funding in 2006-07 and 2007-08 to develop software that will allow the Department of Health and Ageing to receive and undertake analysis of State and Territories' reports and data.

See the related expense measure *Home and Community Care – funding to improve access to community care* in the Health and Ageing portfolio.

**Indigenous Communities — reducing substance abuse (petrol sniffing) — roll out of Opal fuel in Alice Springs**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	-	3.9	4.0	4.1

The Government will provide \$11.9 million over four years to make available *Opal* fuel in Alice Springs to help reduce the incidence of petrol sniffing in Central Australia. Supplying petrol stations in Alice Springs with non-sniffable *Opal* fuel will make it harder to access sniffable petrol there and in surrounding communities.

This measure builds on funding of \$55.2 million over four years from 2006-07 that was provided in the 2006-07 Budget measure *Strengthening Indigenous Communities – reducing substance abuse (petrol sniffing)*.

Further information can be found in the press release of 11 September 2006 issued by the Minister for Health and Ageing.

**Latent tuberculosis skin test**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	0.9	0.9	0.9	0.1

The Government will provide \$2.8 million over four years for the purchase and distribution of skin tests for latent tuberculosis due to the decision of the current local provider to cease production of the test. The skin test is essential for conducting screening tests of health care workers, migrants, defence force recruits and personnel deployed overseas, as well as high risk indigenous communities, to help prevent the transfer of tuberculosis within the Australian population.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

This measure will ensure the continuing supply to Australia of the skin test until a tender process to determine a future supplier is completed.

**Medicare Benefits Schedule — new and revised listings**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	18.6	29.0	30.6	32.6
Department of Veterans' Affairs	2.6	3.8	3.9	3.9
Total	21.1	32.8	34.5	36.5

The Government has added new and revised items on to the Medicare Benefits Schedule (MBS) and Veterans' Benefits at a cost of \$124.9 million over four years.

The changes include:

- new items for consultation services with anaesthetists prior to hospital admissions;
- a revised item for diagnosing gastritis, gastric ulcers and peptic ulcer disease;
- revised items for practice nurses to undertake Pap smears in urban areas;
- new items for single event multi level surgery to treat cerebral palsy in children (MBS only); and
- new and revised items for paediatric orthopaedic procedures associated with the spine, hip and fractures (MBS only).

Further information can be found in the summary of changes included in the 1 November 2006 MBS issued by the Department of Health and Ageing.

**National Immunisation Programme — human papilloma virus vaccine**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	92.1	220.4	85.3	39.0

The Government will provide \$436.8 million over four years to fund a national human papilloma virus (HPV) vaccination programme from 2007 for the prevention of cervical cancer. The HPV vaccine Gardasil® will be included in the National Immunisation Programme on an ongoing basis for 12 to 13 year old girls, to be delivered through schools. The Government will also fund a two year catch-up programme for 13 to 18 year old girls in schools and for 18 to 26 year old women to be delivered through GPs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

HPV is responsible for 70 per cent of all cervical cancers in Australia. A national vaccination programme will provide increased protection for women and girls in preventing cervical cancer.

Additional funding for delivery and implementation costs associated with this programme has been included in the Contingency Reserve and will be released when agreements are reached with the States and Territories.

Further information can be found in the press release of 29 November 2006 issued by the Minister for Health and Ageing.

**National Immunisation Programme — vaccine price increase**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	4.1	4.5	4.5	4.5

The Government will provide an additional \$17.6 million over four years to continue to fund the cost of the Priorix ® vaccination for measles, mumps and rubella under the National Immunisation Programme (NIP). This additional funding is the result of the first price increase for this vaccine since 1998, and was agreed with the manufacturer following a recommendation from the Pharmaceutical Benefits Pricing Authority. This will ensure that the vaccine continues to be available free of charge under the NIP.

**Pandemic influenza — additional funding for avian influenza vaccine trial**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	2.3	-	-	-

The Government will provide an additional \$2.3 million in 2006-07 to support the second phase of CSL Limited's avian influenza vaccine trial. This will continue efforts to protect Australia against the possibility of an influenza pandemic and to ensure the availability of a vaccine should its rapid deployment be required.

This measure builds on funding of \$4.9 million in 2005-06 for the measure *Pandemic influenza – fast tracking pandemic influenza vaccine production*.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Pandemic influenza preparedness — improving border control and airport responses**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	0.8	0.8	0.4	0.4
<i>Related capital (\$m)</i>				
Department of Health and Ageing	1.6	-	-	-

The Government will provide \$4.0 million over four years to ensure Australia's readiness to activate border control measures quickly should the threat of pandemic influenza become imminent. This funding will train border workers to respond to an outbreak of pandemic influenza in the Torres Strait and/or far northern Australia and will also provide training for nurses to deal with potentially infected passengers at airports. The measure includes \$1.6 million in capital funding in 2006-07 to secure sufficient supplies of personal protective equipment for all Australian Quarantine and Inspection Service, Australian Customs Service and Australian Federal Police officers at airports.

See the related expense measures for *Pandemic influenza preparedness* in the Health and Ageing; Agriculture, Fisheries and Forestry; Families, Community Services and Indigenous Affairs; and Industry, Tourism and Resources portfolios.

**Pharmaceutical Benefits Scheme — broadened eligibility for the use of lipid-lowering drugs**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	8.7	28.4	48.7	61.2
Department of Veterans' Affairs	1.5	2.9	2.7	2.7
Medicare Australia	0.1	0.3	0.4	0.5
Total	10.3	31.5	51.9	64.3

The Government has, from 1 October 2006, broadened eligibility for the use of lipid-lowering drugs listed on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS, at an estimated cost of \$158.0 million over four years. This includes funding for administering payments through Medicare Australia.

Lipid-lowering drugs are used to treat high cholesterol in patients with, or at risk of, cardiovascular disease. The changes to the eligibility criteria will allow people with a family history of cardiovascular disease, people with complications of diabetes, and patients who have already had cardiovascular disease, to access these drugs irrespective of their current cholesterol levels.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

The average cost to the PBS of providing lipid-lowering drugs is \$58 per prescription. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 5 September 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — extension to the listing of Mabthera® (rituximab)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	21.6	23.6	27.3	27.4
Department of Veterans' Affairs	1.6	1.8	1.9	1.9
Medicare Australia	..	..	..	..
Total	23.2	25.4	29.3	29.3

The Government has, from 1 August 2006, extended the listing of Mabthera® (rituximab) on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation PBS, at an estimated cost of \$107.2 million over four years. This includes funding for administering payments through Medicare Australia.

Mabthera® is a drug used in the treatment of follicular non-Hodgkin's lymphoma, in combination with standard chemotherapy regimes. Prior to the extension of the listing of Mabthera®, access to the drug was restricted to those patients who had relapsed or not shown adequate response to standard chemotherapy. The extension of the listing allows patients to combine Mabthera® with standard chemotherapy. This will help reduce tumour mass and improve survival time.

The average cost to the PBS of providing Mabthera® is \$3,305 per patient per cycle. On average, eight cycles are required per patient. General consumers will pay a \$29.50 co-payment per prescription (each cycle requires two prescriptions) and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Health and Ageing.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Pharmaceutical Benefits Scheme — extension to the listing of Pegasys® (peginterferon alfa-2a)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	11.7	13.8	14.4	14.9
Department of Veterans' Affairs	0.1	0.1	0.1	0.1
Medicare Australia	..	..	..	..
<b>Total</b>	<b>11.8</b>	<b>13.9</b>	<b>14.5</b>	<b>14.9</b>

The Government has, from 1 August 2006, extended the listing of Pegasys® (peginterferon alfa-2a) on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS, at an estimated cost of \$55.2 million over four years. This includes funding for administering payments through Medicare Australia.

Pegasys® is a drug used in the treatment of inflammation associated with liver infection caused by hepatitis viruses. Prior to the extension of the listing of Pegasys®, access to the drug was restricted to certain patients with chronic hepatitis C. The extension of the listing will now provide access to the drug for certain patients with chronic hepatitis B. This will help reduce the risk of cirrhosis and liver cancer.

The average cost to the PBS of providing Pegasys® is \$16,442 per patient per year. In the course of a year a patient is expected to require an average of 11.5 prescriptions. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — extension to the listings of Enbrel® (etanercept), Humira® (adalimumab) and Remicade® (infliximab)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	3.2	7.2	9.6	11.1
Medicare Australia	0.2	0.3	0.3	0.3
Department of Veterans' Affairs	..	0.1	0.1	0.2
<b>Total</b>	<b>3.4</b>	<b>7.6</b>	<b>10.0</b>	<b>11.5</b>

The Government has, from 1 August 2006, extended the listing of Enbrel® (etanercept), Humira® (adalimumab) and Remicade® (infliximab) on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS to psoriatic arthritis patients, at an estimated cost of \$32.1 million over four years. This includes funding for administering payments through Medicare Australia.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Enbrel®, Humira® and Remicade® are biological Disease Modifying Anti-Rheumatoid Drugs already listed on the PBS for other conditions. The drugs will now be used to treat psoriatic arthritis patients who are unresponsive to current approved treatments. The listing will allow patients to have subsidised access to the treatment most suited to their particular condition.

The Government has also provided \$0.4 million over four years to Medicare Australia to fund costs incurred in relation to the previous listings of Enbrel® and Remicade® for the treatment of ankylosing spondylitis.

The average cost per prescription to the PBS of providing Enbrel® and Humira® will be approximately \$1,745.10 and for Remicade® the cost will be approximately \$875.00. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 22 June 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — extension to the listings of Taxotere® (docetaxel) and Anzatax®, Paclitaxel Ebewe® and Taxol® (paclitaxel)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	5.1	8.0	9.8	11.7
Department of Veterans' Affairs	0.2	0.3	0.3	0.4
Medicare Australia	..	..	..	..
Total	5.3	8.3	10.1	12.0

The Government has, from 1 October 2006, extended the listing of Taxotere® (docetaxel) and Anzatax®, Paclitaxel Ebewe® and Taxol® (paclitaxel) on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation PBS, at an estimated cost of \$35.7 million over four years.

Taxotere®, Anzatax®, Paclitaxel Ebewe® and Taxol® are currently listed on the PBS for the treatment of several different cancers. The extension of the listing will provide subsidised access for the treatment of operable, early stage breast cancer which has spread to the lymph nodes. These drugs have been shown to improve survival rates in certain types of early stage breast cancer.

The average cost to the PBS of providing Taxotere® will be approximately \$2,170 per patient per cycle. On average, six cycles are required per patient, with two prescriptions required per cycle. The average cost to the PBS of providing Anzatax®, Paclitaxel Ebewe® and Taxol® will be approximately \$2,100 per patient per cycle. On average, four cycles are required per patient with one prescription required per cycle. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 1 October 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of Herceptin® (trastuzumab)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	118.2	117.2	113.8	116.5
Department of Veterans' Affairs	1.8	2.0	1.8	1.8
Medicare Australia	0.3	0.4	0.4	0.4
Total	120.3	119.6	116.1	118.7
<i>Related revenue (\$m)</i>				
<i>Department of Health and Ageing</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government has, from 1 October 2006, listed Herceptin® (trastuzumab) on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS at an estimated cost of \$474.7 million over four years. This includes funding for administering payments through Medicare Australia and additional expenditure for the Medicare Benefits Schedule and Veterans' Benefits for the testing of eligibility for Herceptin®. Revenue offsets to the cost of the drug are provided under a pricing agreement negotiated between the Government and the drug manufacturer.

Herceptin® is used in the treatment of patients with HER2 positive early breast cancer following surgery. The impact of minor changes to the PBS eligibility requirements for the chemotherapy drugs docetaxel and paclitaxel, which are used in conjunction with Herceptin, are also included in the measure. The eligibility requirements were changed in order to ensure that all early breast cancer patients who are eligible for treatment with Herceptin® can use these drugs as part of their chemotherapy regime.

The average cost to the PBS of providing Herceptin® will be approximately \$51,450 per patient per year. In the course of a year, a patient is expected to require an average of 15 prescriptions. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 22 August 2006 issued by the Minister for Health and Ageing.



**Pharmaceutical Benefits Scheme — listing of Lantus® (insulin glargine) and Levemir® (insulin detemir)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	18.7	32.6	42.0	49.6
Department of Veterans' Affairs	0.6	1.1	1.3	1.5
Total	19.3	33.7	43.4	51.0
<i>Related revenue (\$m)</i>				
Department of Health and Ageing	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government has, from 1 October 2006, listed Lantus® (insulin glargine) and Levemir® (insulin detemir) on the Pharmaceutical Benefits Scheme (PBS), at an estimated cost to the PBS, Repatriation PBS and National Diabetes Services Scheme of \$147.4 million over four years. Revenue offsets to the cost of the drugs are provided under a pricing agreement negotiated between the Government and the drug manufacturers.

Lantus® and Levemir® are used in the treatment of diabetes to maintain basic insulin levels. Both drugs are expected to reduce the incidence of episodes of low blood-sugar levels compared with currently available treatments. Both drugs will be used in the treatment of type 1 diabetes. Lantus® will also be used in the treatment of type 2 diabetes.

The average cost to the PBS of providing Lantus® and Levemir® is \$431.45 per prescription. General consumers will pay a \$29.50 co-payment per prescription and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 24 August 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — listing of Prexige® (lumiracoxib)**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	4.4	15.0	20.7	26.8
Department of Veterans' Affairs	0.4	1.2	1.6	2.0
Medicare Australia	0.1	0.1	0.2	0.2
Total	4.8	16.4	22.5	29.1

The Government has, from 1 August 2006, listed Prexige® (lumiracoxib) on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS, at an estimated cost of \$72.7 million over four years. This includes funding for administering payments through Medicare Australia.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Prexige®, a COX-2 inhibitor, is used in the treatment of patients with osteoarthritis. This listing will provide subsidised access to a third treatment option for patients with osteoarthritis who are treated using COX-2 inhibitors.

The average cost to the PBS of providing Prexige® will be approximately \$371 per patient per year. General consumers will pay a \$29.50 co-payment per prescription (each prescription provides 4 weeks' treatment) and concession card holders will pay a \$4.70 co-payment per prescription.

Further information can be found in the press release of 21 June 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme — minor new listings**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	24.9	41.7	52.4	58.2
Department of Veterans' Affairs	1.0	2.3	2.9	3.2
Medicare Australia	0.5	0.9	1.0	1.2
Total	26.3	44.9	56.4	62.6

The Government has agreed to a number of minor new listings on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS since the 2006-07 Budget, at a cost of \$190.1 million over four years.

The minor new listings (including extensions of PBS listings) are a mix of drugs that have been listed at either no additional cost to the Budget (because they displace existing drugs) or at an estimated cost of each less than \$10 million per annum.

New listings that have a minor cost include:

- Flolan® for the treatment of certain patients with severe primary pulmonary hypertension;
- Navelbine® for the treatment of locally advanced or metastatic non-small cell lung cancer;
- Ferro-f-tab® for the treatment of iron deficiency;
- Physiotens® for the treatment of hypertension in patients receiving concurrent antihypertensive therapy; and
- Certain anti-fungal creams and lotions for use by Aboriginal and Torres Strait Islander people.

Further information can be found in the summary of changes included in the 1 August 2006 and 1 December 2006 Schedule of Pharmaceutical Benefits issued by the Department of Health and Ageing.

**Pharmaceutical Benefits Scheme reform — achieving better value**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	2.3	6.6	-455.7	-560.3
Department of Veterans' Affairs	-	0.1	-30.0	-34.9
Total	2.3	6.7	-485.7	-595.2
<i>Related capital (\$m)</i>				
Department of Health and Ageing	-	1.4	-	-

The Government will restructure the Pharmaceutical Benefits Scheme (PBS) pricing arrangements to reduce the price it pays for medicines that have multiple suppliers or where there are acceptable alternatives for patients. Savings from this measure are estimated to be \$1.7 billion over five years (including \$622.7 million in 2010-11).

As part of this measure, from 1 August 2007, the PBS will be restructured into separate formularies that differentiate between medicines with only a single brand and medicines with multiple brands that are interchangeable at the patient level.

Mandatory price reductions for medicines with multiple brands will come into effect from 1 August 2008, with some medicines facing an immediate reduction of 25 per cent and others facing staged 2 per cent price reductions over a maximum three year period. From 1 August 2007 manufacturers applying to list a new brand against either those medicines subject to the staged price reductions, or medicines coming off patent, will be required to disclose the price at which they sell their drugs to pharmacies and wholesalers and the Government will use the average disclosed price as the basis for the listed price after 1 August 2009. New brands listed against medicines subject to the 25 per cent price reduction will not be required to disclose prices until 1 January 2011.

This measure includes funding for the Department of Health and Ageing of \$12.1 million over five years (including \$1.4 million of capital funding in 2007-08) to implement the reforms including ongoing reviews of the price at which medicines are sold to pharmacies and wholesalers, the development of software to support disclosure arrangements and the establishment of an industry-government working group to facilitate the introduction of the reforms.

See also the related expense measures *Pharmaceutical Benefits Scheme reform – pharmacy and pharmaceutical wholesaler structural adjustment package* in the Health and Ageing portfolio and *Pharmaceutical Benefits Scheme reform – streamlining authority prescribing arrangements* in the Human Services portfolio.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 16 November 2006 issued by the Minister for Health and Ageing.

**Pharmaceutical Benefits Scheme reform — pharmacy and pharmaceutical wholesaler structural adjustment package**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	-	8.3	295.2	320.2
Medicare Australia	3.6	14.0	13.2	14.4
Department of Veterans' Affairs	-	1.9	22.0	23.8
Total	3.6	24.3	330.4	358.4
<i>Related capital (\$m)</i>				
Medicare Australia	0.6	0.4	-	-

The Government will provide \$1.1 billion over five years (including \$0.9 million in capital funding and \$390.1 million in 2010-11) to assist pharmacies and pharmaceutical wholesalers to adjust to the new arrangements that will be introduced in *Pharmaceutical Benefits Scheme reform – achieving better value* in the Health and Ageing portfolio.

The structural adjustment package includes:

- increased mark-ups and dispensing fees for pharmacies;
- incentives for pharmacies to dispense substitutable, premium-free brands of medicines;
- incentives for pharmacies to claim Pharmaceutical Benefits Scheme (PBS) benefits using PBS Online; and
- additional funding through the Community Service Obligation funding pool, which provides payments to eligible pharmaceutical wholesalers that provide timely and comprehensive delivery of the full range of PBS medicines.

