

**MID-YEAR ECONOMIC AND
FISCAL OUTLOOK
2001-02**

STATEMENT BY
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Foreword

The 2001-02 Mid-Year Economic and Fiscal Outlook (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy.

Consistent with these requirements:

- **Part I: Overview** – contains summary information on the key fiscal and economic indicators.
- **Part II: Economic outlook** – discusses the domestic and international economic forecasts that underpin the budget estimates.
- **Part III: 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 2001-02 Budget.
- **Appendix A: 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 B: AAS31 *Financial Reporting by Government* statements** – provides AAS31 statements and notes to the financial statements.
- **Appendix C: Sensitivity of fiscal aggregates to economic developments and statement of risks** – discusses the sensitivity of the forward budget estimates to changes in economic and other parameters and provides the statement of fiscal risks.
- **Appendix D: External 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 E: Historical fiscal data** – provides historical data for the Commonwealth'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 2001-02, while the forward years refer to 2002-03, 2003-04 and 2004-05.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
 - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- | | |
|---------|---|
| NEC/nec | not elsewhere classified |
| AEST | Australian Eastern Standard Time |
| - | nil |
| .. | not zero, but rounded to zero |
| na | not applicable (unless otherwise specified) |
| nfp | not for publication |
| \$m | \$ million |
| \$b | \$ billion |

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

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

Part I: Overview

Despite an uncertain international economic environment, the Commonwealth's budget outlook remains sound, with moderate underlying cash surpluses projected in 2001-02 and the following three years.

An underlying cash surplus of \$0.5 billion is now anticipated in 2001-02, lower than estimated at the 2001-02 Budget, as a result of higher estimated cash payments and lower proceeds from the sale of non-financial assets, partly offset by expected taxation revenue collections being a little stronger.

The underlying cash balance is expected to remain in surplus in 2002-03 with higher surpluses projected for 2003-04 and 2004-05.

Table 1: Summary of budget aggregates

| | 2001-02 | | 2002-03 | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | Budget | MYEFO | Budget | MYEFO |
| Underlying cash balance(\$b) | 1.5 | 0.5 | 1.1 | 1.0 |
| Per cent of GDP | 0.2 | 0.1 | 0.1 | 0.1 |
| Fiscal balance(\$b) | -0.8 | -3.1 | -1.5 | -1.3 |
| Per cent of GDP | -0.1 | -0.4 | -0.2 | -0.2 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Underlying cash balance(\$b) | 4.1 | 1.8 | 7.4 | 3.9 |
| Per cent of GDP | 0.5 | 0.2 | 0.9 | 0.5 |
| Fiscal balance(\$b) | 2.7 | 0.6 | 6.9 | 3.7 |
| Per cent of GDP | 0.3 | 0.1 | 0.8 | 0.4 |

In accrual terms, the fiscal balance is expected to be in deficit over the next two years, before returning to surplus in 2003-04 and 2004-05, as projected in the Budget. In part, this arises from different treatment of revenue resulting from timing factors and different treatment of provisioning as detailed in Part III.

Estimated cash payments in 2001-02 have increased since Budget, primarily reflecting the impact of economic and other parameter variations, and the effect of policy measures announced in recent months. These policy measures include funding to address the flow of unauthorised boat arrivals to Australia and to provide assistance to air travellers stranded in the wake of the cessation of Ansett operations in September. The major economic parameter variations relate to the effect of stronger prices and wages growth on the indexation of Commonwealth expenditure, particularly personal benefit payments and budget assistance to the States and Territories.¹

¹ Under the transitional revenue guarantee provided by the Commonwealth to the States during the early years of the GST, budget assistance is paid to the States to ensure they are

In addition to higher cash payments in 2001-02, estimated cash receipts from the sale of non-financial assets have been revised downwards since Budget. This is largely due to a number of property sales originally scheduled for 2001-02 being delayed until 2002-03.

In 2001-02, higher estimated expenditure and lower asset sale receipts have been partly offset by an upward revision to forecast taxation revenue. The stronger outlook for taxation revenue in 2001-02 incorporates the flow-on impact of a stronger revenue base in 2000-01, and continued strength in taxation collections to end-September 2001.

Relative to expectations at the 2001-02 Budget, the outlook for taxation revenue remains broadly unchanged.