See also the related expense measure *Pharmaceutical Benefits Scheme reform – streamlining authority prescribing arrangements* in the Human Services portfolio.

Further information can be found in the press release of 16 November 2006 issued by the Minister for Health and Ageing.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Reciprocal health care agreement with Denmark**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	-	0.1	0.1	0.1

The Government will provide \$0.2 million over four years from 2007-08 (including \$72,000 in 2010-11) to cover health costs for visitors from Denmark under a reciprocal health care arrangement.

The reciprocal health care agreement between Australia and Denmark will allow visitors from Denmark to be eligible for Medicare assistance for immediate necessary medical treatment in Australia, with reciprocal arrangements applying to Australian visitors to Denmark.

**Removal Pending Bridging Visa — health costs**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	..	..	..	..

The Government will provide \$0.2 million over five years (including \$19,000 in 2005-06) to cover health costs associated with the Removal Pending Bridging Visa.

The Removal Pending Bridging Visa has been established to permit persons who are found not to be refugees, but whose removal is not reasonably practicable at the time, to remain temporarily in Australia. This visa provides more flexibility in dealing with the small number of individuals for whom there are complex removal issues. Removal Pending Bridging Visa holders have access to a limited range of social support benefits, including access to Medicare and subsidised drugs under the Pharmaceutical Benefits Scheme.

Further information can be found in the press release of 23 March 2005 issued by the Minister for Immigration and Multicultural Affairs.

**Royal Flying Doctor Service — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	5.0	-	-	-

The Government provided \$5.0 million to the Royal Flying Doctor Service (RFDS) South Eastern Section, a not-for-profit charitable organisation, as a contribution to the purchase of two King Air B200 aircraft. The replacement aircraft will be used for the delivery of medical services in rural and remote parts of New South Wales.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the press release of 15 May 2006 issued by the Treasurer.

## HUMAN SERVICES

### Drought Package 2006 — communications

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Human Services	4.7	2.1	-	-

The Government will provide \$6.8 million over two years to the Department of Human Services for conducting communications and media advertising as part of the 2006 drought assistance package.

The drought communication strategy will raise awareness of, and provide information about Government drought support measures.

Further information can be found in the press release of 24 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

### Medicare rebates — electronic claiming via EFTPOS

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Human Services	11.6	4.1	-	-
Medicare Australia	3.1	-1.3	-7.1	-15.9
Department of Health and Ageing	0.8	0.4	0.2	0.1
Total	15.4	3.2	-6.9	-15.7
<i>Related capital (\$m)</i>				
<i>Medicare Australia</i>	1.7	0.2	-	-

The Government will provide \$133.4 million over four years to enable patients to electronically claim a Medicare rebate at their doctor's surgery via the EFTPOS network.

This will allow patients with out-of-pocket costs (patients who are not bulk-billed) to pay for a doctor's visit and receive their rebate directly into their bank account. Medical Practitioners will also benefit from more timely payment of bulk-billed claims, with payment occurring on the next business day.

The new claiming system is expected to be available in the second half of 2007. This streamlined method of claiming is expected to lead to lower administration costs for Medicare Australia of \$137.4 million over four years.

Capital funding of \$1.9 million has also been provided for the development of information technology requirements.

Further information can be found in the press release of 13 August 2006 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Pharmaceutical Benefits Scheme reform — streamlining authority prescribing arrangements**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Medicare Australia	0.7	1.4	1.0	1.0

The Government will provide an additional \$5.2 million over five years (including \$1.1 million in 2010-11) to enable certain medicines for stable long-term conditions, that previously required authorisation through a phone call to Medicare Australia, to be authorised by a doctor.

This measure also provides funding to enable Medicare Australia to undertake additional compliance monitoring of the new authority prescribing arrangements.

See also the related expense measures *Pharmaceutical Benefits Scheme reform – achieving better value* and *Pharmaceutical Benefits Scheme reform – pharmacy and pharmaceutical wholesaler structural adjustment package* in the Health and Ageing portfolio.

Further information can be found in the press release of 16 November 2006 issued by the Minister for Health and Ageing.

**Regulation reform agenda — electronic forms for general practitioners and reducing red tape for doctors**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Medicare Australia	0.8	0.6	0.5	0.5
Centrelink	0.3	..	..	..
Department of Health and Ageing	0.2	0.1	0.1	0.1
Total	1.2	0.8	0.7	0.6

The Government will provide \$3.2 million over four years to introduce electronic forms for use by general practitioners providing information, such as medical certificates, to Government departments and agencies (including Medicare Australia and Centrelink).

See also the related *Regulation reform agenda* measures in the Treasury, Prime Minister and Cabinet, and Industry, Tourism and Resources portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.



## IMMIGRATION AND MULTICULTURAL AFFAIRS

### International Council of Christians and Jews biennial world conference — contribution

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Immigration and Multicultural Affairs	-	-	-	-

The Government will provide \$40,000 to support the biennial world conference of the International Council of Christians and Jews to be held in Sydney in July 2007.

The cost of this measure will be fully met from within existing resources of the Department of Immigration and Multicultural Affairs.

### National Action Plan for social cohesion, harmony and security — community engagement

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Immigration and Multicultural Affairs	3.8	3.7	3.8	3.8

The Government will provide \$15.1 million over four years to continue the objectives of the national action plan for social cohesion, harmony and security. The funding will be provided for projects with state and territory governments and community organisations that help promote wider community engagement and participation by Muslims in social, sport, arts and other cultural and civic activities. It will also provide continued support for the Muslim Community Reference Group and fund further research into the causes of social disharmony within the Australian community.

Further information can be found in the press release of 16 July 2006 issued by the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**National Action Plan for social cohesion, harmony and security — pilot programmes**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Employment and Workplace Relations	0.8	0.4	0.4	-
Australian Sports Commission	0.6	0.7	0.7	-
Department of Education, Science and Training	0.3	0.4	0.3	-
Department of Families, Community Services and Indigenous Affairs	0.2	0.2	0.2	-
<b>Total</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>	<b>-</b>
<i>Related capital (\$m)</i>				
<i>Australian Sports Commission</i>	..	-	-	-

The Government will provide \$5.2 million over three years (including \$12,000 in capital funding in 2006-07) to conduct pilot programmes as part of the national action plan for social cohesion, harmony and security. The programmes will be conducted in Lakemba and Macquarie Fields in the first instance and will be evaluated in the third year.

The programmes are:

- *New Sporting Initiative for Disadvantaged Young Australians* (Australian Sports Commission);
- *Employment Initiatives for Disadvantaged Australians* (Department of Employment and Workplace Relations);
- *New Education Initiatives to Benefit Young Australians* (Department of Education, Science and Training); and
- *Mentors to Assist Disadvantaged Young Australians* (Department of Families, Community Services and Indigenous Affairs).

Further information can be found in the joint press releases of 16 July 2006 issued by the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs and portfolio ministers.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Visas — improvements to the management of temporary skilled migration**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Immigration and Multicultural Affairs	3.8	4.5	4.6	4.6
Department of Employment and Workplace Relations	1.0	1.5	1.5	1.6
Total	4.8	6.0	6.1	6.2
<i>Related capital (\$m)</i>				
<i>Department of Employment and Workplace Relations</i>	0.3	-	-	-

The Government will provide \$23.5 million over four years to improve management of the temporary skilled migration (457) visa.

This funding includes \$17.6 million for the Department of Immigration and Multicultural Affairs to establish and train investigative mobile strike teams to ensure that employers of temporary skilled migrants comply with the conditions of the visa.

The remaining \$5.9 million is for the Department of Employment and Workplace Relations for measures to improve the negotiation and management of Labour Agreements. This amount includes \$0.3 million in capital funding for internally developed software and hardware to facilitate on-site visits to businesses engaging in Labour Agreements.

Further information can be found in the press release of 30 October 2006 issued by the Minister for Immigration and Multicultural Affairs.

## INDUSTRY, TOURISM AND RESOURCES

### Beaconsfield Community Fund — establishment

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	7.2	1.1	-	-

The Government will provide \$8.3 million over two years from 2006-07 to establish the Beaconsfield Community Fund in partnership with the West Tamar Council. The Fund is a merit-based grants programme established in response to the accident and subsequent events at the Beaconsfield Gold Mine in Tasmania. The Fund will provide financial support for a range of economic, social and culturally related development initiatives for the benefit of the Beaconsfield community.

See also the related expense measure titled *Larry Knight Scholarship – establishment* in the Education, Science and Training portfolio.

Further information can be found in the press release of 29 May 2006 issued by the Prime Minister.

### Cyclones Monica and Larry Business Assistance Fund for Cape York — establishment

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	8.8	-	-	-
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	..	..	..	..

The Government will provide \$10.3 million over two years from 2005-06 to businesses that have been adversely affected by the cumulative effects of Tropical Cyclones Larry and Monica on Cape York.

The Government is providing one-off, tax-free grants of \$10,000 to businesses in the affected area. Businesses that can demonstrate significant losses may also be eligible for an additional grant of \$15,000. The grants will assist business recovery, through funding activities such as re-stocking, re-planting, re-establishment and clean-up.

Further information can be found in the press releases of 26 May 2006 and 7 July 2006 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Energy initiatives — ethanol distribution scheme — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	6.3	8.2	2.8	-

The Government will commit \$17.2 million over three years to reduce the upfront costs of infrastructure upgrades for service station operators to encourage retail sales of ethanol (E10) fuels blends.

The Government will provide up to \$10,000 for retail service stations that convert to supply E10 after the upgrade is complete, and up to an additional \$10,000 after an E10 sales target is met.

Further information can be found in the *Prime Minister's Statement to Parliament on Energy Initiatives* of 14 August 2006.

**Energy initiatives — identifying potential onshore energy sources — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Geoscience Australia	7.4	14.8	14.8	12.7

The Government will provide \$58.9 million in funding over five years, including \$9.2 million in 2010-11, for Geoscience Australia to identify potential onshore energy sources such as petroleum and geothermal energy, using the latest geophysical imagery and mapping techniques.

The information gathered through this programme will help attract companies to explore in new areas by enhancing the chances of discovery and reducing the risk to investors.

Further information can be found in the *Prime Minister's Statement to Parliament on Energy Initiatives* of 14 August 2006.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Energy initiatives — liquefied petroleum gas vehicle purchase and conversion rebate — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	74.7	105.6	154.9	124.2
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-1.0	-38.0	-146.0	-133.0

The Government will provide \$835.9 million over nine years, including \$376.5 million from 2010-11 to 2014-15, to encourage consumers to purchase new Liquefied Petroleum Gas (LPG) vehicles and convert existing vehicles to use LPG.

Individuals who purchase a new factory-fitted LPG powered vehicle for private use will receive a rebate of \$1000 under the programme. Individuals who convert their car to LPG for private use will receive a rebate of \$2000.

This measure will also result in forgone excise revenue, as LPG is concessionally taxed compared to conventional petroleum fuels.

Further information can be found in the *Prime Minister's Statement to Parliament on Energy Initiatives* of 14 August 2006.

**Energy initiatives — pre-competitive data development — expansion**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Geoscience Australia	5.0	22.4	21.2	13.2
Department of Industry, Tourism and Resources	0.4	0.5	0.4	0.3
Total	5.4	22.9	21.7	13.6
<i>Related capital (\$m)</i>				
<i>Geoscience Australia</i>	-	2.0	-	-

The Government will provide \$76.4 million over five years for Geoscience Australia, including \$11.3 million in 2010-11, to expand its current programme of seismic analysis and data collection in new frontier offshore areas to be chosen in consultation with industry. This additional funding will enable Geoscience Australia to supply petroleum and mineral exploration companies with new geoscience information necessary to reduce exploration risk and encourage exploration in new frontier areas.

There is related funding for the Department of Industry, Tourism and Resources, including \$0.4 million in 2010-11, to support policy and regulatory development.

The funding includes a \$2.0 million capital component for Geoscience Australia to provide for an upgraded seismic data storage system.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

Further information can be found in the *Prime Minister's Statement to Parliament on Energy Initiatives* of 14 August 2006.

**General Motors Holden — assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	2.0	2.0	-	2.7

The Government will provide \$6.7 million over four years to General Motors (GM) Holden to introduce safety and fuel management improvements and further reduce greenhouse gas emissions on Commodore vehicles. The funding will support research and development, as well as training to allow re-engineering on selected models. The research and development will enhance GM Holden's technical capacities and its long-term position as the owner of rear-wheel drive architecture within GM's global operations.

The South Australian and Victorian Governments are matching the \$6.7 million being provided by the Australian Government for this project.

Further information can be found in the press release of 23 October 2006 issued by the Minister for Industry, Tourism and Resources.

**Innovation and Investment Fund for South Australia — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	1.0	11.7	10.5	5.2

The Government will provide \$25.0 million to the Innovation and Investment Fund for South Australia as part of \$30.0 million in competitive grant funding to attract new investment and job opportunities to South Australia. The South Australian Government will contribute \$5.0 million to this Fund.

The Fund, in combination with a \$5.0 million labour market assistance package, will be provided to assist the community, workers and families affected by the closure of two Electrolux Pty Ltd plants in South Australia.

See also the related expense measure titled *Labour assistance package – Electrolux* in the Employment and Workplace Relations portfolio.

Further information can be found in the announcement of 14 September 2006 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Pandemic influenza preparedness — industry assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	0.7	-	-	-

The Government will provide \$0.7 million in 2006-07 to advance community preparedness for influenza pandemics by facilitating business continuity planning arrangements, particularly for the small business and tourism sectors.

Business preparedness information seminars and an industry awareness campaign will be conducted on the potential impact of a pandemic, complementing the release of a Business Continuity Guide and Kit for small businesses that provides guidance on effective contingency planning.

See also the related expense measures for *Pandemic Influenza Preparedness* in the Health and Ageing; Agriculture, Fisheries and Forestry; and Family, Community Services and Indigenous Affairs portfolios.

**Port Kembla Industry Facilitation Fund — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	2.6	2.6	-	-

The Government will provide \$5.2 million over two years from 2006-07 to establish the Port Kembla Industry Facilitation Fund. The Fund is a merit-based grants programme in response to the decision by BlueScope Steel to close its tin mill operations in Port Kembla, New South Wales. Grant funds totalling \$5.0 million will be available for new investment by businesses that create sustainable new job opportunities in the Port Kembla area and assist the community recover from this setback.

See also the related expense measure titled *Labour assistance package – Port Kembla BlueScope* in the Employment and Workplace Relations portfolio.

Further information can be found in the press release of 29 June 2006 issued by the then acting Prime Minister, the Hon Peter Costello MP.



Appendix A: Policy decisions taken since the 2006-07 Budget

**Regulation reform agenda — business consultation website**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	0.4	0.2	0.3	0.3

The Government will provide \$1.2 million over four years to establish a business consultation website to improve consultation by Australian Government departments and agencies with industry when regulatory options are being developed. The website will support effective consultation with stakeholders at all stages of the regulatory cycle.

See also the related *Regulation reform agenda* measures in the Industry, Tourism and Resources, Treasury, Prime Minister and Cabinet and Human Services portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

**Regulation reform agenda — national mine safety framework**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	0.4	0.5	0.4	-

The Government will provide \$1.3 million over three years to develop a national regulatory model in the area of mine safety regulation, including work toward a single regulator for mine safety.

See also the related *Regulation reform agenda* measures in the Industry, Tourism and Resources, Treasury, Prime Minister and Cabinet and Human Services portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

**Regulation reform agenda — national trade measurement**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	0.3	0.1	0.1	-

The Government will provide \$0.6 million over three years to develop a nationally consistent trade measurement regime, rationalising the different regulatory regimes of the Commonwealth, states and territories and streamlining the present arrangements for cost recovery and the certification of trade measuring instruments.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

See also the related *Regulation reform agenda* measures in the Industry, Tourism and Resources, Treasury, Prime Minister and Cabinet and Human Services portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

**Regulation reform agenda — new to business checklist**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	0.1	0.1	0.1	0.1

The Government will provide \$0.5 million over four years to develop and distribute a *New to Business* checklist to assist people establishing or intending to establish new businesses, providing relevant Government information in a clear and business-friendly manner.

See also the related *Regulation reform agenda* measures in the Industry, Tourism and Resources, Treasury, Prime Minister and Cabinet and Human Services portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

**Small and Medium Enterprises Intermediary Services**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	-	-	-	-

The Government will provide \$4.0 million over two years from 2006-07 to support continued access by small and medium sized enterprises to intermediary services provided by the Australian Institute of Commercialisation and the InnovationXchange. The intermediary services will assist enterprises to adopt commercially viable technologies.

The cost of this measure will be met from within existing resources for the Commercial Ready Programme in the Industry, Tourism and Resources portfolio.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**South Pacific Regional Trade and Economic Cooperation Agreement Scheme — amendment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Industry, Tourism and Resources	-	-	-	-

The Government will provide \$1.1 million over five years (including \$0.2 million in 2010-11) to implement and administer changes to the South Pacific Regional Trade and Economic Cooperation Agreement (Textiles, Clothing and Footwear Provisions) Scheme. These changes will improve access to the Australian market for Fiji's textile, clothing and footwear industry.

The cost of this measure will be met from within existing resources of the Department of Industry, Tourism and Resources.

## **PARLIAMENTARY DEPARTMENTS**

### **Parliamentarians — superannuation funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the House of Representatives	0.1	0.3	0.4	0.4
Department of the Senate	0.1	0.1	0.3	0.3
Total	0.2	0.5	0.7	0.7

The Government will provide \$2.1 million over four years to increase the level of superannuation for Parliamentarians elected at the 2004 Federal election and subsequently from 9 per cent of Parliamentary salaries to 15.4 per cent (the same as that paid to Commonwealth Public Servants).

Further information can be found in the press release of 7 September 2006 issued by the Prime Minister.

## PRIME MINISTER AND CABINET

### Council of Australian Governments (COAG) priorities endorsed by the Australian Government

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	1.8	0.1	-	-

The Government will provide \$1.9 million over two years to support new initiatives arising from the Council of Australian Governments (COAG) meeting on 14 July 2006. Funding will support the following areas:

- \$0.5 million in 2006-07 to support increased activity to develop substantive reform proposals in the areas of diabetes, literacy and numeracy, and early childhood and childcare;
- \$0.1 million in 2006-07 to undertake work to strengthen the integrity of the 457 Temporary Business (Long Stay) visa sub class arrangements relating to skilled temporary migrants;
- \$0.2 million in 2006-07 for participation in the COAG Working Group on Indigenous Generational Reform and refining reporting to COAG on Indigenous issues;
- \$0.2 million in 2006-07 for continuation of the Health Working Group (to progress health workforce initiatives);
- \$0.6 million in 2006-07 and \$0.1 million in 2007-08 to implement the decision to further refine the National Action Plan for Human Influenza Pandemic;
- \$0.1 million in 2006-07 to support the progression of double jeopardy law reform via a COAG Senior Officials working group; and
- \$0.1 million in 2006-07 to support further work on the inter-jurisdictional exchange of criminal history information for people working or seeking work with children, via a COAG Senior Officials working group.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Examination of inquiries into the death of Pilot Officer Craig Mackelmann**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	0.3	-	-	-

The Government will provide \$0.3 million in 2006-07 to conduct an examination into the adequacy of the previous inquiries into the death of Pilot Officer Craig Mackelmann in a Mirage aircraft accident in 1986.

**Office of the Commonwealth Ombudsman — additional resourcing**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Office of the Commonwealth Ombudsman	1.2	1.3	1.3	1.4
<i>Related capital (\$m)</i>				
Office of the Commonwealth Ombudsman	0.1	-	-	-

The Government will provide \$5.3 million over four years (including \$0.1 million in capital funding) to the Office of the Commonwealth Ombudsman for an increase in workload.

The increase in activity is a result of the introduction of Welfare to Work; implementation of the *Law Enforcement (AFP Professional Standards and Related Measures) Act 2006*, due to commence on 1 September 2006; and amendments to the *Telecommunications (Interception) Act 1979*.

**Office of Water Resources — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	2.0	2.5	-	-

The Government will provide \$4.5 million over two years to create an Office of Water Resources (the Office) to advise the Prime Minister and to coordinate policy advice across Australian Government agencies.

The Office will oversee the implementation of the COAG National Water Initiative, the Murray-Darling Basin Intergovernmental Agreement, including the Living Murray initiative and the Australian Government Water Fund. The Office will complement the activities of the National Water Commission which was established to facilitate implementation of the National Water Initiative.

Further information can be found in the press release of 26 September 2006 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Regulation reform agenda — improved support to government decision-making process**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	0.3	0.3	0.3	0.3

The Government will provide \$1.2 million over four years to the Department of the Prime Minister and Cabinet to implement the regulation reform agenda and strengthen Cabinet Secretariat processes to improve the quality of new regulation.

See also the related *Regulation reform agenda* measures in the Treasury, Industry, Tourism and Resources and Human Services portfolios.

Further information can be found in the joint press release of 7 April 2006 issued by the Prime Minister and the Treasurer and the press release of 15 August 2006 issued by the Treasurer.

**State Occasions and Official Visits — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	0.4	-	-	-
<i>Related capital (\$m)</i>				
<i>Department of the Prime Minister and Cabinet</i>	-	-	-	-

The Government will provide \$0.4 million in 2006-07 to assist in the transportation of the newly constructed State Coach Britannia to the Royal Mews in London and to fund specific costs associated with its construction.

**Strategic Maritime Management Committee secretariat — additional funding**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	0.2	0.3	0.3	0.3

The Government will provide \$1.1 million over four years to support the Strategic Maritime Management Committee.

The committee will provide whole-of-government policy and strategic direction with regard to Australia's civil maritime security. It will regularly consider maritime security threats, advise the Government on appropriate response arrangements and review the effectiveness of maritime enforcement programmes.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Uranium Mining Processing and Nuclear Energy Review Taskforce — establishment**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	3.9	-	-	-

The Government will provide \$3.9 million in 2006-07 to fund the Uranium Mining Processing and Nuclear Energy Review (UMPNER) Taskforce. The Taskforce was established to undertake a comprehensive review of uranium mining, processing and the potential of nuclear energy in Australia in the longer term.

Further information can be found in the press release of 6 June 2006 issued by the Prime Minister.



## TRANSPORT AND REGIONAL SERVICES

### Airspace management reform in Australia

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Civil Aviation Safety Authority	2.0	-	-	-
Department of Transport and Regional Services	-	4.2	-	-
Total	2.0	4.2	-	-

The Government will provide \$6.2 million over two years to implement key reforms to the governance and management of Australian airspace.

The Department of Transport and Regional Services will receive \$4.2 million in 2007-08 to develop a national Airspace Plan in partnership with its portfolio agencies, the Department of Defence and industry representatives, to provide a policy framework for airspace management and reform.

The Civil Aviation Safety Authority will receive \$2.0 million in 2006-07 to establish the Office of Airspace Regulation to undertake, from 1 July 2007, the role of the regulator of airspace classification and designation. Ongoing operating costs for this function will be recovered from industry through Airservices Australia's enroute charges system.

Further information can be found in the press release of 14 September 2006 issued by the Minister for Transport and Regional Services.

### Australian Outback Development Consortium — contribution

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Transport and Regional Services	0.5	-	-	-

The Government will contribute \$0.5 million in 2006-07 to assist the Australian Outback Development Consortium Ltd. The Consortium's activities support the Year of the Outback, which showcases regional and rural Australia through conferences, meetings, exhibitions and sport and youth activities.

Further information can be found in the press release of 8 November 2006 issued by the Minister for Transport and Regional Services.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Better roads — upgrade of intersection at Whitehorse and Springvale Roads, Victoria**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Transport and Regional Services	-	-	-	-

The Government will contribute \$25.0 million from 2006-07 to 2008-09 towards the upgrade of the intersection of Whitehorse and Springvale Roads in Melbourne's eastern suburbs. Australian Government funding will be contingent upon the Victorian Government contributing the balance of the project cost.

The Government's contribution to the Whitehorse and Springvale Roads intersection upgrade will be met by the reallocation of AusLink funds which had previously been set aside for the construction of the Scoresby Road as an un-tolled freeway. Funding from the Scoresby Road project became available for reallocation following the Victorian Government's decision to build the Scoresby Road as a tolled road.

Further information can be found in the press release of 31 July 2006 issued by the Treasurer.

**Enhancing aviation security — screening for liquids, aerosols and gels**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Transport and Regional Services	*	*	*	*

The Government will facilitate the introduction of the requirement to screen for liquids, aerosols and gels carried onboard aircraft flying international routes.

From 31 March 2007, restrictions will apply on the quantity of liquids, aerosols and gels that passengers can carry onboard international inbound and outbound flights, and improved security screening procedures will apply. These measures will harmonise Australian practice with international action that has recently been taken by the United States, Canada, and the European Union and the recommendations of the International Civil Aviation Organisation.

As these restrictions may result in longer security screening times at airports, the Government will conduct an information campaign, investigate and trial advanced screening technologies and provide training for security screeners. Costs for these activities are yet to be agreed and appropriate provision has been made in the Contingency Reserve.

Further information can be found in the press release of 8 December 2006 issued by the Minister for Transport and Regional Services.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**National aerial firefighting — additional assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Transport and Regional Services	-	-	-	-

The Government will provide \$2.5 million in 2006-07 to the National Aerial Firefighting Centre. The funding will be used to meet part of the costs of leasing a third firefighting helicopter, with the remaining cost to be met by state governments.

The cost of this measure will be met from within existing resources of the Natural Disaster Relief and Recovery Arrangements programme.

Further information can be found in the press release of 17 October 2006 issued by the Minister for Local Government, Territories and Roads.

## TREASURY

### Australian Prudential Regulation Authority — revised funding arrangements

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Prudential Regulation Authority	-	2.5	2.5	2.5

The Government will provide \$10.0 million over four years from 2007-08 (including \$2.5 million in 2010-11) to the Australian Prudential Regulation Authority to compensate for the interest revenue forgone as a result of becoming an agency subject to the *Financial Management and Accountability Act 1997*.

### Australian Securities and Investments Commission — revised funding arrangements

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Securities and Investments Commission	-	2.5	2.5	2.5

The Government will provide \$10.0 million over four years from 2007-08 (including \$2.5 million in 2010-11) to the Australian Securities and Investments Commission to compensate for the interest revenue forgone as a result of becoming an agency subject to the *Financial Management and Accountability Act 1997*.

### Fuel Tax Credit — transitional arrangements

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	7.6	4.9	-	-

The Government will provide \$12.5 million over two years to amend systems and processes to enable eligible claimants to claim for early payment of fuel tax credit entitlements and later reconcile these on the Business Activity Statement (BAS). This two year transitional period will allow additional time for business to align their practices to the new arrangements so that by 1 July 2008 all fuel users who make claims will be ready to do so via the BAS.

This measure builds on funding of \$37.0 million over four years from the 2006-07 Budget measure *Fuel Excise reform – implementation*.

Further information can be found in the press release of 1 June 2006 issued by the Minister for Revenue and Assistant Treasurer.

Appendix A: Policy decisions taken since the 2006-07 Budget

**Horticulture Mandatory Code of Conduct — enforcement**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Competition and Consumer Commission	2.5	2.2	2.2	2.2
Department of Agriculture, Fisheries and Forestry	-	-	-	-
Total	2.5	2.2	2.2	2.2

The Government will provide \$9.1 million over four years to the Australian Competition and Consumer Commission to enforce a Mandatory Horticultural Code prescribed under the *Trade Practices Act 1974*. The Code is intended to clarify the responsibilities and obligations of growers and wholesale traders and improve the transparency of transactions across the fresh fruit and vegetable industry. The cost of implementing the Code will be met from within existing resources of the Department of Agriculture, Fisheries and Forestry.

Further information can be found in the press release of 19 September 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Regulation reform agenda — coordination of implementation**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Treasury	0.4	0.3	0.3	0.3

The Government will provide \$1.3 million over four years to the Department of the Treasury to coordinate the implementation of the *Government Response to the Report of the Taskforce on Reducing Regulatory Burdens on Business*.

See also the related *Regulation reform agenda* measures in the Treasury, Prime Minister and Cabinet, Industry, Tourism and Resources and Human Services portfolios.

Further information can be found in the joint press release of 7 April 2006 issued by the Prime Minister and the Treasurer and the press release of 15 August 2006 issued by the Treasurer.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Regulation reform agenda — enhanced role of the Office of Best Practice Regulation**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Productivity Commission	2.9	2.6	3.1	3.2
<i>Related capital (\$m)</i>				
<i>Productivity Commission</i>	<i>0.7</i>	<i>-</i>	<i>-</i>	<i>-</i>

The Government will provide \$12.5 million over four years to the Productivity Commission to undertake the annual review of regulation and for the enhanced role of the Office of Best Practice Regulation (OBPR), including \$0.7 million in capital for accommodation and information and communications technology fit out.

See also the related *Regulation reform agenda* measures in the Treasury, Prime Minister and Cabinet, Industry, Tourism and Resources and Human Services portfolios.

Further information can be found in the joint press release of 7 April 2006 issued by the Prime Minister and the Treasurer and the press release of 15 August 2006 issued by the Treasurer.

**Regulation reform agenda — improved business registration process**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	2.2	-	-	-
Department of Industry, Tourism and Resources	0.5	-	-	-
Total	2.7	-	-	-

The Government will provide \$2.7 million in 2006-07 to the Australian Taxation Office and the Department of Industry, Tourism and Resources to develop a model to deliver a seamless, single on-line registration system for both Australian Business Numbers and business names, as recommended by the Taskforce on Reducing Regulatory Burdens on Business.

See also the related *Regulation reform agenda* measures in the Treasury, Prime Minister and Cabinet, Industry, Tourism and Resources and Human Services portfolios.

Further information can be found in the press release of 15 August 2006 issued by the Treasurer.

*Appendix A: Policy decisions taken since the 2006-07 Budget*

**Tax Information Exchange Agreements — technical assistance**

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Treasury	0.1	0.1	0.1	0.1

The Government will provide \$0.5 million over four years to the Department of the Treasury to provide technical assistance as part of Australia's programme of Tax Information Exchange Agreement (TIEA) negotiations.

TIEAs provide for effective information exchange between two countries unhindered by restrictions such as bank secrecy laws, and are an important element in Australia's efforts to combat offshore tax avoidance and evasion.

## VETERANS' AFFAIRS

### British Nuclear Tests Programme — health testing and treatment for participants

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Veterans' Affairs	4.0	3.4	3.8	4.4
<i>Related revenue (\$m)</i>				
Australian Taxation Office	-	-	-	-
<i>Related capital (\$m)</i>				
Department of Veterans' Affairs	0.2	-	-	-

The Government will provide \$15.7 million over four years (including \$0.2 million in capital funding) to Australian participants of the British Nuclear Tests Programme for access to ongoing health testing and treatment of all malignant cancers, irrespective of possible causation. This assistance will be available to all military personnel, Australian Public Service employees or third party civilian participants in the programme. The measure also includes the striking of a commemorative medallion to mark the 50th anniversary in 2007 of the British Nuclear Tests.

The Government will exempt from taxation payments made under the British Nuclear Tests Programme for reimbursement of travelling expenses incurred by eligible participants and, where necessary, an accompanying attendant in receiving cancer treatment and/or screening.

The capital funding in 2006-07 is for internally developed software to facilitate required system changes.

Further information can be found in the press release of 28 June 2006 issued by the Minister for Veterans' Affairs.

### Veterans' Healthcare — increased payments for services provided to eligible veterans

Expense (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Veterans' Affairs	81.6	130.9	136.7	142.9

The Government will provide \$492.0 million over four years to increase payments to healthcare providers treating veterans under the Gold Card and White Card arrangements. Increases have applied from 1 November 2006 for medical specialists, dental practitioners, allied health providers, pathologists and optometrists. An increase for general practitioners (via the Veterans' Access Payment) will apply from 1 May 2007.

Further information can be found in the press release of 12 September 2006 issued by the Minister for Veterans' Affairs.



## Capital Measures

### COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

#### National Archives of Australia — a new repository

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
National Archives of Australia	-	-	-	16.5
<i>Related expense (\$m)</i>				
<i>National Archives of Australia</i>	<i>0.6</i>	<i>0.4</i>	<i>0.6</i>	<i>8.4</i>

The Government will invest \$26.5 million over four years for a new records storage facility which is anticipated to meet the National Archives of Australia's storage needs until 2015.

\$10.0 million will be spent over four years to prepare for — and enter into — the pre-commitment lease which commences in 2009-10. A further \$16.5 million in capital costs relates to the purchase of specialised shelving and building services equipment required to store Commonwealth records and archival material in optimal conditions.

#### National Gallery of Australia — additional funding for building refurbishment and enhancement

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
National Gallery of Australia	9.1	16.9	35.8	14.5
<i>Related expense (\$m)</i>				
<i>National Gallery of Australia</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0.5</i>

The Government will invest \$77.8 million over five years from 2006-07 to 2010-11 (including \$1.0 million of operational funding in 2010-11) to refurbish and enhance the National Gallery of Australia building.

These works will complete the refurbishment announced in the 2001-02 Budget, rectify additional occupational health and safety and building code compliance issues, provide for a new expanded entrance, and create additional gallery space to display more of the national collection.

Further information can be found in the press release of 13 December 2006 issued by the Minister for the Arts and Sport.

## FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS

### Aboriginal Hostels Limited — additional funding

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Aboriginal Hostels Limited	0.2	2.1	1.2	1.9

The Government will provide \$5.4 million over four years to upgrade fire safety equipment in Aboriginal hostels and ensure these hostels comply with the Building Code of Australia and relevant Australian Standards for fire safety.

### Australian Institute of Family Studies — additional funding

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Institute of Family Studies	0.8	-	-	-
<i>Related expense (\$m)</i>				
Australian Institute of Family Studies	0.3	0.2	-	-

The Government will provide \$1.3 million over four years, including expense funding of \$0.5 million, to the Australian Institute of Family Studies for costs associated with its relocation to new premises. The funding will assist with the net cost of fit-out estimated at \$0.8 million. The expense funding will include \$0.1 million in 2006-07 and \$0.2 million in 2007-08 for transitional rental costs.

### Social Security Appeals Tribunal — additional funding

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Families, Community Services and Indigenous Affairs	3.0	-	-	-
<i>Related expense (\$m)</i>				
Department of Families, Community Services and Indigenous Affairs	..	-	-	-

The Government will provide funding of \$3.0 million in 2006-07 (including \$36,000 in expense funding) for the Social Security Appeals Tribunal (SSAT) to effectively manage and hear reviews of Child Support Agency (CSA) decisions. The funding will enable the SSAT to update its Appeals Management Information System, enhance existing SSAT facilities to accommodate the hearing of reviews of CSA cases and transcribe these hearings.

This measure builds on the 2006-07 Child Support Reform package which established a process of administrative review of child support decisions by the SSAT.

## FINANCE AND ADMINISTRATION

### Adelaide Law Courts — additional funding

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Finance and Administration	7.3	-	-	-

The Government will provide up to \$7.3 million in additional capital funding in 2006-07 for the construction of the Roma Mitchell Commonwealth Law Courts in Adelaide. The funding is required to finalise additional costs incurred by project participants.

### Christmas Island Immigration Reception and Processing Centre — additional funding

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Finance and Administration	60.0	-	-	-

The Government will provide additional funding of \$60 million in 2006-07 for the construction of the Christmas Island Immigration Reception and Processing Centre. This additional funding is required due to an increase in project costs including in relation to the break-down and lengthy time out of service of the Christmas Island port crane.

## HEALTH AND AGEING

### Community Care — developing a needs identification model

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Health and Ageing	-	-	1.6	1.0
<i>Related expense (\$m)</i>				
Department of Health and Ageing	0.4	0.8	0.6	0.2

The Government will provide \$4.5 million over four years to undertake research and develop a needs identification model that will use demographic data to identify the need for community care services over time. The planning model will provide a better understanding of the level and types of need in the community, the costs and benefits of providing a particular level of funding and assist in making decisions about the appropriate mix of services.

This measure includes \$2.6 million in capital funding in 2008-09 and 2009-10 to develop software that will allow the Department of Health and Ageing to capture data effectively and efficiently in a single comprehensive repository of information.