Domestic and international economic outlook

The Australian economy is expected to grow by around 3 per cent in 2001-02 in year-average terms, a little below the $3\frac{3}{4}$ per cent forecast at Budget. This slight downward revision reflects the expected impact of a much weaker and more uncertain global economic environment more than offsetting stronger growth in some components of domestic demand (especially housing).

Domestic demand is forecast to grow by a solid $3\frac{3}{4}$ per cent in 2001-02, with net exports expected to detract around $\frac{3}{4}$ of a percentage point from overall domestic economic growth. At Budget, domestic demand was expected to grow by 3 per cent, with net exports contributing a further $\frac{1}{4}$ of a percentage point to growth. This change in the mix of growth represents a sharp turnaround from 2000-01, when the contribution from net exports to GDP growth substantially outweighed that of domestic demand.

Employment growth is forecast to be $\frac{3}{4}$ of one per cent in 2001-02 in year-average terms, with the unemployment rate expected to be unchanged from the Budget forecast of 7 per cent in the June quarter 2002. The headline Consumer Price Index (CPI) is expected to increase by around $2\frac{3}{4}$ per cent in 2001-02. The increase in the CPI forecast since Budget largely reflects a number of one-off factors, with ongoing inflationary pressures expected to remain relatively subdued.

The initial forecast for 2002-03 is for a strengthening in economic growth in Australia to around $3\frac{1}{2}$ per cent – a level more in line with Australia's longer-term average growth rate. Employment growth is forecast to be slightly stronger than in 2001-02 and the CPI is forecast to increase by around $2\frac{1}{2}$ per cent.

no worse off under the new taxation system than they would have been under the former system.

Part II: Economic outlook

Following economic growth of around 2 per cent in 2000-01, the Australian economy is expected to grow by around 3 per cent in 2001-02 in year-average terms, down slightly from the $3\frac{1}{4}$ per cent growth forecast at Budget. In through-the-year terms to the June quarter 2002, growth has been revised down from 4 per cent at Budget to $3\frac{1}{4}$ per cent. Growth is expected to remain somewhat below Australia's long-term average, mainly reflecting the expected impact of a much weaker global economic environment.

The outlook for world economic growth has deteriorated sharply since the 2001-02 Budget. Some of the downside risks identified at Budget had already come into play prior to the terrorist attacks in the United States (US) on 11 September, with the first major downturn since the early 1990s already underway. The events of 11 September, and subsequent developments, have created additional uncertainty and increased the likelihood of a deeper and more prolonged period of global weakness.

The world economy is now expected to grow by around $2\frac{1}{4}$ per cent in 2001, the lowest rate since the early 1990s, and down sharply from the 4.7 per cent growth recorded in 2000. The latest forecast is around one percentage point lower than at Budget, reflecting a more pronounced slowing in the US, and gathering weakness in European and East Asian economies. Recovery in the US, and the world more generally, is now expected to be delayed until mid-2002, with growth expected to return to around long-run average levels in 2003.

In response, macroeconomic policy has become more stimulatory in many economies. However, there remains more than the usual degree of uncertainty associated with the global economic outlook. While the balance of risks in the short-term is probably on the downside, it is more evenly balanced later in the forecast period – the medium-term outlook for world growth remains favourable, with economic fundamentals remaining generally sound.

While the international outlook is much weaker than at Budget, some components of domestic demand are expected to grow more quickly than forecast at Budget, which should ameliorate the impact on overall economic growth to some extent. In particular, dwelling investment is likely to grow very strongly, while public demand is also now likely to be stronger than at Budget.

The more pronounced weakness, and continuing uncertainty, surrounding the global economic outlook, combined with some recent business failures in Australia, has resulted in domestic business and consumer confidence declining from recent above-average levels. This may result in businesses delaying investment in plant and equipment, stock rebuilding, and the employment of new staff. Employment growth is now forecast to be $\frac{3}{4}$ of one per cent in 2001-02 in year-average terms, down from 1 per cent at Budget, with the unemployment rate forecast unchanged, at around 7 per cent in the June quarter 2002.

Lower employment growth, the impact of the recent decline in share prices on household wealth, and lower levels of consumer confidence are all expected to have a dampening influence on household consumer spending in 2001-02. However, recent declines in official interest rates to historical lows are likely to provide a partial offset.

Under this revised outlook, domestic demand is forecast to grow by a solid $3\frac{3}{4}$ per cent in 2001-02, with net exports, reflecting the weaker global environment, expected to detract around $\frac{3}{4}$ of a percentage point from overall domestic economic growth.

The headline Consumer Price Index (CPI) is forecast to increase by around $2\frac{3}{4}$ per cent in 2001-02 in year-average terms, up from 2 per cent at Budget. The upward revision mainly reflects the expected impact of a number of one-off factors, such as higher insurance premiums, electricity prices, meat prices and domestic airfares, rather than representing any significant increase in ongoing inflationary pressures.

The initial forecast for 2002-03 is for a strengthening in economic growth in Australia to around $3\frac{1}{2}$ per cent – a level more in line with Australia's longer-term average growth rate – facilitated by accommodative monetary and fiscal policies. Employment growth is expected to increase modestly to $1\frac{1}{4}$ per cent in 2002-03, with inflation expected to remain subdued at around $2\frac{1}{2}$ per cent. Business investment and household consumer spending are both expected to grow solidly in 2002-03.

There remain major uncertainties surrounding the economic outlook.

- The current world cyclical downturn could gather further momentum. The downturn would be exacerbated by further escalation of international tensions, disorderly adjustment in financial markets or by higher oil prices. Any combination of these factors would act as a further brake on Australian growth.
- On the other hand, growth in the US and elsewhere could rebound sooner, and at a faster pace, supported by the fiscal and monetary policy stimulus now in train and a restoration of business and consumer confidence. Under these circumstances, given Australia's supportive exchange rate, exports would be stronger than forecast and, with very low interest rates and a recovery in confidence, consumption and investment in Australia could rebound rapidly. The result would be substantially stronger domestic economic growth on average across 2001-02 and 2002-03 than currently forecast.

INTERNATIONAL ECONOMIC OUTLOOK

The outlook for the world economy has deteriorated sharply since the Budget (see Chart 1), with some of the downside risks identified at that time coming into play and being given additional impetus by the events in the US in the wake of 11 September. A more protracted period of weakness is now in prospect, with a recovery in world growth not expected until mid-2002. Growth is expected to be weaker in most countries, including Australia's major trading partners (MTPs). World growth is now expected to be around $2\frac{1}{4}$ per cent in 2001, compared with $3\frac{3}{4}$ per cent at Budget.

While this is above the growth recorded in the early 1990s, it remains below that achieved during the Asian crisis. Growth in Australia's MTPs is expected to be around $\frac{3}{4}$ of one per cent in 2001, two percentage points lower than forecast at Budget. While MTP growth should accelerate in 2002, cumulative growth in 2001 and 2002 is expected to be the weakest in any two-year period in the last three decades.

The weaker world outlook reflects a more pronounced slowing in growth in the US, Europe, Japan and in developing countries, including Australia's MTPs in East Asia (see Table 2). In the US, inventory accumulation has been wound back and investment spending reduced in line with weaker demand and overcapacity, particularly in the manufacturing and high technology sectors. The weakness has spread to Europe, where growth was already slowing following earlier tightening of monetary policy in response to inflationary pressures. The Japanese economy appears to have slipped back into recession under the weight of ongoing structural problems in the corporate and financial sectors and weaker world demand. Elsewhere in East Asia, links with the US through the information and computer technology (ICT) production chain have seen exports fall sharply and output contract in several countries.

The global economic weakness and the attendant risks were exacerbated by the events in the US on 11 September 2001. In addition to the direct effects, the attacks increased uncertainty, unsettling financial markets (share markets fell sharply in the immediate aftermath, although they have recovered somewhat in subsequent weeks) and undermining business and consumer confidence.

With uncertainty remaining high, it is anticipated that global economic growth is likely to weaken further in the latter part of 2001 and remain subdued in early 2002. Economic recovery is expected to gather momentum in the latter half of 2002 as the US inventory adjustment is completed, excess capacity worked off and the substantial stimulus in many countries from monetary and fiscal policies takes effect.