See the related expense measure *Community Care – review of community aged care arrangements* in the Health and Ageing portfolio.

## PRIME MINISTER AND CABINET

### Department of the Prime Minister and Cabinet — funding for accommodation

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of the Prime Minister and Cabinet	7.3	-	-	-
<i>Related expense (\$m)</i>				
<i>Department of the Prime Minister and Cabinet</i>	1.5	-	-	-

The Government will provide an additional \$8.8 million in 2006-07 (including \$7.3 million in capital funding) for the completion of the fit-out of new purpose built accommodation for the Department of the Prime Minister and Cabinet, and the subsequent relocation and establishment of the Department's operations. The provision of the additional funding follows the completion of an assessment of the Department's operational and security requirements.

## TRANSPORT AND REGIONAL SERVICES

### York Park

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
National Capital Authority	1.5	-	-	-
<i>Related expense (\$m)</i>				
<i>National Capital Authority</i>	-	0.1	0.1	0.1

The Government will provide \$1.8 million over four years to improve and maintain the York Park oak plantation in Canberra. The plantation was established on 10 May 1927 as part of the celebrations associated with the opening of Old Parliament House and is included on the Commonwealth Heritage List.

This funding includes \$1.5 million in capital funding to improve the plantation to an urban park standard, and annual funding of \$0.1 million for ongoing maintenance.

## VETERANS' AFFAIRS

### **Totally and Permanently Incapacitated Veterans' Association (NSW) — one-off supplementary housing services to veterans**

Capital (\$m)	2006-07	2007-08	2008-09	2009-10
Department of Veterans' Affairs	-	-	-	-

The Government will provide a \$4.0 million interest free loan in 2006-07 to the Totally and Permanently Incapacitated Veterans' Association of New South Wales to enable the Association to continue to provide accommodation to veterans currently residing at the Belmore complex in Sydney's southwest.

The provision of loans affects only the composition of the Australian Government's financial assets. As such, the capital component of this measure has no impact on the fiscal balance. The additional public debt interest cost incurred by the Australian Government in financing this loan is separately accounted for in Mid-Year Economic and Fiscal Outlook.

Further information can be found in the press release of 3 October 2006 issued by the Minister for Veterans' Affairs.





## 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.

The Australian, State and Territory Governments 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 *Accrual 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. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Australian Taxation Office, as an agent for the States and Territories (the States), and appropriated to the States. 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 difference 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 cash flows presented in this statement include GST (except in respect to GST flows internal to the general government sector). The GFS cash surplus/deficit is not affected and provides identical results under both treatments of GST receipts.

Transactions between the Australian Government general government and public non-financial corporations sectors are included in the relevant tables, but removed

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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*

from the total non-financial public sector tables as they are transactions internal to that sector.

Public access communication assets, computer software and other intangibles are recorded at historic costs, as market value information, or suitable proxies for market value, are not readily observable. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

Appendix E provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

In accordance with *Accrual Uniform Presentation Framework* requirements, this Appendix also contains an update of the Australian Government's Loan Council Allocation.

## GOVERNMENT FINANCE STATISTICS STATEMENTS

**Table B1: Australian Government general government sector operating statement**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>GFS revenue</b>				
Taxation revenue	257,686	270,685	285,753	299,922
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,984	5,003	5,138	5,291
Interest income	3,581	3,896	3,648	4,584
Dividend income	2,860	2,812	3,343	3,338
Other	3,404	3,461	3,350	3,247
<b>Total GFS revenue</b>	<b>272,515</b>	<b>285,856</b>	<b>301,231</b>	<b>316,383</b>
<b>GFS expenses</b>				
Gross operating expenses				
Depreciation	2,228	2,417	2,513	2,550
Superannuation	2,526	2,576	2,667	2,735
Salaries and wages	13,744	14,062	14,098	14,382
Payment for supply of goods and services	53,344	56,083	57,430	59,422
Other operating expenses	2,990	3,098	3,266	3,367
<i>Total gross operating expenses</i>	<i>74,832</i>	<i>78,236</i>	<i>79,973</i>	<i>82,455</i>
Nominal superannuation interest expense	5,725	5,869	6,163	6,371
Other interest expenses	3,996	3,862	3,712	3,674
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	80,856	86,871	90,391	93,922
Subsidy expenses	7,326	7,795	8,281	8,214
Personal benefit payments in cash	80,830	86,203	92,665	99,883
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>169,013</i>	<i>180,869</i>	<i>191,337</i>	<i>202,018</i>
Capital transfers	5,179	5,560	5,913	5,005
<b>Total GFS expenses</b>	<b>258,745</b>	<b>274,397</b>	<b>287,098</b>	<b>299,524</b>
<b>Net operating balance(a)</b>	<b>13,769</b>	<b>11,459</b>	<b>14,133</b>	<b>16,859</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	3,762	3,021	3,459	3,146
<i>less</i> Sales of non-financial assets	<i>184</i>	<i>255</i>	<i>143</i>	<i>72</i>
<i>less</i> Depreciation	<i>2,228</i>	<i>2,417</i>	<i>2,513</i>	<i>2,550</i>
<i>plus</i> Change in inventories	<i>680</i>	<i>129</i>	<i>344</i>	<i>338</i>
<i>plus</i> Other movements in non-financial assets	<i>259</i>	<i>0</i>	<i>67</i>	<i>124</i>
<b>Total net acquisition of non-financial assets</b>	<b>2,290</b>	<b>478</b>	<b>1,215</b>	<b>986</b>
<b>Net lending/fiscal balance(a)(b)</b>	<b>11,480</b>	<b>10,981</b>	<b>12,918</b>	<b>15,873</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**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>GFS assets</b>				
Financial assets				
Cash and deposits	2,014	2,244	2,029	1,993
Advances paid	22,775	24,543	26,350	27,964
Investments, loans and placements	67,316	50,159	64,294	77,596
Other non-equity assets	36,425	30,449	31,349	32,729
Equity(a)	30,063	66,841	69,075	72,073
<i>Total financial assets</i>	<i>158,593</i>	<i>174,236</i>	<i>193,097</i>	<i>212,355</i>
Non-financial assets				
Land	6,172	6,244	6,314	6,274
Buildings	15,070	15,370	15,969	16,324
Plant, equipment and infrastructure	9,609	9,741	9,983	10,209
Inventories	5,588	5,717	6,060	6,399
Heritage and cultural assets	7,702	7,715	7,725	7,741
Other non-financial assets	3,478	3,246	3,221	3,316
<i>Total non-financial assets</i>	<i>47,619</i>	<i>48,034</i>	<i>49,273</i>	<i>50,263</i>
<b>Total GFS assets</b>	<b>206,212</b>	<b>222,270</b>	<b>242,369</b>	<b>262,618</b>
<b>GFS liabilities</b>				
Deposits held	300	300	300	300
Advances received	0	0	0	0
Government securities	57,923	59,842	59,984	59,260
Loans	5,381	5,406	5,099	5,094
Other borrowing	420	390	664	625
Superannuation liability	101,300	104,741	108,314	111,928
Other employee entitlements and provisions	8,171	8,390	8,708	9,068
Other non-equity liabilities	35,697	36,156	37,022	37,319
<b>Total GFS liabilities</b>	<b>209,193</b>	<b>215,227</b>	<b>220,092</b>	<b>223,593</b>
<b>Net worth(b)(c)</b>	<b>-2,981</b>	<b>7,043</b>	<b>22,278</b>	<b>39,025</b>
Net financial worth(d)	-50,600	-40,991	-26,995	-11,238
Net debt(e)(f)	-28,081	-11,007	-26,626	-42,274

(a) Equity includes equity holdings of the Future Fund.

(b) The net worth estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of GST as an Australian Government tax.

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

(d) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

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

(f) Includes the impact of the partial sale of the Government's holding in Telstra and transfer of the Government's remaining shares to the Future Fund. It is assumed that the Future Fund will increasingly be invested in equities until it reaches a portfolio equity allocation consistent with the benchmark return (excluding Telstra shares) specified in the Government's investment mandate.

**Table B3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Cash receipts from operating activities</b>				
Taxes received(b)	252,726	265,383	279,991	294,399
Receipts from sales of goods and services(c)	5,104	5,048	5,199	5,322
Grants and subsidies received	0	0	0	0
Interest receipts	3,477	3,664	3,402	4,326
Dividends	3,170	2,782	3,343	3,338
GST input credits received by general government(c)	0	0	0	0
Other receipts	3,083	3,240	3,114	2,987
<b>Total operating receipts</b>	<b>267,559</b>	<b>280,117</b>	<b>295,048</b>	<b>310,372</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services(c)	-53,897	-56,739	-58,164	-60,145
Grants and subsidies paid(d)	-91,008	-97,409	-100,973	-104,509
Interest paid	-3,948	-3,615	-3,560	-3,480
Personal benefit payments	-79,735	-85,287	-92,000	-99,370
Salaries, wages and other entitlements	-18,400	-18,996	-19,235	-19,693
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-2,761	-2,572	-3,136	-3,153
<b>Total operating payments</b>	<b>-249,748</b>	<b>-264,618</b>	<b>-277,068</b>	<b>-290,350</b>
<b>Net cash flows from operating activities</b>	<b>17,811</b>	<b>15,499</b>	<b>17,980</b>	<b>20,022</b>
<b>Cash flows from investments in   non-financial assets</b>				
Sales of non-financial assets	185	267	147	77
Purchases of non-financial assets	-3,967	-3,046	-2,977	-3,302
<b>Net cash flows from investments in   non-financial assets</b>	<b>-3,782</b>	<b>-2,779</b>	<b>-2,830</b>	<b>-3,226</b>
<b>Net cash flows from investments in   financial assets for policy purposes</b>	<b>7,038</b>	<b>4,878</b>	<b>41</b>	<b>-2,048</b>
<b>Cash flows from investments in   financial assets for liquidity purposes</b>				
Increase in investments	-20,267	-19,281	-15,069	-13,982
<b>Net cash flows from investments in   financial assets for liquidity purposes</b>	<b>-20,267</b>	<b>-19,281</b>	<b>-15,069</b>	<b>-13,982</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	0	0	0	0
Borrowing (net)	-943	2,186	92	-589
Deposits received (net)	-20	0	0	0
Other financing (net)	232	-273	-429	-214
<b>Net cash flows from financing activities</b>	<b>-730</b>	<b>1,913</b>	<b>-337</b>	<b>-803</b>
<b>Net increase/decrease in cash held</b>	<b>70</b>	<b>230</b>	<b>-215</b>	<b>-36</b>

**Table B3: Australian Government general government sector cash flow statement<sup>(a)</sup> (continued)**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>14,029</b>	<b>12,720</b>	<b>15,150</b>	<b>16,796</b>
Finance leases and similar arrangements(e)	-33	16	-551	30
<b>Equals surplus(+)/deficit(-)</b>	<b>13,997</b>	<b>12,736</b>	<b>14,599</b>	<b>16,826</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 is \$5 million lower in 2006-07 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 decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

**Table B4: Australian Government general government sector statement of other economic flows (reconciliation of net worth)**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Opening net worth</b>	<b>-15,245</b>	<b>-2,981</b>	<b>7,043</b>	<b>22,278</b>
<b>Opening net worth adjustments(a)</b>	<b>287</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjusted opening net worth</b>	<b>-14,958</b>	<b>-2,981</b>	<b>7,043</b>	<b>22,278</b>
<b>Change in net worth from operating transactions</b>	13,769	11,459	14,133	16,859
<b>Change in net worth from other economic flows</b>				
Revaluation of equity(b)	205	-311	1,261	1
Net writedowns of assets (including bad and doubtful debts)	-2,418	-2,561	-2,356	-2,561
Assets recognised for the first time	178	18	19	30
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	-73	0	0	0
Net swap interest received	10	-51	-46	-41
Fair Value Gains Financial Instruments	348	1,279	2,248	2,455
Other economic revaluations(c)	-42	191	-24	5
<b>Total other economic flows</b>	<b>-1,792</b>	<b>-1,435</b>	<b>1,102</b>	<b>-112</b>
<b>Closing net worth</b>	<b>-2,981</b>	<b>7,043</b>	<b>22,278</b>	<b>39,025</b>

(a) Change in net worth arising from a change in 2005-06 outcomes.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects revaluation of assets and liabilities.

**Table B5: Australian Government public non-financial corporations operating statement**

	Estimates
	2006-07
	\$m
<b>GFS revenue</b>	
Current grants and subsidies	113
Sales of goods and services	15,383
Interest income	100
Other	31
<b>Total GFS revenue</b>	<b>15,628</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	1,744
Salaries, wages and other entitlements	4,411
Other operating expenses	7,787
<i>Total gross operating expenses</i>	<i>13,942</i>
Interest expenses	250
Other property expenses	534
Current transfers	
Tax expenses	1,158
Other current transfers	0
<i>Total current transfers</i>	<i>1,158</i>
Capital transfers	0
<b>Total GFS expenses</b>	<b>15,884</b>
<b>Net operating balance</b>	<b>-256</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	3,118
<i>less</i> Sales of non-financial assets	<i>22</i>
<i>less</i> Depreciation	<i>1,744</i>
<i>plus</i> Change in inventories	<i>-10</i>
<i>plus</i> Other movements in non-financial assets	<i>-136</i>
<b>Total net acquisition of non-financial assets</b>	<b>1,207</b>
<b>Net lending/fiscal balance(a)</b>	<b>-1,462</b>

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



**Table B6: Australian Government public non-financial corporations balance sheet**

	Estimates
	2006-07 \$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	947
Advances paid	0
Investments, loans and placements	1,412
Other non-equity assets	1,386
Equity	512
<i>Total financial assets</i>	4,257
Non-financial assets	
Land and fixed assets	4,119
Other non-financial assets(a)	54
<i>Total non-financial assets</i>	4,173
<b>Total GFS assets</b>	<b>8,431</b>
<b>GFS liabilities</b>	
Deposits held	0
Advances received	0
Borrowing	679
Unfunded superannuation liability and other employee entitlements	1,006
Provisions (other than depreciation and bad and doubtful debts)(a)	550
Other non-equity liabilities	672
<b>Total GFS liabilities</b>	<b>2,907</b>
<b>Shares and other contributed capital</b>	<b>5,524</b>
<b>Net worth(b)</b>	<b>0</b>
Net financial worth(c)	-4,173
Net debt(d)	-1,681

(a) Includes the elimination of commercial taxation adjustments.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. A zero net worth is recorded in 2006-07 as shares and contributed capital for the non-financial corporations controlled by the Government are valued at net assets (a proxy for market value for unlisted companies).

(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 and borrowing, 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>**

	Estimates
	2006-07
	\$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	16,544
Grants and subsidies received	63
GST input credit receipts	0
Other receipts	111
<b>Total operating receipts</b>	<b>16,718</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-7,089
Interest paid	-134
Salaries, wages and other entitlements	-4,380
GST payments to taxation authority	-673
Other payments for operating activities <sup>(b)</sup>	-2,398
<b>Total operating payments</b>	<b>-14,673</b>
<b>Net cash flows from operating activities</b>	<b>2,045</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	47
Purchases of non-financial assets	-3,146
<b>Net cash flows from investments in non-financial assets</b>	<b>-3,099</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	133
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>133</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	67
Deposits received (net)	0
Distributions paid (net) <sup>(c)</sup>	-930
Other financing (net)	514
<b>Net cash flows from financing activities</b>	<b>-349</b>
<b>Net increase/decrease in cash held</b>	<b>-1,271</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-1,054</b>
Finance leases and similar arrangements <sup>(d)</sup>	0
Distributions paid <sup>(c)</sup>	-930
<b>Equals surplus(+)/deficit(-)</b>	<b>-1,985</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 non-general government shareholders.

(d) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

**Table B8: Australian Government total non-financial public sector operating statement**

	Estimates
	2006-07 \$m
<b>GFS revenue</b>	
Taxation revenue	256,478
Current grants and subsidies	0
Sales of goods and services	19,681
Interest income	3,681
Dividend income	1,653
Other	3,435
<b>Total GFS revenue</b>	<b>284,928</b>
<b>GFS expenses</b>	
Gross operating expenses	
Depreciation	3,972
Superannuation	2,663
Salaries and wages	18,155
Payment for supply of goods and services	58,992
Other operating expenses	3,050
<i>Total gross operating expenses</i>	<i>86,831</i>
Nominal superannuation interest expense	5,725
Other interest expenses	4,245
Other property expenses	534
Current transfers	
Grant expenses	80,856
Subsidy expenses	7,213
Personal benefit payments in cash	80,830
Other current transfers	0
<i>Total current transfers</i>	<i>168,899</i>
Capital transfers	5,179
<b>Total GFS expenses</b>	<b>271,414</b>
<b>Net operating balance(a)</b>	<b>13,514</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	6,880
<i>less</i> Sales of non-financial assets	<i>205</i>
<i>less</i> Depreciation	<i>3,972</i>
<i>plus</i> Change in inventories	<i>670</i>
<i>plus</i> Other movements in non-financial assets	<i>124</i>
<b>Total net acquisition of non-financial assets</b>	<b>3,496</b>
<b>Net lending/fiscal balance(a)(b)</b>	<b>10,017</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 B9: Australian Government total non-financial public sector balance sheet**

	Estimates
	2006-07
	\$m
<b>GFS assets</b>	
Financial assets	
Cash and deposits	2,962
Advances paid	22,775
Investments, loans and placements	68,729
Other non-equity assets	37,707
Equity	25,051
<i>Total financial assets</i>	<i>157,222</i>
Non-financial assets	
Land and fixed assets	48,261
Other non-financial assets	3,532
<i>Total non-financial assets</i>	<i>51,792</i>
<b>Total GFS assets</b>	<b>209,015</b>
<b>GFS liabilities</b>	
Deposits held	300
Advances received	0
Government securities	57,923
Loans	5,381
Other borrowing	1,099
Unfunded superannuation liability and other employee entitlements	110,478
Other provisions	7,726
Other non-equity liabilities	29,089
<b>Total GFS liabilities</b>	<b>211,995</b>
<b>Shares and other contributed capital</b>	<b>0</b>
<b>Net worth(a)</b>	<b>-2,981</b>
Net financial worth(b)	-54,773
Net debt(c)	-29,762

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(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, government securities, loans and other borrowing, 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>**

	Estimates
	2006-07
	\$m
<b>Cash receipts from operating activities</b>	
Taxes received	251,561
Receipts from sales of goods and services(b)	20,434
Grants and subsidies received	0
Interest receipts	3,462
Dividends	1,998
GST input credit receipts(b)	0
Other receipts	3,173
<b>Total operating receipts</b>	<b>280,628</b>
<b>Cash payments for operating activities</b>	
Payments for goods and services(b)	-60,437
Grants and subsidies paid	-90,945
Interest paid	-4,082
Personal benefit payments	-79,735
Salaries, wages and other entitlements	-22,780
GST payments to taxation authority(b)	0
Other payments for operating activities	-2,793
<b>Total operating payments</b>	<b>-260,772</b>
<b>Net cash flows from operating activities</b>	<b>19,856</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	232
Purchases of non-financial assets	-7,113
<b>Net cash flows from investments in non-financial assets</b>	<b>-6,881</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>7,038</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-20,135
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-20,135</b>
<b>Cash flows from financing activities</b>	
Advances received (net)	0
Borrowing (net)	-877
Deposits received (net)	-20
Distributions paid (net)(c)	-930
Other financing (net)	747
<b>Net cash flows from financing activities</b>	<b>-1,080</b>
<b>Net increase/decrease in cash held</b>	<b>-1,201</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>12,975</b>
Finance leases and similar arrangements(d)	-33
Distributions paid(c)	-930
<b>Equals surplus(+)/deficit(-)</b>	<b>12,012</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 public non-financial corporations dividends to non-general government shareholders.