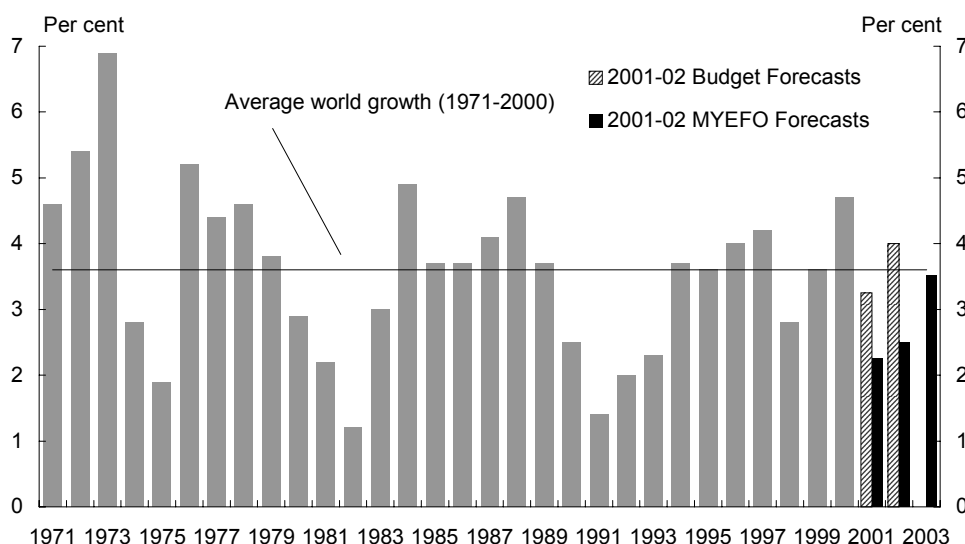
The forecasts for 2002, while well down on the Budget forecasts, reflect this pattern of recovery. World growth is expected to be $2\frac{1}{2}$ per cent in 2002, rising to $3\frac{1}{2}$ per cent in 2003 while MTP growth is expected to be around $1\frac{1}{2}$ per cent in 2002, rising to $3\frac{1}{2}$ per cent in 2003. In the longer-term, conditions are expected to be favourable, with ongoing productivity gains in the US likely to underpin solid growth once the current period of uncertainty abates.

There are a number of important uncertainties surrounding the world outlook. With the global economy already weak, there is a risk that sustained consumer and business uncertainty due to ongoing global tension may result in a deeper and more protracted period of low growth. The adjustments in financial markets arising from increased risk aversion (evidenced, for example, through higher credit spreads and risk premia), could become more substantial and self-reinforcing due to financial market linkages and confidence effects. This situation could also exacerbate vulnerabilities in financial and corporate sectors and adversely affect the recovery, particularly in emerging market economies.

World oil prices are assumed to be around \$22 per barrel for 2002 and 2003, around the bottom of the OPEC target band, reflecting the impact of weak world growth on global demand for oil. That said, the oil price outlook is very uncertain. Any large and sustained increases in oil prices would represent a further risk to the global outlook.

On the upside, there is a possibility that US and world growth could recover more quickly and at a faster pace than forecast. The adjustment process in the US economy is underway and some of the financial imbalances have been unwound by equity price falls and some exchange rate adjustment. Supportive monetary and fiscal policies already in place could underpin a quicker upturn than forecast if the uncertainty surrounding recent events were to dissipate quickly.

Chart 1: World GDP growth^(a)



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

Table 2: International GDP growth forecasts^{(a)(b)}

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------------|--------|--------|--------|--------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast |
| World | 4.2 | 2.8 | 3.6 | 4.7 | 2 1/4 | 2 1/2 | 3 1/2 |
| United States | 4.4 | 4.3 | 4.1 | 4.1 | 1 | 1 | 3 |
| Japan | 1.9 | -1.1 | 0.8 | 1.5 | - 1/2 | - 1/2 | 3/4 |
| European Union | 2.6 | 2.9 | 2.7 | 3.4 | 1 1/4 | 1 1/4 | 2 1/4 |
| Major Trading Partners | 4.2 | -0.2 | 4.1 | 4.9 | 3/4 | 1 1/2 | 3 1/2 |
| Non-Japan East Asia ^(c) | 6.1 | -2.1 | 6.4 | 7.8 | 1 1/4 | 2 1/2 | 5 1/2 |

(a) Percentage change on previous year.

(b) Growth rates for the World and the European Union are calculated using GDP weights based on purchasing power parity while growth rates for Major Trading Partners and Non-Japan East Asia are calculated using export trade weights.

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

Source: Various national statistical publications, IMF and Treasury.

DOMESTIC FORECASTS

In preparing the forecasts for the domestic economy, the exchange rate is assumed to remain steady over the forecast horizon at around its average level over recent weeks (a TWI of around 48 and a US\$ exchange rate of 0.50), a little lower than the exchange rates used at Budget. The farm sector forecasts are based on an assumption of average seasonal conditions for the remainder of 2001-02 and in 2002-03. Interest rates are assumed to remain around their current levels over the forecast horizon. The key domestic macroeconomic forecasts for 2001-02 are summarised in Table 3.

Demand and output

Growth in **private consumption** is expected to be around 3¼ per cent in 2001-02, a little below the long-term average and well down on the very strong growth rates recorded in the late 1990s. The relatively subdued outlook for private consumption growth incorporates an allowance for a significant decline in consumer confidence, from earlier relatively high levels, in response to international developments and some domestic business failures. In through-the-year terms, growth has been revised down from 3¼ per cent at Budget to 3 per cent.

Growth in real household income in 2001-02 is expected to be below recent averages, primarily reflecting the softer outlook for employment growth. Growth in real wealth is also expected to moderate, as recent declines in the share market at least partly offset the strong increases in house prices over the last year.

At the same time, several factors are likely to be supportive of consumption growth in 2001-02. These include the decline in petrol prices over recent months and the reduction in official interest rates during 2001, which has resulted in a sharp fall in the debt servicing ratio of households. Strong growth in dwelling construction is also likely to support spending on durable items over the second half of 2001-02.

Dwelling investment is expected to rebound sharply from the very large slump in the second half of 2000, and is forecast to grow by around 20 per cent in 2001-02 – much stronger than the 5 per cent growth expected at Budget. This sharp rebound from the decline in 2000-01 reflects a combination of the Government's enhanced First Home Owners Scheme (FHOS) for new home buyers together with historically low housing interest rates. It is expected that there will be a significant bring-forward of dwelling investment into the first half of 2001-02 which will unwind late in 2001-02 and into 2002-03 as FHOS-related building is completed. The building of new dwellings for existing home owners, and alterations and additions, are both expected to grow strongly in 2001-02, aided by low interest rates. Recent volatility in share markets may

also encourage some switching of investment funds out of the share market into the dwellings sector.

The expected sharp rebound in dwelling construction, which is labour intensive in nature, should help support full-time employment growth and spending on durable items in 2001-02.

Table 3: Domestic economy forecasts^(a)

| | Outcomes(b) | 2001-02 Budget | 2001-02 MYEFO |
|---|--------------|----------------|---------------|
| | 2000-01 | Forecasts | Forecasts |
| | Year average | Year average | Year average |
| Panel A - Demand and output(c) | | | |
| Household consumption | 2.7 | 3 | 3 1/4 |
| Private investment | | | |
| Dwellings | -20.5 | 5 | 20 |
| Total business investment(d) | -2.6 | 5 | -1 |
| Other buildings and structures(d) | -19.8 | 6 | 5 |
| Machinery and equipment(d) | 1.3 | 3 | -5 |
| Private final demand(d) | 0.0 | 3 1/2 | 4 |
| Public final demand(d) | 1.1 | 2 1/4 | 3 1/2 |
| Total final demand | 0.3 | 3 1/4 | 3 3/4 |
| Change in inventories(e) | | | |
| Private non-farm | 0.0 | - 1/4 | - 1/4 |
| Farm and public authorities | -0.1 | 0 | 0 |
| Gross national expenditure | 0.2 | 3 | 3 3/4 |
| Exports of goods and services | 7.1 | 5 | 0 |
| Imports of goods and services | -1.4 | 4 | 3 |
| Net exports(e) | 1.7 | 1/4 | - 3/4 |
| Gross domestic product | 1.9 | 3 1/4 | 3 |
| Non-farm product | 2.1 | 3 | 3 |
| Farm product(f) | -4.8 | 7 | 3 |
| Panel B - Other selected economic measures | | | |
| External accounts | | | |
| Terms of trade | 3.1 | - 3/4 | -1 1/4 |
| Current account balance | | | |
| \$billion | -18.7 | -20 | -26 |
| Percentage of GDP | -2.8 | -3 | -3 3/4 |
| Labour market | | | |
| Employment (Labour Force Survey basis) | 2.1 | 1 | 3/4 |
| Unemployment rate (per cent) | 6.4 | 7 | 7 |
| Unemployment rate (per cent)(g) | 6.9 | 7 | 7 |
| Participation rate (per cent) | 63.7 | 63 3/4 | 63 3/4 |
| Prices and wages | | | |
| Consumer Price Index - headline | 6.0 | 2 | 2 3/4 |
| Gross non-farm product deflator | 4.3 | 1 1/2 | 1 3/4 |
| Average earnings(h) | 3.9 | 3 3/4 | 4 1/4 |

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

(b) Calculated using original data.