(d) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

## **AUSTRALIAN LOAN COUNCIL ALLOCATION**

Under Loan Council arrangements, every year the Australian Government and each State and Territory Government nominate a Loan Council Allocation. A jurisdiction's Loan Council Allocation incorporates:

- the estimated non-financial public sector underlying cash deficit/surplus (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 borrowings.

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 2006, the Australian Government nominated, and the Loan Council endorsed, a Loan Council Allocation surplus of \$36,010 million. In the 2006-07 Budget, the Australian Government estimated a Loan Council Allocation surplus of \$37,944 million.

Since Budget the estimated net cash flows from investments in financial assets for policy purposes has been revised downwards. This change mainly reflects the Government's decision in August 2006 to sell a portion of its holding of Telstra shares and to allow investors to pay for their shares in two instalments, with the final instalment due in 2007-08. The 2006-07 Loan Council Allocation Budget estimate and nomination assumed that the Government's entire shareholding in Telstra would be sold in 2006-07. Consequently, the Government expects to exceed the tolerance limit of 2 per cent of non-financial public sector receipts that applies between its Loan Council Allocation Budget estimate and the outcome. Tolerance limits recognise that Loan Council Allocations are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes.

Table B11 presents a revised estimate for the Australian Government's 2006-07 Loan Council Allocation of a \$19,673 million surplus.

**Table B11: Australian Government Loan Council Allocation for 2006-07**

	2006-07 Budget Estimate \$m	2006-07 MYEFO Estimate \$m
General government sector cash deficit(+)/surplus(-)	-12,594	-13,997
PNFC sector cash deficit(+)/surplus(-)	1,105	1,985
Non-financial public sector cash deficit(+)/surplus(-)	-11,489	-12,012
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	24,869	7,038
<i>plus</i> Memorandum items(b)	-1,586	-623
<b>Loan Council Allocation</b>	<b>-37,944</b>	<b>-19,673</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 flow 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), over-funding of superannuation and an adjustment to exclude the net financing requirement of Telstra.





## **APPENDIX C: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS**

This appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*, except where departures from the standard are identified in Note 1.

A reconciliation between the Australian Government's general government AAS and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Appendix E.

**Table C1: Australian Government general government sector income statement**

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Revenues</b>					
Taxation					
Income tax	3	185,340	195,330	207,110	218,750
Indirect tax	4	29,270	29,810	30,510	30,770
Other taxes		2,248	2,226	2,325	2,226
<b>Total taxation revenue</b>		<b>216,858</b>	<b>227,366</b>	<b>239,945</b>	<b>251,746</b>
Non-taxation					
Sales of goods and services		5,040	5,052	5,188	5,340
Interest and dividends	5	8,263	8,317	8,249	8,941
Other sources of non-tax revenue	6	3,546	3,601	3,478	3,373
<b>Total non-tax revenue</b>		<b>16,849</b>	<b>16,970</b>	<b>16,914</b>	<b>17,655</b>
<b>Total revenue</b>		<b>233,707</b>	<b>244,335</b>	<b>256,859</b>	<b>269,401</b>
<b>Gains</b>					
Net foreign exchange gains		0	0	0	0
Net gains from sale of assets		0	-9	1,258	1
Other gains		844	1,497	2,367	2,586
<b>Total Gains</b>		<b>844</b>	<b>1,489</b>	<b>3,625</b>	<b>2,586</b>
<b>Income</b>		<b>234,551</b>	<b>245,824</b>	<b>260,485</b>	<b>271,987</b>
<b>Expenses</b>					
Goods and services					
Employees	7	24,984	25,605	26,193	26,855
Suppliers	8	19,805	21,276	21,188	21,216
Depreciation and amortisation	9	4,911	5,155	5,253	5,147
Net write-down and impairment of assets and fair value losses		3,651	3,474	3,425	3,461
Net foreign exchange losses		73	0	0	0
Net losses from sale of assets		1,024	-17	0	0
Other goods and services expenses	10	9,034	9,184	9,658	10,618
<b>Total goods and services</b>		<b>63,482</b>	<b>64,676</b>	<b>65,717</b>	<b>67,296</b>
Subsidies benefits and grants					
Personal benefits		97,208	103,824	110,978	119,332
Subsidies		12,339	13,246	14,094	14,409
Grants	11	44,049	47,381	48,157	47,681
<b>Total subsidies benefits and grants</b>		<b>153,596</b>	<b>164,450</b>	<b>173,230</b>	<b>181,421</b>
<b>Borrowing costs</b>					
Interest		5,800	5,515	5,008	4,726
Other borrowing costs		8	8	8	8
<b>Total interest and other borrowing costs</b>		<b>5,808</b>	<b>5,523</b>	<b>5,016</b>	<b>4,734</b>
<b>Total expenses</b>		<b>222,886</b>	<b>234,649</b>	<b>243,963</b>	<b>253,452</b>
<b>Operating result</b>		<b>11,664</b>	<b>11,175</b>	<b>16,522</b>	<b>18,536</b>

**Table C2: Australian Government general government sector balance sheet**

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Assets</b>					
Financial assets					
Cash		2,014	2,244	2,029	1,993
Receivables	12	35,250	30,903	33,667	36,202
Investments		96,777	116,413	132,796	149,107
Equity accounted investments		616	616	616	616
Accrued revenue		2,853	2,869	2,883	2,897
Other financial assets		23	24	24	25
<b>Total financial assets</b>		<b>137,534</b>	<b>153,068</b>	<b>172,015</b>	<b>190,840</b>
Non-financial assets					
Land and buildings	13	21,241	21,615	22,283	22,599
Infrastructure		43,379	45,593	48,001	50,790
Heritage and cultural assets		7,702	7,715	7,725	7,741
Intangibles		2,137	2,231	2,205	2,169
Investment property		236	237	237	238
Biological assets		0	0	0	0
Assets held for sale		370	358	360	362
Inventories		5,588	5,717	6,060	6,399
Other non-financial assets		4,163	3,001	2,041	1,862
<b>Total non-financial assets</b>		<b>84,817</b>	<b>86,466</b>	<b>88,913</b>	<b>92,159</b>
<b>Total assets</b>		<b>222,351</b>	<b>239,535</b>	<b>260,928</b>	<b>283,000</b>
<b>Liabilities</b>					
Debt					
Government securities		57,923	59,842	59,984	59,260
Loans		4,258	4,277	3,975	3,984
Leases		335	310	588	554
Deposits		300	300	300	300
Overdrafts		0	0	0	0
Other debt		1,202	1,204	1,193	1,174
<b>Total debt</b>		<b>64,019</b>	<b>65,933</b>	<b>66,042</b>	<b>65,273</b>
Provisions and payables					
Employees	14	109,472	113,132	117,022	120,996
Suppliers		2,755	2,811	2,840	2,848
Personal benefits payable		7,582	7,970	8,167	8,194
Subsidies payable		1,653	1,641	1,767	1,827
Grants payable	15	10,220	10,626	11,157	11,350
Other provisions and payables		13,009	12,631	12,614	12,622
<b>Total provisions and payables</b>		<b>144,691</b>	<b>148,811</b>	<b>153,567</b>	<b>157,837</b>
Liabilities associated with assets held for sale					
		0	0	0	0
<b>Total liabilities</b>		<b>208,709</b>	<b>214,743</b>	<b>219,608</b>	<b>223,110</b>
<b>Net assets</b>		<b>13,641</b>	<b>24,791</b>	<b>41,320</b>	<b>59,890</b>
<b>Equity</b>					
Accumulated results		-35,210	-24,075	-7,558	10,959
Reserves		48,851	48,866	48,878	48,931
Capital		0	0	0	0
<b>Total equity</b>		<b>13,641</b>	<b>24,791</b>	<b>41,320</b>	<b>59,890</b>

**Table C3: Australian Government general government sector statement of changes in equity**

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m
<b>Opening balance</b>										
Balance carried forward from previous period	-37,466	-35,210	17,883	19,470	19,870	29,382	0	0	287	13,641
Adjustment for errors/entity adjustments	-34,260	131	0	0	34,060	0	0	0	-200	131
Adjustment for changes in accounting policy	0	0	0	0	108	0	0	0	108	0
<b>Adjusted opening balance</b>	<b>-71,726</b>	<b>-35,079</b>	<b>17,883</b>	<b>19,470</b>	<b>54,037</b>	<b>29,382</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>13,772</b>
<b>Income and expense</b>										
Revenues and expenses recognised directly in equity										
Currency translation gain (loss)	na	na	na	na	0	0	na	na	0	0
Financial asset revaluations	na	na	1,555	76	na	na	na	na	1,555	76
Non-financial asset revaluations	na	na	41	4	na	na	na	na	41	4
Total revenues and expenses recognised directly in equity	0	0	1,596	81	0	0	0	0	1,596	81
Net operating result	<b>11,664</b>	<b>11,175</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,664</b>	<b>11,175</b>
<b>Total income and expenses</b>										
Transfers between reserves	24,717	17	-9	-17	-24,708	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	135	-187	0	0	52	-49	0	0	187	-236
<b>Closing balance</b>	<b>-35,210</b>	<b>-24,075</b>	<b>19,470</b>	<b>19,534</b>	<b>29,382</b>	<b>29,332</b>	<b>0</b>	<b>0</b>	<b>13,641</b>	<b>24,791</b>

**Table C3: Australian Government general government sector statement of changes in equity (continued)**

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Opening balance</b>										
Balance carried forward from previous period	-24,075	-7,558	19,534	19,594	29,332	29,283	0	0	24,791	41,320
Adjustment for errors/entity adjustments	-12	-13	0	0	0	0	0	0	-12	-13
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
<b>Adjusted opening balance</b>	<b>-24,087</b>	<b>-7,571</b>	<b>19,534</b>	<b>19,594</b>	<b>29,332</b>	<b>29,283</b>	<b>0</b>	<b>0</b>	<b>24,779</b>	<b>41,307</b>
<b>Income and expense</b>										
Revenues and expenses recognised directly in equity										
Currency translation gain (loss)	na	na	na	na	0	0	na	na	0	0
Financial asset revaluations	na	na	35	50	na	na	na	na	35	50
Non-financial asset revaluations	na	na	24	51	na	na	na	na	24	51
Total revenues and expenses recognised directly in equity	0	0	59	101	0	0	0	0	59	101
Net operating result	<b>16,522</b>	<b>18,536</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,522</b>	<b>18,536</b>
<b>Total income and expenses</b>										
Transfers between reserves	-2	-1	2	1	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	8	-5	0	0	-49	-49	0	0	-41	-54
<b>Closing balance</b>	<b>-7,558</b>	<b>10,959</b>	<b>19,594</b>	<b>19,697</b>	<b>29,283</b>	<b>29,234</b>	<b>0</b>	<b>0</b>	<b>41,320</b>	<b>59,890</b>

**Table C4: Australian Government general government sector cash flow statement**

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Operating activities</b>					
Cash received					
Taxation	16	213,282	223,454	235,529	247,709
Sales of goods and services		5,280	5,238	5,392	5,517
Interest		5,273	5,356	4,742	5,392
Dividends		3,170	2,782	3,343	3,338
GST input credit receipts		3,027	2,988	2,996	3,058
Other		3,161	3,314	3,183	3,056
<b>Total operating cash received</b>		<b>233,193</b>	<b>243,133</b>	<b>255,186</b>	<b>268,070</b>
Cash used					
Payments to employees		21,161	21,915	22,268	22,846
Payments to suppliers		23,537	24,518	24,626	24,691
Subsidies paid		11,626	12,565	13,274	13,696
Personal benefits		96,398	103,151	110,762	119,290
Grant payments		43,752	46,407	46,799	47,308
Interest and other financing costs		5,631	5,586	5,151	4,737
GST payments to taxation authority		79	81	82	85
Other		8,700	9,108	9,601	10,563
<b>Total operating cash used</b>		<b>210,883</b>	<b>223,330</b>	<b>232,564</b>	<b>243,215</b>
<b>Net cash from operating activities</b>		<b>22,310</b>	<b>19,802</b>	<b>22,622</b>	<b>24,855</b>
<b>Investing activities</b>					
Cash received					
Proceeds from asset sales program		8,685	6,797	2,015	0
Proceeds from sales of property, plant and equipment and intangibles		185	267	147	77
Other net investing cash received		254	250	255	264
<b>Total investing cash received</b>		<b>9,123</b>	<b>7,313</b>	<b>2,417</b>	<b>341</b>
Cash used					
Purchase of property, plant and equipment and intangibles		8,237	7,765	7,883	8,463
Net loans, advances and HECS		1,484	1,755	1,857	1,912
Other net investing cash paid		20,801	19,557	15,327	14,246
<b>Total investing cash used</b>		<b>30,521</b>	<b>29,077</b>	<b>25,067</b>	<b>24,620</b>
<b>Net cash from investing activities</b>		<b>-21,398</b>	<b>-21,763</b>	<b>-22,650</b>	<b>-24,279</b>
<b>Financing activities</b>					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		161	14	0	0
<b>Total financing cash received</b>		<b>161</b>	<b>14</b>	<b>0</b>	<b>0</b>
Cash used					
Net repayments of borrowings		943	-2,186	-92	589
Other		60	9	280	23
<b>Total financing cash used</b>		<b>1,003</b>	<b>-2,177</b>	<b>188</b>	<b>612</b>
<b>Net cash from financing activities</b>		<b>-843</b>	<b>2,191</b>	<b>-188</b>	<b>-612</b>
<b>Net increase/decrease in cash held</b>	2	<b>70</b>	<b>230</b>	<b>-215</b>	<b>-36</b>

## NOTES TO THE AAS FINANCIAL STATEMENTS

### Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook 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 (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments* (AAS 31).

AAS requires governments to prepare accrual based general purpose financial reports. This means that assets, liabilities, income and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, an income statement, a balance sheet, a statement of changes in equity, and a cash flow statement 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 AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation covers the general government sector only. This Appendix includes notes showing disaggregated information.

AAS 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 (the States), and appropriated to the States. Therefore, accrued GST revenues and associated payments to the States are not recorded in the financial statements.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability. However, the longest maturing government bond is only 10 years, significantly shorter than the term of the superannuation liability. Rather than 10 year government spot rate at balance date, a longer term rate of 6 per cent as determined by actuaries has been adopted to discount the liability. Guidance from the Australian Accounting Standards Board has been sought to clarify the differing interpretations in applying AASB 119.