(c) Chain volume measure.

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

(e) Percentage point contribution to growth in GDP.

(f) Calculated at basic prices.

(g) The level in the June quarter of each year, seasonally adjusted.

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

Private business investment (abstracting from the purchase of second-hand assets from the public sector) is forecast to be weaker than expected at Budget, declining by around 1 per cent in 2001-02. The downward revision reflects the impact of the much weaker world outlook and an allowance for some decline in business confidence in Australia arising from recent terrorist attacks in the United States.

New machinery and equipment investment is expected to fall, by around 5 per cent in 2001-02. The most recent data on firms' equipment expenditure expectations (taken in June) suggest intentions slightly below the equivalent estimates for 2000-01. Given the deterioration in the global outlook since this survey was conducted, the revised forecasts are based on a conservative realisation ratio (that is, the ratio of actual to intended investment) broadly comparable to that experienced during the Asian crisis period.

In contrast, the outlook for non-residential construction appears to have consolidated. As foreshadowed at Budget, private engineering construction is expected to lead the recovery in non-residential construction, with investment intentions also remaining very strong in the mining sector.

Global risks aside, if the mining industry's investment intentions for 2001-02 are fully realised, private business investment could be stronger than forecast. Business investment will also be supported by low interest rates, and the Budget decision to bring-forward the commencement date for full GST input tax credits on motor vehicles.

Lower investment in private non-farm **inventories** is expected to subtract around $\frac{1}{4}$ of a percentage point from growth in 2001-02. Stock-to-sales ratios remain a little above trend levels, particularly in the retail sector, despite the modest run-down in non-farm inventories in the first half of 2001. Further, firms may adopt a more cautious approach to inventory investment over the coming year, particularly in the retail and wholesale sectors, in response to global uncertainties.

Public final demand, after adjusting for second-hand asset sales, is expected to grow by a solid $3\frac{1}{2}$ per cent in year average terms in 2001-02, following modest growth in the previous year. Growth in 2001-02 partly reflects increases in defence expenditure related to the development of Australia's armed forces announced in the Defence White Paper, increased spending to enhance Australia's health system and additional funding for education.

Net exports have been revised down significantly since Budget, and are now expected to detract about $\frac{3}{4}$ of a percentage point from GDP growth in 2001-02, following a large 1.7 percentage point positive contribution in 2000-01.

Reflecting the weaker outlook for the world economy, and notwithstanding a supportive exchange rate, growth in export volumes is forecast to be around zero in

2001-02, down from the 5 per cent growth expected at Budget. This comes on the back of two years of strong growth.

The subdued outlook for export volumes largely reflects a significant expected fall in services exports and very muted growth in exports of elaborately transformed manufactures (ETMs). Both categories of exports are very sensitive to economic conditions in the importing country and are more difficult to divert to other markets than are commodity exports. With Asia being an important destination for both ETMs and services, the very weak outlook for that region will put sharp downward pressure on exports. Heightened international tensions could result in a sharp decline in international air travel over coming months, adversely affecting Australia's tourism industry, coming off the Olympics-related highs in 2000-01. That said, the very competitive level of the Australian dollar should provide a partial buffer for these sectors.

In contrast, commodity export volumes are much less affected by international conditions in the short term. In Australian dollar terms, most rural and non-rural commodity prices remain relatively profitable. Modest growth is expected in export volumes of non-rural commodities, with rural export volumes largely unchanged relative to 2000-01.

Growth in import volumes has been revised down to 3 per cent in 2001-02, reflecting the impact of higher prices due to a lower exchange rate and the downward revision to the forecast for machinery and equipment investment in 2001-02.

Following large rises in the last two years, the terms of trade is expected to decline by 1¼ per cent in 2001-02, but to remain above pre-Asian crisis levels. The relatively small overall decline in the terms of trade reflects the net impact of continuing firm world prices for several of Australia's key export items such as beef, grains and bulk commodities, combined with substantial falls in world prices of base metals. Subdued world prices of some imports, reflecting weak world growth and very competitive market conditions, should also help to minimise the fall in Australia's terms of trade.

Consistent with lower net exports and lower terms of trade, the current account deficit (CAD) as a share of GDP is expected to rise somewhat, to 3¾ per cent, in 2001-02, after reaching the lowest annual level in 20 years in the previous year. Nevertheless, the CAD is expected to remain significantly below its long-term average as a share of GDP.

Labour market

Reflecting weaker overall economic growth, employment growth is expected to be around ¾ of one per cent in 2001-02 in year-average terms. The strong expected recovery in the labour intensive construction sector is likely to be increasingly reflected in employment growth in the second half of 2001-02, particularly in male full-time employment, the component of the labour market which has experienced the most marked weakness over the past 12 months. The unemployment rate is expected to

average around 7 per cent in 2001-02 and in the June quarter of 2002, as weaker employment growth is accompanied by a more muted rise in labour force participation (although the rounded participation rates set out in Table 3 remain similar).

Wages and prices

Average earnings on a national accounts basis (AENA) is forecast to grow by a moderate 4¼ per cent in 2001-02, marginally above the outcome in 2000-01.

The headline CPI is forecast to increase by 2¾ per cent in 2001-02 in year-average terms (compared with 2 per cent forecast at Budget) and by 2½ per cent through the year to the June quarter 2002. The upward revision to the CPI since Budget mainly reflects the expected impact of a number of one-off factors, rather than representing any significant increase in ongoing inflationary pressures. In particular, higher insurance premiums, electricity prices, meat prices and domestic airfares are expected to put upward pressure on the CPI relative to earlier expectations. The recent modest decline in the exchange rate, if sustained, could also increase the CPI slightly over coming quarters. On the other hand, weak world growth and subdued domestic demand should help to contain inflationary pressures. Volatility in exchange rates and world oil prices represent key uncertainties for the inflation outlook in 2001-02.

Domestic economy — 2002-03

With a forecast gradual recovery in world economic growth as 2002 proceeds, and a return to around trend rates of world growth in 2003, a strengthening in economic growth is expected in Australia in 2002-03. GDP growth in Australia is expected to increase to around 3½ per cent in 2002-03 in year-average terms and a strong 4¼ per cent in through-the-year terms, facilitated by accommodative monetary and fiscal policies.

Private consumption in 2002-03 is expected to increase in line with longer-term trend rates. In broad terms, private consumption growth is expected to be supported by firmer growth in employment, the lagged effects of recent falls in interest rates and the flow-on effects of the forecast recovery in the dwellings sector, particularly with respect to spending on consumer durables (such as whitegoods and furniture).

Business investment is forecast to return to solid growth in 2002-03, driven by a rebound in machinery and equipment investment, and supported by continued growth in non-residential investment. This predominantly reflects the low interest rate environment, combined with a pick up in global economic growth and a restoration of business confidence.

With an improved outlook for the domestic economy, employment growth is expected to increase to 1¼ per cent in 2002-03, allowing the unemployment rate to decline slightly by the June quarter 2003.

Slower growth is expected in public final demand in 2002-03, largely reflecting the winding down of various investment projects at the State and local level.

Wage increases are expected to remain at around the same rate in 2002-03 as forecast for 2001-02. This reflects lower underlying wages growth, which is expected to be offset by the increase in the superannuation guarantee charge in July 2002. This moderate growth in wages is consistent with subdued inflationary pressures.

The headline CPI is forecast to increase by 2½ per cent in 2002-03 in year-average terms, comfortably within the medium-term target band of 2-3 per cent.

Medium-term projections

Table 4 below sets out the major economic parameters used in preparing the revised budget estimates. The parameters comprise the forecasts for 2001-02 and 2002-03 and medium-term projections for the following two financial years. The outyears projections are based on medium-term average growth rates, consistent with the usual convention.