Appendix C: Australian Accounting Standards Financial Statements

**Note 2: Reconciliation of cash**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Operating result (revenues less expenses)</b>	<b>11,664</b>	<b>11,175</b>	<b>16,522</b>	<b>18,536</b>
less <b>Revenues not providing cash</b>				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	0	0	1,252	0
Gains from sale of assets	19	35	6	1
Other	1,242	1,949	2,856	3,109
<b>Total revenues not providing cash</b>	<b>1,261</b>	<b>1,984</b>	<b>4,114</b>	<b>3,109</b>
plus <b>Expenses not requiring cash</b>				
Increase/(decrease) in employee entitlements	3,811	3,660	3,890	3,974
Depreciation/amortisation expense	4,911	5,155	5,253	5,147
Provision for bad and doubtful debts	419	462	496	524
Provision for diminution in value of assets	306	257	152	147
Losses from asset sales programme	1,042	27	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	73	0	0	0
Other	27	-12	26	21
<b>Total expenses not requiring cash</b>	<b>10,589</b>	<b>9,548</b>	<b>9,816</b>	<b>9,814</b>
plus <b>Cash provided by working capital items</b>				
Decrease in inventories	0	0	0	0
Decrease in receivables	843	0	0	0
Decrease in other financial assets	0	50	35	1
Decrease in other non-financial assets	284	848	955	307
Increase in benefits subsidies and grants payable	416	661	734	182
Increase in suppliers' liabilities	0	56	28	8
Increase in other provisions and payables	416	40	0	103
<b>Total cash provided by working capital items</b>	<b>1,960</b>	<b>1,654</b>	<b>1,752</b>	<b>602</b>
less <b>Cash used by working capital items</b>				
Increase in inventories	270	213	399	351
Increase in receivables	0	365	925	635
Increase in other financial assets	227	0	0	0
Increase in other non-financial assets	0	0	0	0
Decrease in benefits subsidies and grants payable	0	12	0	0
Decrease in other provisions and payables	0	0	30	0
Decrease in suppliers' liabilities	146	0	0	0
<b>Total cash used by working capital items</b>	<b>642</b>	<b>591</b>	<b>1,354</b>	<b>987</b>
equals <i>Net cash from/(to) operating activities</i>	22,310	19,802	22,622	24,855
plus <i>Net cash from/(to) investing activities</i>	-21,398	-21,763	-22,650	-24,279
<b>Net cash from operating activities and investment</b>	<b>912</b>	<b>-1,961</b>	<b>-28</b>	<b>576</b>
plus <i>Net cash from/(to) financing activities</i>	-843	2,191	-188	-612
<b>equals Net (decrease)/increase in cash</b>	<b>70</b>	<b>230</b>	<b>-215</b>	<b>-36</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 monies 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 by 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	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Total general government sector cash (Appendix C)</b>	2,014	2,244	2,029	1,993
<i>less</i> CAC Agency cash balances	875	965	982	1,043
<i>plus</i> Special public monies	114	116	119	122
<b>Balance of Consolidated Revenue Fund at 30 June</b>	<b>1,253</b>	<b>1,395</b>	<b>1,166</b>	<b>1,072</b>

Appendix C: Australian Accounting Standards Financial Statements

**Note 3: Income taxation revenue**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Individuals and other withholding taxes				
Gross income tax withholding	105,580	112,110	119,770	128,820
Gross other individuals	27,350	28,100	29,910	32,100
less: Refunds	16,790	18,820	20,330	21,790
Total individuals and other withholding taxation	116,140	121,390	129,350	139,130
Fringe benefits tax	3,730	4,000	4,160	4,330
Superannuation funds				
Contributions and earnings	6,450	7,270	8,700	9,140
Superannuation surcharge	520	100	10	10
Total superannuation taxation	6,970	7,370	8,710	9,150
Company tax	56,750	60,490	62,430	63,670
Petroleum resource rent tax	1,750	2,080	2,460	2,470
<b>Income taxation revenue</b>	<b>185,340</b>	<b>195,330</b>	<b>207,110</b>	<b>218,750</b>

**Note 4: Indirect taxation revenue**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Excise duty				
Petroleum and other fuel products	14,000	14,240	14,480	14,830
Crude oil	580	320	210	120
Other excise	8,020	8,190	8,350	8,510
Customs duty	5,510	5,830	6,170	5,920
Other indirect taxation	1,160	1,230	1,300	1,390
GST	40,630	43,130	45,630	48,000
less transfers to States in relation to GST revenue	40,630	43,130	45,630	48,000
GST revenue	0	0	0	0
Mirror taxes	390	407	429	452
less transfers to States in relation to mirror tax revenue	390	407	429	452
Mirror tax revenue	0	0	0	0
<b>Indirect taxation revenue</b>	<b>29,270</b>	<b>29,810</b>	<b>30,510</b>	<b>30,770</b>

**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Interest</b>				
Interest from other governments				
State and Territory debt	15	16	15	14
Housing agreements	166	162	158	153
<b>Total interest from other governments</b>	<b>181</b>	<b>178</b>	<b>173</b>	<b>167</b>
Interest from other sources				
Swap interest	1,822	1,609	1,258	1,019
Advances	26	27	27	27
Deposits	0	0	0	0
Bills receivable	10	6	5	6
Bank deposits	237	240	247	258
Indexation of HECS receivable and other student loans	399	454	489	524
Other	2,727	2,992	2,707	3,603
<b>Total interest from other sources</b>	<b>5,222</b>	<b>5,327</b>	<b>4,733</b>	<b>5,436</b>
<b>Total interest</b>	<b>5,403</b>	<b>5,505</b>	<b>4,906</b>	<b>5,603</b>
<b>Dividends</b>				
Dividends from controlled entities	2,549	1,979	2,025	2,042
Other dividends	311	832	1,318	1,296
<b>Total dividends</b>	<b>2,860</b>	<b>2,812</b>	<b>3,343</b>	<b>3,338</b>
<b>Total interest and dividend revenue</b>	<b>8,263</b>	<b>8,317</b>	<b>8,249</b>	<b>8,941</b>

Appendix C: Australian Accounting Standards Financial Statements

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Industry contributions	220	207	188	188
International Monetary Fund related revenue	15	15	15	15
Royalties	1,201	1,261	1,112	936
Seigniorage	101	106	103	103
Other	2,009	2,012	2,060	2,131
<b>Total other sources of non-taxation revenue</b>	<b>3,546</b>	<b>3,601</b>	<b>3,478</b>	<b>3,373</b>

**Note 7: Employee expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Salaries and wages(a)	13,744	14,062	14,098	14,382
Leave and other entitlements	1,418	1,458	1,480	1,519
Separations and redundancies	57	49	49	49
Workers compensation premiums	1	2	10	4
Other (including superannuation)	9,764	10,035	10,556	10,901
<b>Total employee expenses</b>	<b>24,984</b>	<b>25,605</b>	<b>26,193</b>	<b>26,855</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Supply of goods and services	17,553	18,918	18,766	18,730
Operating lease rental expenses	1,747	1,791	1,804	1,838
Other	505	567	618	648
<b>Total suppliers expenses</b>	<b>19,805</b>	<b>21,276</b>	<b>21,188</b>	<b>21,216</b>

**Note 9: Depreciation and amortisation expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Depreciation</b>				
Specialist military equipment	2,683	2,738	2,740	2,597
Buildings	657	688	719	726
Other infrastructure, plant and equipment	1,125	1,225	1,262	1,294
Heritage and cultural assets	46	49	49	49
Investment property	0	0	0	0
<b>Total depreciation</b>	<b>4,511</b>	<b>4,699</b>	<b>4,771</b>	<b>4,667</b>
<b>Total amortisation</b>	<b>400</b>	<b>455</b>	<b>482</b>	<b>480</b>
<b>Total depreciation and amortisation expenses</b>	<b>4,911</b>	<b>5,155</b>	<b>5,253</b>	<b>5,147</b>

**Note 10: Other goods and services expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Health care payments	4,609	4,850	4,988	5,139
Development Cooperation Program	1,434	2,193	2,450	3,217
Other	2,991	2,140	2,220	2,263
<b>Total other goods and services expenses</b>	<b>9,034</b>	<b>9,184</b>	<b>9,658</b>	<b>10,618</b>

**Note 11: Grants expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
State and Territory governments	28,034	29,574	29,951	30,258
Non-profit organisations	1,724	1,749	1,778	1,794
Overseas	649	861	793	381
Private sector	1,858	1,497	1,371	1,320
Local governments	484	544	503	69
Multi-jurisdictional sector	5,993	6,078	6,237	6,404
Other	5,307	7,077	7,523	7,455
<b>Total grant expenses</b>	<b>44,049</b>	<b>47,381</b>	<b>48,157</b>	<b>47,681</b>

**Note 12: Receivables**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Taxes receivable	10,376	11,104	12,353	13,266
Advances and loans	14,570	16,078	17,653	19,266
Other receivables	10,304	3,720	3,662	3,670
<b>Total receivables</b>	<b>35,250</b>	<b>30,903</b>	<b>33,667</b>	<b>36,202</b>

Appendix C: Australian Accounting Standards Financial Statements

**Note 13: Total non-financial assets**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Land and buildings				
Land	6,172	6,244	6,314	6,274
Buildings	15,070	15,370	15,969	16,324
<b>Total land and buildings</b>	<b>21,241</b>	<b>21,615</b>	<b>22,283</b>	<b>22,599</b>
Infrastructure				
Specialist military equipment	33,770	35,851	38,018	40,581
Other	9,609	9,741	9,983	10,209
<b>Total infrastructure</b>	<b>43,379</b>	<b>45,593</b>	<b>48,001</b>	<b>50,790</b>
Intangibles				
Computer software	2,017	2,108	2,080	2,044
Other	120	123	125	126
<b>Total intangibles</b>	<b>2,137</b>	<b>2,231</b>	<b>2,205</b>	<b>2,169</b>
<b>Total heritage and cultural assets</b>	<b>7,702</b>	<b>7,715</b>	<b>7,725</b>	<b>7,741</b>
<b>Total investment properties</b>	<b>236</b>	<b>237</b>	<b>237</b>	<b>238</b>
<b>Total biological assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets held for sale</b>	<b>370</b>	<b>358</b>	<b>360</b>	<b>362</b>
<b>Total inventories</b>	<b>5,588</b>	<b>5,717</b>	<b>6,060</b>	<b>6,399</b>
Other non-financial assets				
Prepayments	3,424	2,576	1,621	1,314
Other	739	424	420	548
<b>Total other non-financial assets</b>	<b>4,163</b>	<b>3,001</b>	<b>2,041</b>	<b>1,862</b>
<b>Total non-financial assets</b>	<b>84,817</b>	<b>86,466</b>	<b>88,913</b>	<b>92,159</b>

**Note 14: Employee and superannuation liabilities**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Superannuation	100,722	104,140	107,689	111,303
Leave and other entitlements	4,400	4,454	4,595	4,764
Accrued salaries and wages	207	245	285	342
Workers compensation claims	1,499	1,551	1,598	1,642
Separations and redundancies	43	33	33	33
Workers compensation premiums	1,579	1,651	1,729	1,812
Other	1,022	1,058	1,094	1,100
<b>Total employee and superannuation liabilities</b>	<b>109,472</b>	<b>113,132</b>	<b>117,022</b>	<b>120,996</b>

Appendix C: Australian Accounting Standards Financial Statements

**Note 15: Grants payable**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
State and Territory governments	4,593	4,853	5,069	5,353
Non-profit organisations	111	111	111	111
Private sector	414	205	205	205
Overseas	945	1,110	1,275	1,052
Local governments	11	11	11	11
Other	4,146	4,335	4,485	4,618
<b>Total grants payable</b>	<b>10,220</b>	<b>10,626</b>	<b>11,157</b>	<b>11,350</b>

**Note 16: Taxation receipts**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Total taxation receipts	253,042	265,721	280,338	294,781
less payments to States				
in relation to GST receipts	39,370	41,860	44,380	46,620
less payments to States				
in relation to mirror tax receipts	390	407	429	452
<b>Taxation receipts</b>	<b>213,282</b>	<b>223,454</b>	<b>235,529</b>	<b>247,709</b>





## **APPENDIX D: STATEMENT OF RISKS**

### **OVERVIEW**

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2006-07*. The following statement updates (where necessary) those fiscal risks and contingent liabilities that have changed since the 2006-07 Budget.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2006-07* incorporate assumptions and judgments 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 2006-07 Budget are described below and summarised in Table D1.

Information on contingent liabilities is also provided in the annual financial statements of departments, agencies and non-budget entities.

Appendix D: Statement of risks

**Table D1: Summary of changes to Statement of Risks since 2006-07 Budget**

<b>FISCAL RISKS — REVENUE</b>	
<b>Finance and Administration</b>	
Asset sales — Telstra	Deleted
<b>CONTINGENT LIABILITIES — QUANTIFIABLE</b>	
<b>Defence</b>	
Indemnities	Modified
<b>Finance and Administration</b>	
Australian Industry Development Corporation	Modified
Sale of Sydney Airports Corporation Limited	Modified
<b>Foreign Affairs and Trade</b>	
Export Finance and Insurance Corporation	Modified
<b>Transport and Regional Services</b>	
Maritime industry reform	Deleted
<b>Treasury</b>	
International financial institutions — uncalled capital subscriptions	Modified
Reserve Bank of Australia — guarantee	Modified
<b>CONTINGENT LIABILITIES — UNQUANTIFIABLE</b>	
<b>Attorney-General's</b>	
Integrated Cargo System	Deleted
Native title costs	Modified
Other indemnities	New
<b>Defence</b>	
ADI Limited — HMAS <i>Westralia</i> indemnity	Deleted
ADI Limited — sale	Deleted
HMAS <i>Melbourne</i> and HMAS <i>Voyager</i> damages claims	Modified
<b>Education, Science and Training</b>	
Australian Nuclear Science and Technology Organisation — make-good provision	Deleted
<b>Finance and Administration</b>	
Potential claims relating to superannuation benefits	Modified
Telstra Corporation Limited — company, directors and senior executives' indemnities	Modified
Telstra Corporation Limited — indemnity for unauthorised disclosure of information	New
Tuggeranong Office Park Pty Ltd — shareholder indemnity	Modified
<b>Health and Ageing</b>	
Australian Red Cross Society — indemnities	New
<b>Immigration and Multicultural Affairs</b>	
Systems development — liability limit	New
<b>Industry, Tourism and Resources</b>	
Liability for damages caused by Kistler space activities	New
<b>Treasury</b>	
Terrorism insurance — commercial cover	Modified

Note: Risks not appearing in this Statement are substantially unchanged since disclosed in Budget Paper No. 1, *Budget Strategy and Outlook 2006-07*, Statement 11.

## **FISCAL RISKS**

There have been no significant changes to the revenue or expense risks disclosed in Budget Paper No. 1.

## **CONTINGENT LIABILITIES — QUANTIFIABLE**

### **Defence**

#### **Indemnities**

The Department of Defence (Defence) and the Defence Materiel Organisation (DMO) carry an extensive range of indemnities and undertakings, normally of a short-term nature, relating to business, training activities and other activities involving contracts, agreements and other Defence and DMO arrangements. Indemnities issued cover potential losses or damages for which the Australian Government would be liable.

There are 322 instances of contingencies that are unquantifiable and 166 instances of quantifiable contingencies to the value of \$3.7 billion. While these contingencies are considered remote, they have been reported in aggregate for completeness.

### **Finance and Administration**

#### **Australian Industry Development Corporation**

Under the *Australian Industry Development Corporation Act 1970* certain obligations of the Australian Industry Development Corporation (AIDC) are guaranteed by the Australian Government. As at 30 June 2006, AIDC's contingent liabilities, subject to Australian Government guarantee, were approximately \$125 million in respect of guarantees and credit risk facilities.

In addition, AIDC had outstanding Australian Government guaranteed borrowings which totalled approximately \$481 million as at the most current valuation of 30 June 2006. These borrowing obligations have been matched by AIDC's holdings of Australian Government guaranteed securities of similar value, largely eliminating the Australian Government's guarantee exposure. These securities were purchased on market by UBS Warburg and paid to AIDC as consideration for UBS Warburg's purchase of AIDC Limited's (a subsidiary of AIDC) financial assets. UBS AG, the international parent company that has taken over from UBS Warburg, manages this borrowing portfolio on behalf of AIDC. The UBS AG arrangement also provides a guarantee to cover any cash flow differences between the interest rate and maturity profiles of the matched borrowings and securities, together with any exchange rate movements in the borrowings. The Australian Government's contingent exposure to these borrowings is therefore negligible and is consequently recorded as zero.

### **Sale of Sydney Airports Corporation Limited**

An indemnity has been provided to Southern Cross Airports Corporation as purchaser of the Sydney Airports Corporation Limited in the event of a liability arising under Chapter 3 of the *Duties Act 1997* (New South Wales) by reason of the sale of shares in Sydney Airports Corporation Limited constituting a relevant acquisition in a land-rich private corporation.

The New South Wales Office of State Revenue issued a notice of assessment on 17 November 2006. The Australian Government maintains there are no grounds for the assessment. The amount disputed is estimated to be between \$258.9 million and \$401.5 million.

### **Foreign Affairs and Trade**

#### **Export Finance and Insurance Corporation**

The Australian Government guarantees the due payment by the Export Finance and Insurance Corporation (EFIC) of money that is, or may at any time become, payable by EFIC to any body other than the Australian Government. The Australian Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 30 September 2006, the Australian Government's total contingent liability was \$3.1 billion, comprising EFIC's liabilities to third parties (\$2.5 billion) and EFIC's overseas investments insurance, contracts of insurance and guarantees (\$0.6 billion).

### **Treasury**

#### **International financial institutions — uncalled capital subscriptions**

This contingent liability relates to the value of the uncalled portion of the Australian Government's shares in the International Bank for Reconstruction and Development (US\$2.8 billion — estimated value A\$3.7 billion as at 29 September 2006), the Asian Development Bank (US\$2.4 billion — estimated value A\$3.3 billion), the European Bank for Reconstruction and Development (US\$81.7 million plus €77.5 million — estimated value A\$240.8 million), and the Multilateral Investment Guarantee Agency (US\$26.5 million — estimated value A\$35.4 million).

#### **Reserve Bank of Australia — guarantee**

This contingent liability relates to the Australian Government's guarantee of the liabilities of the Reserve Bank of Australia. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. Notes on issue amount to \$38.9 billion as at 27 September 2006 and the total guarantee is \$54.5 billion.

## **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

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

#### **Native title costs**

The Australian Government has offered to assist the States in meeting native title compensation costs arising under the *Native Title Act 1993*. The amounts that might be paid by the Australian Government will be subject to the terms of financial assistance agreements being negotiated with the States. No agreements have been entered into to date. The Australian Government's liability cannot be quantified due to uncertainty about the number and effect of compensable acts, both in the past and in the future, and the value of native title affected by those acts. Similarly, it is not possible to quantify the liability for compensable acts for which the Australian Government may be directly liable.

The Australian Government has also offered to assist the States with the costs of bodies performing native title functions under state legislation. The extent of this assistance will depend on the existence of such bodies, the timing of their recognition and the extent of their use.

#### **Other indemnities**

The Australian Federal Police (AFP) carry a range of indemnities and undertakings, normally of a short-term nature, relating to business, training activities and other activities involving contracts, agreements and other AFP arrangements. Indemnities issued by the AFP cover potential losses or damages for which the Australian Government would be liable. The instances of unquantifiable contingencies are considered remote.

### **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 claims remain current. A number of the current claims are statute barred under applicable state laws. In those cases, the plaintiffs will require an extension of time prior to progressing their claims for damages. Nine dependency claims arising from that collision have also been commenced 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. The most recent claim was commenced in February 2006.

## **Finance and Administration**

### **Potential claims relating to superannuation benefits**

On 8 May 2006, the Australian Capital Territory court of Appeal found against the Commonwealth of Australia on a claim for negligent misstatement relating to superannuation benefits for a former employee of the Department of the Interior. The High Court of Australia has granted the Commonwealth special leave to appeal the decision of the ACT courts. The potential liability for the first 400 cases is estimated at \$235 million. The High Court decision is expected in early 2007. This is a test case for several hundred named plaintiffs. There is potential for more claims to arise from other former employees depending on the terms of the final judgment.

### **Telstra Corporation Limited — company, directors and senior executives' indemnities**

Certain indemnities have been provided to Telstra, its directors and selected senior executives in connection with their assistance in the preparation for the Telstra 3 sale of approximately two thirds of the Australian Government's residual shareholding in Telstra. The indemnities cover liabilities that may arise from actions undertaken in support of the Telstra 3 sale.

### **Telstra Corporation Limited — indemnity for unauthorised disclosure of information**

The Australian Government has executed a mutual confidentiality agreement with Telstra Corporation Limited and indemnified Telstra against the unauthorised disclosure or use by the Australian Government of certain confidential information provided during the Telstra 3 sale process for Telstra 3 sale-related purposes.

### **Tuggeranong Office Park Pty Ltd — shareholder indemnity**

The Australian Government issued bonds in 1989 to finance the construction of the Tuggeranong Office Park (TOP) complex in Canberra. The Australian Government issued a conditional indemnity to the bondholders at the time for all 'losses, liabilities, costs, expenses and damages' incurred by virtue of their shareholding. The Budget currently provides for this conditional indemnity, but this estimate may vary due to market factors and selection of the best option to settle the bonds. It is currently planned that TOP will be sold prior to the conditional indemnity crystallising in August 2008 when the bonds mature. It is expected that this will result in the conditional indemnity being extinguished.

## **Health and Ageing**

### **Australian Red Cross Society — indemnities**

The Deed of Agreement between the Australian Red Cross Society (ARCS) and the National Blood Authority (NBA) in relation to the operation of the Australian Red Cross Blood Society (ARCBS) includes certain indemnities and a limit of liability in favour of ARCS. These cover a defined set of potential business, product and employee

risks and liabilities arising from the operations of ARCBS. The indemnities and limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the Deed of Agreement, and only within a certain scope. They are also subject to appropriate limitations and conditions including in relation to mitigation, contributory fault, and the process of handling relevant claims.

## **Immigration and Multicultural Affairs**

### **Systems development — liability limit**

The Department of Immigration and Multicultural Affairs (DIMA) has entered into a contract with IBM Australia (IBM) for the provision of systems development services for the department. The arrangement facilitates the delivery of the new departmental programme 'Systems for People'. DIMA has agreed to limit IBM's liability to an overall maximum of \$150 million for certain causes of action.

## **Industry, Tourism and Resources**

### **Liability for damages caused by Kistler space activities**

In accordance with the UN Convention on International Liability for Damage Caused by Space Objects, an agreement was signed in 1998, amended in 1999, between the Department of Industry, Tourism and Resources, Kistler Woomera Pty Ltd and Spaceport Woomera Pty Ltd to support the launching of the K-1 Aerospace Vehicle and satellites into space from Australia. Kistler Woomera Pty Ltd received a major contract from NASA in August 2006, and launches are expected to commence at Woomera in South Australia from 2008. Under the agreement, the Australian Government provides indemnity support to a maximum of US\$1.5 billion (approximately A\$2.0 billion) above the level of insurance cover obtained under the requirements of the agreement.

## **Treasury**

### **Terrorism insurance — commercial cover**

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption losses and public liability claims. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a fund and purchase reinsurance to help meet future claims. In September 2006, the Government announced that, as a result of a review of the scheme, the fund would no longer be limited to \$300 million. The Commonwealth guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insureds if the Commonwealth's liability would otherwise exceed \$10 billion.





## 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 (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*. 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, the opening text of Appendix B and Note 1 in Appendix C.

The next section provides a brief overview of the GFS and AAS reporting frameworks. Further information can be found in Budget Paper No. 1, *Budget Strategy and Outlook 2006-07, Statement 8: Financial Reporting Standards and Budget Concepts*.

### ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised accounting and financial reporting system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *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.

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1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2005 (cat. no. 5514.0).

## *Appendix E: Financial reporting standards and budget concepts*

All GFS data are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows).

A transaction results from a mutually agreed interaction between economic entities. 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 another economic flow. This can include changes in values from market prices, most actuarial valuations and exchange rates and changes in volumes from 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 affected 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 arise 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.

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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.

### **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 (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 the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowing) less 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, net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution 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 information is 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

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3 The net operating balance includes consumption of non-financial assets because 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.

are specifically identified because cash management is considered an integral function of accrual budgeting.

### **Underlying cash balance**

The underlying cash balance plus Future Fund earnings (GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This 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
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements <sup>4</sup>
<i>equals</i>
GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government cash flow statement Part 3 Attachment B and the historic tables in Appendix F.

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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.

### **Headline cash balance**

The headline cash balance is calculated by adding cash flows from investments in financial assets for policy purposes and Future Fund earnings 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 Loan Programme (HELP), 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 period. The majority of other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities.

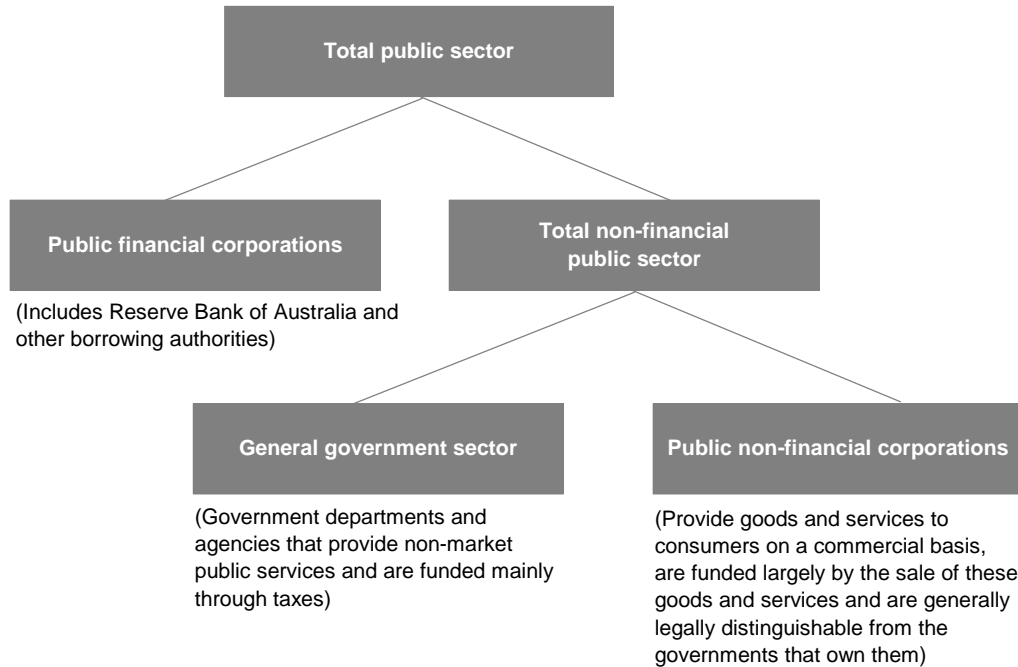
### **Sectoral classifications**

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.

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5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

**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 REPORTING FRAMEWORK**

The AAS reporting framework, being the AEIFRS and AAS 31, requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, income, expenses and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and financial position of government.

There are four main general purpose statements that must be prepared in accordance with the AAS framework. These are:

- an income statement, which includes an operating result;

- a balance sheet, which shows net assets;
- a statement of changes in equity, which shows movements in equity; and
- a cash flow statement, which includes the net increase/decrease in cash held.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

A full set of AAS financial statements and accompanying notes prepared for the general government sector can be found in Appendix C.

## **RECONCILIATION OF GFS AND AAS AGGREGATES**

There is a general consistency of treatment of the elements of financial statements between GFS and AAS. 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 AAS definitions of the scope of the public sector agree in almost all cases, with AAS 31 recommending the same segmentation of the public sector into general government, public non-financial corporations and public financial corporations sectors.

Transactions are generally treated in a similar manner by GFS and AAS; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS is designed 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 AAS and GFS standards. Major revaluations include write-downs 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 AAS reporting, valuation changes may affect income 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

*Appendix E: Financial reporting standards and budget concepts*

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 AAS treatments of transactions are outlined in Table E1. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).



Appendix E: Financial reporting standards and budget concepts

**Table E1: Selected differences between AAS and GFS reporting standards**

Issue	AAS treatment	GFS treatment
Asset write-downs	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed write-downs, and therefore not included in expenses.
Gains and losses on assets	Treated as part of operating income/expenses.	Treated as revaluations (other economic flows) and therefore not included in 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 income 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 and underlying cash balance.

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board has finalised a standard for financial reporting by the general government sector of governments, harmonising GFS and AAS. This standard (AASB 1049) becomes applicable by the 2008-09 financial year.

Table E2 reconciles GFS revenue and expenses with their AAS counterparts.

**Table E2: Reconciliation of GFS and AAS revenue and expenses**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>GFS revenue (Appendix B)</b>	<b>272,515</b>	<b>285,856</b>	<b>301,231</b>	<b>316,383</b>
<i>less GST revenue for states and territories</i>	40,630	43,130	45,630	48,000
<b>GFS revenue (Parts 1 and 3)</b>	<b>231,885</b>	<b>242,726</b>	<b>255,601</b>	<b>268,383</b>
<i>plus asset revenue recognised for the first time</i>	496	218	119	130
<i>plus foreign exchange gains</i>	0	0	0	0
<i>plus other economic revaluations</i>	348	1,279	2,248	2,455
<i>plus proceeds from the sale of assets</i>	0	-8	1,259	1
<i>plus swap interest revenue</i>	1,822	1,609	1,258	1,019
<b>AAS income (Appendix C)</b>	<b>234,551</b>	<b>245,824</b>	<b>260,485</b>	<b>271,987</b>
<b>GFS expenses (Appendix B)</b>	<b>258,745</b>	<b>274,397</b>	<b>287,098</b>	<b>299,524</b>
<i>less GST grants to states and territories</i>	39,370	41,860	44,380	46,620
<i>less GST mutually agreed writedowns</i>	200	215	225	235
<b>GFS expenses (Parts 1 and 3)</b>	<b>219,175</b>	<b>232,322</b>	<b>242,493</b>	<b>252,669</b>
<i>plus actuarial revaluations</i>	0	0	0	0
<i>plus net writedown of assets/bad and doubtful debts</i>	2,669	2,431	2,101	2,286
<i>plus foreign exchange losses</i>	73	0	0	0
<i>plus other economic adjustments</i>	0	-27	-2	0
<i>plus value of assets sold</i>	793	-17	0	0
<i>plus swap interest expense</i>	1,812	1,660	1,304	1,060
<i>plus defence weapons platforms depreciation</i>	2,683	2,738	2,740	2,597
<i>less defence weapons platforms investment</i>	4,319	4,719	4,906	5,160
<i>plus AusAid IDA/ADF expenses</i>	0	260	233	0
<i>plus ETM adjustment for expenses</i>	0	0	0	0
<b>AAS expenses (Appendix C)</b>	<b>222,886</b>	<b>234,649</b>	<b>243,963</b>	<b>253,452</b>

Table E3 reconciles the AAS operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The AAS operating result is equal to AAS income less expenses. Similarly, GFS revenues less expenses equal the GFS net operating balance. Consequently, the reconciliation between the AAS 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. In AAS there is no equivalent measure to the fiscal balance. That is, the AAS income statement stops at the operating result and includes no information on net capital investment.

**Table E3: Reconciliation of AAS net operating result and fiscal balance**

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>AAS operating result before extraordinary items (Appendix C)</b>	<b>11,664</b>	<b>11,175</b>	<b>16,522</b>	<b>18,536</b>
Net differences from revenue and expense definitions	2,105	284	-2,389	-1,677
<b>GFS net operating balance (Appendix B)</b>	<b>13,769</b>	<b>11,459</b>	<b>14,133</b>	<b>16,859</b>
<i>less</i> purchase of property, plant and equipment and intangibles	8,048	7,757	7,815	8,336
<i>less</i> assets acquired under finance leases	33	-16	551	-30
<i>less</i> other non-financial assets	259	11	71	128
<i>less</i> increase in inventories	680	129	344	338
<i>plus</i> defence weapons platforms investment	4,319	4,719	4,906	5,160
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	184	267	147	77
<i>plus</i> depreciation and amortisation	4,911	5,155	5,253	5,147
<i>less</i> weapons depreciation	2,683	2,738	2,740	2,597
<b>Fiscal balance (GFS net lending) (Appendix B)(a)</b>	<b>11,480</b>	<b>10,981</b>	<b>12,918</b>	<b>15,873</b>
<i>Impact of GST</i>	-1,060	-1,055	-1,025	-1,145
<b>Fiscal balance (GFS net lending) (Part 3)(a)</b>	<b>10,420</b>	<b>9,926</b>	<b>11,893</b>	<b>14,728</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 AUSTRALIAN GOVERNMENT DATA

This appendix provides historical data for Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Under the accrual Government Finance Statistics (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 affected 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 1999-00 are cash proxies derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data that include 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 back-casting to account for this change;
- consistent with the revised GFS treatment announced by the Australian Bureau of Statistics (ABS) (cat. no. 5501.0, released October 2002), the general government measures in this statement, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government sector 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

*Appendix F: Historical Australian Government data*

- changes in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing outlays) reduce both cash payments and receipts.

Occasionally classification changes are made that require revisions to the historic series. Where appropriate, the changes are back-cast to 1999-00 to ensure that data is consistent across the accrual period. For example, the back-casting to account for the market valuation of net debt as discussed on page 2-12 of Budget Paper No. 1, *Budget Strategy and Outlook 2003-04*.

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 underlying cash balance<sup>(a)</sup>**

	Receipts			Payments			Future Fund earnings	Underlying cash balance(b)	
	\$m	Per cent real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP	\$m	\$m	Per cent of GDP
1973-74	11,890	10.5	20.1	10,829	3.9	18.3	-	1,061	1.8
1974-75	15,325	5.7	22.0	15,275	15.7	21.9	-	50	0.1
1975-76	18,316	3.7	22.4	19,876	12.9	24.3	-	-1,560	-1.9
1976-77	21,418	4.1	22.7	22,657	1.5	24.1	-	-1,239	-1.3
1977-78	23,491	0.8	22.8	25,489	3.4	24.8	-	-1,998	-1.9
1978-79	25,666	3.3	22.1	27,753	2.9	23.8	-	-2,087	-1.8
1979-80	29,780	5.9	22.6	31,041	2.1	23.5	-	-1,261	-1.0
1980-81	35,148	6.7	23.5	35,260	2.7	23.6	-	-112	-0.1
1981-82	40,831	2.8	23.7	40,394	1.4	23.4	-	437	0.3
1982-83	44,675	-1.7	24.1	47,907	6.5	25.8	-	-3,232	-1.7
1983-84	49,102	3.0	23.4	55,966	9.5	26.7	-	-6,864	-3.3
1984-85	57,758	11.8	25.0	63,639	8.0	27.5	-	-5,881	-2.5
1985-86	64,845	5.7	25.4	69,838	3.3	27.4	-	-4,993	-2.0
1986-87	73,145	5.4	26.2	75,392	0.9	27.0	-	-2,247	-0.8
1987-88	81,217	3.0	25.4	79,440	-2.2	24.9	-	1,777	0.6
1988-89	88,369	-0.2	24.4	82,202	-5.1	22.7	-	6,167	1.7
1989-90	95,517	1.8	24.0	88,882	1.8	22.4	-	6,635	1.7
1990-91	97,705	-2.6	23.9	97,333	4.2	23.8	-	372	0.1
1991-92	92,966	-6.7	22.3	104,551	5.3	25.1	-	-11,585	-2.8
1992-93	94,448	0.2	21.6	111,484	5.2	25.4	-	-17,036	-3.9
1993-94	100,142	5.1	21.8	117,252	4.3	25.5	-	-17,110	-3.7
1994-95	109,720	8.6	22.5	122,901	3.9	25.3	-	-13,181	-2.7
1995-96	121,105	7.7	23.4	131,182	4.1	25.3	-	-10,077	-1.9
1996-97	129,845	5.5	23.8	135,126	1.4	24.8	-	-5,281	-1.0
1997-98	135,779	3.2	23.5	134,608	-1.7	23.3	-	1,171	0.2
1998-99	146,496	7.6	24.1	142,159	5.3	23.4	-	4,337	0.7
1999-00	166,089	na	25.7	153,030	na	23.7	-	13,059	2.0
2000-01	161,114	-7.1	23.4	155,143	-2.9	22.5	-	5,970	0.9
2001-02	162,884	-1.2	22.1	163,867	3.2	22.3	-	-983	-0.1
2002-03	176,503	5.2	22.6	169,017	0.1	21.6	-	7,486	1.0
2003-04	187,336	2.1	22.3	179,300	2.1	21.3	-	8,036	1.0
2004-05	203,960	4.7	22.7	190,344	2.1	21.2	-	13,616	1.5
2005-06	221,834	3.6	23.0	205,991	3.1	21.3	51	15,792	1.6
<b>2006-07(e)</b>	<b>231,582</b>	<b>0.3</b>	<b>22.5</b>	<b>217,586</b>	<b>1.4</b>	<b>21.2</b>	<b>2,169</b>	<b>11,827</b>	<b>1.1</b>
2007-08(e)	241,707	2.2	22.2	228,970	3.1	21.1	3,075	9,662	0.9
2008-09(p)	253,993	3.8	22.4	239,394	3.2	21.1	2,755	11,844	1.0
2009-10(p)	267,081	3.9	22.6	250,255	3.3	21.2	2,829	13,997	1.2

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00, 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.

(b) Underlying cash balance is equal to receipts less payments less expected Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, Future Fund earnings should be added back to the underlying cash balance.

(e) Estimates.

(p) Projections.

na Not applicable, due to a structural break in the series.

**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 real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP
1973-74	10,832	12.7	18.3	1,058	-7.7	1.8	11,890	10.5	20.1
1974-75	14,141	7.1	20.3	1,184	-8.2	1.7	15,325	5.7	22.0
1975-76	16,920	3.8	20.7	1,396	2.3	1.7	18,316	3.7	22.4
1976-77	19,714	3.8	20.9	1,704	8.7	1.8	21,418	4.1	22.7
1977-78	21,428	-0.1	20.8	2,063	11.3	2.0	23,491	0.8	22.8
1978-79	23,409	3.3	20.1	2,257	3.4	1.9	25,666	3.3	22.1
1979-80	27,473	7.2	20.8	2,307	-6.7	1.7	29,780	5.9	22.6
1980-81	32,641	7.4	21.8	2,507	-1.7	1.7	35,148	6.7	23.5
1981-82	37,880	2.7	22.0	2,951	4.2	1.7	40,831	2.8	23.7
1982-83	41,025	-2.7	22.1	3,650	11.1	2.0	44,675	-1.7	24.1
1983-84	44,849	2.4	21.4	4,253	9.2	2.0	49,102	3.0	23.4
1984-85	52,970	12.2	22.9	4,788	7.0	2.1	57,758	11.8	25.0
1985-86	58,841	4.6	23.1	6,004	18.0	2.4	64,845	5.7	25.4
1986-87	66,467	5.5	23.8	6,678	3.9	2.4	73,145	5.4	26.2
1987-88	75,076	4.8	23.5	6,141	-14.7	1.9	81,217	3.0	25.4
1988-89	83,452	1.9	23.0	4,917	-26.6	1.4	88,369	-0.2	24.4
1989-90	90,773	2.5	22.8	4,744	-9.1	1.2	95,517	1.8	24.0
1990-91	92,739	-2.8	22.7	4,966	-0.4	1.2	97,705	-2.6	23.9
1991-92	87,364	-7.6	21.0	5,602	10.6	1.3	92,966	-6.7	22.3
1992-93	88,760	0.2	20.3	5,688	0.2	1.3	94,448	0.2	21.6
1993-94	93,362	4.3	20.3	6,780	18.2	1.5	100,142	5.1	21.8
1994-95	104,921	11.4	21.6	4,799	-29.8	1.0	109,720	8.6	22.5
1995-96	115,700	7.6	22.3	5,405	9.9	1.0	121,105	7.7	23.4
1996-97	124,559	5.9	22.8	5,286	-3.8	1.0	129,845	5.5	23.8
1997-98	130,984	3.8	22.7	4,795	-10.5	0.8	135,779	3.2	23.5
1998-99	141,105	7.5	23.2	5,391	12.1	0.9	146,496	7.6	24.1
1999-00	151,313	na	23.5	14,777	na	2.3	166,089	na	25.7
2000-01	146,698	-7.2	21.3	14,416	-6.6	2.1	161,114	-7.1	23.4
2001-02	148,343	-1.2	20.2	14,541	-1.5	2.0	162,884	-1.2	22.1
2002-03	161,418	5.7	20.7	15,084	0.7	1.9	176,503	5.2	22.6
2003-04	173,023	3.1	20.6	14,313	-8.7	1.7	187,336	2.1	22.3
2004-05	188,176	4.6	21.0	15,784	6.1	1.8	203,960	4.7	22.7
2005-06	203,918	3.2	21.1	17,916	8.1	1.9	221,834	3.6	23.0
<b>2006-07(e)</b>	<b>213,360</b>	<b>0.5</b>	<b>20.7</b>	<b>18,222</b>	<b>-2.3</b>	<b>1.8</b>	<b>231,582</b>	<b>0.3</b>	<b>22.5</b>
2007-08(e)	223,528	2.6	20.6	18,178	-2.3	1.7	241,707	2.2	22.2
2008-09(p)	235,599	4.1	20.8	18,394	-0.1	1.6	253,993	3.8	22.4
2009-10(p)	247,778	3.9	21.0	19,302	3.7	1.6	267,081	3.9	22.6

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets. 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.

(e) Estimates.

(p) Projections.

na Not applicable, due to a structural break in the series.



**Table F3: Australian Government general government sector receipts**

	Actual	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<i>Income taxation</i>					
Individuals and other withholding taxes					
Gross income tax withholding	103,120	104,830	111,320	118,930	127,910
Gross other individuals	24,895	26,260	26,990	28,720	30,820
less: Refunds	15,244	16,790	18,820	20,330	21,790
Total individuals and other withholding taxation	112,770	114,300	119,490	127,320	136,940
Fringe benefits tax	4,049	3,800	3,930	4,090	4,250
Superannuation funds					
Contributions and earnings	5,416	6,400	7,210	8,630	9,070
Superannuation surcharge	951	710	130	40	40
Total superannuation taxation	6,368	7,110	7,340	8,670	9,110
Company tax	48,960	55,770	59,500	61,410	62,630
Petroleum resource rent tax	1,917	1,560	1,970	2,040	2,620
<b>Income taxation receipts</b>	<b>174,063</b>	<b>182,540</b>	<b>192,230</b>	<b>203,530</b>	<b>215,550</b>
<i>Excise and customs</i>					
Excise duty					
Petrol	7,224	7,100	7,080	7,000	7,060
Diesel	6,217	6,280	6,500	6,710	6,900
Other fuel products	214	610	650	760	860
Crude oil	337	580	320	210	120
Beer	1,740	1,780	1,800	1,840	1,880
Potable spirits	808	870	950	1,050	1,150
Tobacco	5,274	5,370	5,440	5,460	5,480
Total excise duty receipts	21,814	22,590	22,740	23,030	23,450
Customs duty					
Textiles, clothing and footwear	832	860	910	970	730
Passenger motor vehicles	665	680	760	820	600
Excise-like goods	1,767	2,170	2,240	2,350	2,480
Other imports	1,584	1,550	1,666	1,777	1,899
less: Refunds and drawbacks	360	370	370	370	370
Total customs duty receipts	4,488	4,890	5,206	5,547	5,339
<b>Excise and customs receipts</b>	<b>26,302</b>	<b>27,480</b>	<b>27,946</b>	<b>28,577</b>	<b>28,789</b>
<i>Other taxation</i>					
Wine equalisation tax	656	660	670	690	710
Luxury car tax	322	320	330	350	370
Agricultural levies	610	585	586	595	411
Other taxes	1,964	1,775	1,766	1,857	1,949
<b>Other taxation receipts</b>	<b>3,553</b>	<b>3,340</b>	<b>3,352</b>	<b>3,492</b>	<b>3,440</b>
<b>Taxation receipts</b>	<b>203,918</b>	<b>213,360</b>	<b>223,528</b>	<b>235,599</b>	<b>247,778</b>
<i>Non-taxation</i>					
Sales of goods and services	5,566	5,280	5,238	5,392	5,517
Dividends	4,360	3,170	2,782	3,343	3,338
Interest received	2,325	3,477	3,664	3,402	4,326
Other non-taxation receipts	5,665	6,295	6,495	6,257	6,122
<b>Non-taxation receipts</b>	<b>17,916</b>	<b>18,222</b>	<b>18,178</b>	<b>18,394</b>	<b>19,302</b>
<b>Total receipts</b>	<b>221,834</b>	<b>231,582</b>	<b>241,707</b>	<b>253,993</b>	<b>267,081</b>

**Table F4: Australian Government general government sector net debt and net interest payments<sup>(a)</sup>**

	Net debt		Net interest payments <sup>(b)</sup>	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1973-74	-1,851	-3.1	-306	-0.5
1974-75	-1,901	-2.7	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.8	-106	-0.1
1978-79	4,983	4.3	126	0.1
1979-80	6,244	4.7	290	0.2
1980-81	6,356	4.2	444	0.3
1981-82	5,919	3.4	475	0.3
1982-83	9,151	4.9	654	0.4
1983-84	16,015	7.6	1,327	0.6
1984-85	21,896	9.5	2,462	1.1
1985-86	26,889	10.5	3,626	1.4
1986-87	29,136	10.4	4,387	1.6
1987-88	27,359	8.6	4,019	1.3
1988-89	21,982	6.1	3,722	1.0
1989-90	16,121	4.1	3,848	1.0
1990-91	16,936	4.1	2,834	0.7
1991-92	31,132	7.5	2,739	0.7
1992-93	55,218	12.6	2,912	0.7
1993-94	70,223	15.3	4,549	1.0
1994-95	83,492	17.2	6,310	1.3
1995-96	95,831	18.5	7,812	1.5
1996-97	96,281	17.6	8,449	1.5
1997-98	82,935	14.4	7,381	1.3
1998-99	70,402	11.6	6,901	1.1
1999-00	53,768	8.3	6,014	0.9
2000-01	42,651	6.2	4,855	0.7
2001-02	38,024	5.2	4,238	0.6
2002-03	29,665	3.8	3,641	0.5
2003-04	23,421	2.8	2,994	0.4
2004-05	11,534	1.3	2,463	0.3
2005-06	-6,125	-0.6	2,265	0.2
<b>2006-07(e)</b>	<b>-28,081</b>	<b>-2.7</b>	<b>471</b>	<b>0.0</b>
2007-08(e)	-11,007	-1.0	-49	0.0
2008-09(p)	-26,626	-2.3	157	0.0
2009-10(p)	-42,274	-3.6	-846	-0.1

(a) There is a break in the net debt and net interest series between 1998-99 and 1999-00 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-00, Australian Government general government debt instruments are valued at market prices, consistent with accrual GFS standards.

(b) Excludes superannuation related interest flows.

(e) Estimates.

(p) Projections.

**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)	
		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	26.0	145,809	26.7	90	0.0	-4,211	-0.8	-74,354	-13.6
1997-98	146,820	25.4	148,646	25.7	147	0.0	-1,973	-0.3	-68,544	-11.9
1998-99	151,897	25.0	146,620	24.1	1,433	0.2	3,844	0.6	-76,150	-12.5
1999-00	167,158	25.9	156,492	24.3	-1,225	-0.2	11,892	1.8	-40,552	-6.3
2000-01	162,074	23.5	157,667	22.9	-1,168	-0.2	5,575	0.8	-43,299	-6.3
2001-02	162,956	22.1	166,758	22.7	-369	-0.1	-3,433	-0.5	-48,429	-6.6
2002-03	175,513	22.5	170,999	21.9	-219	0.0	4,734	0.6	-53,251	-6.8
2003-04	187,924	22.4	182,371	21.7	724	0.1	4,830	0.6	-39,595	-4.7
2004-05	206,605	23.0	195,680	21.8	147	0.0	10,778	1.2	-30,279	-3.4
2005-06	221,918	23.0	206,096	21.3	1,052	0.1	14,770	1.5	-22,835	-2.4
<b>2006-07(e)</b>	<b>231,885</b>	<b>22.5</b>	<b>219,175</b>	<b>21.3</b>	<b>2,290</b>	<b>0.2</b>	<b>10,420</b>	<b>1.0</b>	<b>-11,934</b>	<b>-1.2</b>
2007-08(e)	242,726	22.3	232,322	21.4	478	0.0	9,926	0.9	-2,605	-0.2
2008-09(p)	255,601	22.5	242,493	21.4	1,215	0.1	11,893	1.0	11,989	1.1
2009-10(p)	268,383	22.7	252,669	21.4	986	0.1	14,728	1.2	27,996	2.4

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net worth is calculated as assets minus liabilities.

(b) There is a break in the net worth series between 1998-99 and 1999-00. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-00 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.

(e) Estimates.

(p) Projections.

**Table F6: Australian Government general government sector 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	153,473		23.8	13,685		2.1	167,158		25.9
2000-01	152,080	-5.1	22.1	9,994	-30.1	1.4	162,074	-7.2	23.5
2001-02	150,873	-3.1	20.5	12,083	18.1	1.6	162,956	-1.8	22.1
2002-03	163,957	5.5	21.0	11,556	-7.1	1.5	175,513	4.6	22.5
2003-04	175,838	3.2	20.9	12,085	0.6	1.4	187,924	3.0	22.4
2004-05	194,150	6.2	21.7	12,455	-0.9	1.4	206,605	5.8	23.0
2005-06	206,832	1.5	21.4	15,086	15.4	1.6	221,918	2.3	23.0
<b>2006-07(e)</b>	<b>217,056</b>	<b>0.8</b>	<b>21.1</b>	<b>14,828</b>	<b>-5.6</b>	<b>1.4</b>	<b>231,885</b>	<b>0.4</b>	<b>22.5</b>
2007-08(e)	227,555	2.7	20.9	15,171	0.2	1.4	242,726	2.5	22.3
2008-09(p)	240,123	4.2	21.2	15,479	0.8	1.4	255,601	4.0	22.5
2009-10(p)	251,922	3.6	21.3	16,460	5.0	1.4	268,383	3.7	22.7

(e) Estimates.

(p) Projections.

**Table F7: Australian Government general government sector revenue**

	Actual	Estimates		Projections	
	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<i>Income taxation</i>					
Individuals and other withholding taxes					
Gross income tax withholding	103,811	105,580	112,110	119,770	128,820
Gross other individuals	25,859	27,350	28,100	29,910	32,100
less: Refunds	15,239	16,790	18,820	20,330	21,790
Total individuals and other withholding taxation	114,431	116,140	121,390	129,350	139,130
Fringe benefits tax	4,084	3,730	4,000	4,160	4,330
Superannuation funds					
Contributions and earnings	5,416	6,450	7,270	8,700	9,140
Superannuation surcharge	1,289	520	100	10	10
Total superannuation taxation	6,705	6,970	7,370	8,710	9,150
Company tax	48,987	56,750	60,490	62,430	63,670
Petroleum resource rent tax	1,991	1,750	2,080	2,460	2,470
<b>Income taxation revenue</b>	<b>176,198</b>	<b>185,340</b>	<b>195,330</b>	<b>207,110</b>	<b>218,750</b>
<i>Excise and customs</i>					
Excise duty					
Petrol	7,254	7,110	7,090	7,010	7,070
Diesel	6,242	6,280	6,500	6,710	6,900
Other fuel products	215	610	650	760	860
Crude oil	362	580	320	210	120
Beer	1,747	1,780	1,800	1,840	1,880
Potable spirits	811	870	950	1,050	1,150
Tobacco	5,296	5,370	5,440	5,460	5,480
Total excise duty revenue	21,927	22,600	22,750	23,040	23,460
Customs duty					
Textiles, clothing and footwear	832	860	910	970	730
Passenger motor vehicles	1,129	1,140	1,220	1,280	1,020
Excise-like goods	1,767	2,170	2,240	2,350	2,480
Other imports	1,620	1,570	1,690	1,800	1,920
less: Refunds and drawbacks	360	230	230	230	230
Total customs duty revenue	4,988	5,510	5,830	6,170	5,920
<b>Excise and customs revenue</b>	<b>26,914</b>	<b>28,110</b>	<b>28,580</b>	<b>29,210</b>	<b>29,380</b>
<i>Other taxation</i>					
Wine equalisation tax	657	670	680	700	720
Luxury car tax	331	330	340	360	380
Agricultural levies	610	585	586	595	411
Other taxes	2,122	2,021	2,039	2,148	2,281
<b>Other taxation revenue</b>	<b>3,720</b>	<b>3,606</b>	<b>3,645</b>	<b>3,803</b>	<b>3,792</b>
<b>Taxation revenue</b>	<b>206,832</b>	<b>217,056</b>	<b>227,555</b>	<b>240,123</b>	<b>251,922</b>
<i>Non-taxation</i>					
Sales of goods and services	4,604	4,984	5,003	5,138	5,291
Dividends	4,387	2,860	2,812	3,343	3,338
Interest received	2,437	3,581	3,896	3,648	4,584
Other non-taxation revenue	3,658	3,404	3,461	3,350	3,247
<b>Non-taxation revenue</b>	<b>15,086</b>	<b>14,828</b>	<b>15,171</b>	<b>15,479</b>	<b>16,460</b>
<b>Total revenue</b>	<b>221,918</b>	<b>231,885</b>	<b>242,726</b>	<b>255,601</b>	<b>268,383</b>

**Table F8: Australian Government cash receipts, payments and cash surplus by institutional sector<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts	Payments	Underlying cash balance(b)	Receipts	Payments	Cash surplus	Receipts	Payments	Underlying cash balance(b)
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	166,089	153,030	13,059	na	na	-2,594	na	na	10,465
2000-01	161,114	155,143	5,970	na	na	391	na	na	6,362
2001-02	162,884	163,867	-983	na	na	1,210	na	na	227
2002-03	176,503	169,017	7,486	27,386	26,105	1,280	na	na	8,766
2003-04	187,336	179,300	8,036	27,718	26,142	1,575	238,184	227,001	9,611
2004-05	203,960	190,344	13,616	29,621	28,071	1,550	257,897	241,489	15,167
2005-06	221,834	205,991	15,792	30,875	31,874	-999	278,203	263,358	14,794
<b>2006-07(e)</b>	<b>231,582</b>	<b>217,586</b>	<b>11,827</b>	<b>16,765</b>	<b>18,749</b>	<b>-1,985</b>	<b>280,859</b>	<b>268,847</b>	<b>9,843</b>
2007-08(e)	241,707	228,970	9,662	na	na	na	na	na	na
2008-09(p)	253,993	239,394	11,844	na	na	na	na	na	na
2009-10(p)	267,081	250,255	13,997	na	na	na	na	na	na

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to and including 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00, 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.

(b) These items exclude expected Future Fund earnings. Expected Future Fund earnings are shown in Table F1.

(e) Estimates.

(p) Projections.

na Data not available.

**Table F9: Australian Government accrual revenue, expenses and fiscal balance by institutional sector<sup>(a)</sup>**

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses(b)	Fiscal balance(b)	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	167,158	156,492	11,892	25,485	23,542	1,062	188,695	174,929	12,953
2000-01	162,074	157,667	5,575	25,869	24,762	-826	183,337	177,823	4,750
2001-02	162,956	166,758	-3,433	26,638	25,341	793	184,986	187,491	-2,640
2002-03	175,513	170,999	4,734	24,339	22,916	1,975	194,725	188,829	6,709
2003-04	187,924	182,371	4,830	25,449	23,444	2,143	207,628	200,070	6,973
2004-05	206,605	195,680	10,778	26,965	25,191	1,473	227,685	214,986	12,250
2005-06	221,918	206,096	14,770	28,143	29,531	-2,442	243,276	228,841	12,328
<b>2006-07(e)</b>	<b>231,885</b>	<b>219,175</b>	<b>10,420</b>	<b>15,628</b>	<b>15,884</b>	<b>-1,462</b>	<b>244,298</b>	<b>231,844</b>	<b>8,957</b>
2007-08(e)	242,726	232,322	9,926	na	na	na	na	na	na
2008-09(p)	255,601	242,493	11,893	na	na	na	na	na	na
2009-10(p)	268,383	252,669	14,728	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.

(b) The increases in expenses and decreases in fiscal balance and net worth arise from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

(e) Estimates.

(p) Projections.

na Data not available.