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

| | Forecasts | | Projections | |
|---------------|-----------|---------|-------------|---------|
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
| Real GDP | 3 | 3 1/2 | 3 1/2 | 3 1/2 |
| Employment(a) | 3/4 | 1 1/4 | 2 | 2 |
| Wages(b) | 4 1/4 | 4 1/4 | 3 1/2 | 3 1/2 |
| CPI | 2 3/4 | 2 1/2 | 2 1/2 | 2 1/2 |

(a) Labour Force Survey basis.

(b) Average earnings (national accounts basis).

Part III: Fiscal outlook

OVERVIEW

The Commonwealth's fiscal outlook remains sound with an underlying cash surplus of \$0.5 billion now anticipated in 2001-02, compared with a forecast of \$1.5 billion in the 2001-02 Budget. The underlying cash balance is expected to remain in surplus over the forward estimates period.

Table 5: Commonwealth general government budget aggregates^(a)

| | 2001-02 | | 2002-03 | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | Budget | MYEFO | Budget | MYEFO |
| Revenue(\$b) | 158.8 | 160.7 | 164.9 | 166.3 |
| Per cent of GDP | 22.6 | 22.9 | 22.1 | 22.6 |
| Expenses(\$b) | 160.9 | 164.6 | 166.8 | 168.6 |
| Per cent of GDP | 22.9 | 23.5 | 22.4 | 22.9 |
| Net operating balance(\$b) | -2.0 | -3.9 | -1.9 | -2.3 |
| Net capital investment(\$b)(b) | -1.2 | -0.8 | -0.4 | -1.1 |
| Fiscal balance(\$b) | -0.8 | -3.1 | -1.5 | -1.3 |
| Per cent of GDP | -0.1 | -0.4 | -0.2 | -0.2 |
| Underlying cash balance(\$b) | 1.5 | 0.5 | 1.1 | 1.0 |
| Per cent of GDP | 0.2 | 0.1 | 0.1 | 0.1 |
| <i>Memorandum item:</i> | | | | |
| Headline cash balance(\$b) | 4.7 | 3.6 | -0.1 | -0.2 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Revenue(\$b) | 175.5 | 175.7 | 185.7 | 185.3 |
| Per cent of GDP | 22.2 | 22.5 | 22.1 | 22.4 |
| Expenses(\$b) | 173.1 | 175.5 | 179.0 | 182.0 |
| Per cent of GDP | 21.9 | 22.5 | 21.4 | 22.0 |
| Net operating balance(\$b) | 2.4 | 0.2 | 6.7 | 3.3 |
| Net capital investment(\$b)(b) | -0.3 | -0.4 | -0.2 | -0.4 |
| Fiscal balance(\$b) | 2.7 | 0.6 | 6.9 | 3.7 |
| Per cent of GDP | 0.3 | 0.1 | 0.8 | 0.4 |
| Underlying cash balance(\$b) | 4.1 | 1.8 | 7.4 | 3.9 |
| Per cent of GDP | 0.5 | 0.2 | 0.9 | 0.5 |
| <i>Memorandum item:</i> | | | | |
| Headline cash balance(\$b) | 17.6 | 12.6 | 20.7 | 14.6 |

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

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

In accrual terms, the fiscal balance is expected to be in deficit in 2001-02 and 2002-03 before moving back into surplus. Relative to Budget, the fiscal balance has been revised down in each year with the exception of 2002-03.

The \$2.2 billion reduction in the estimated 2001-02 fiscal balance since Budget is primarily due to a small number of variations that have large accrual effects, but which are not expected to have an immediate corresponding cash effect. These include upward revisions to civilian and military superannuation expenses and a provision for potential expenses associated with the Special Employee Entitlements Scheme for Ansett Group Employees (SEESA).

Table 6 provides a reconciliation of the fiscal balance estimates between the 2001-02 Budget and the 2001-02 MYEFO.

Table 6: Reconciliation of 2001-02 Budget and MYEFO fiscal balance estimates^(a)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---------------|---------------|--------------|--------------|
| | \$m | \$m | \$m | \$m |
| 2001-02 Budget fiscal balance | -834 | -1,546 | 2,697 | 6,935 |
| Per cent of GDP | -0.1 | -0.2 | 0.3 | 0.8 |
| <i>Changes between 2001-02 Budget and MYEFO</i> | | | | |
| Effect of policy decisions(b) | | | | |
| Revenue | -56 | -67 | -319 | -275 |
| Expenses | 1,112 | 52 | 46 | 23 |
| Net capital investment | 506 | -748 | -160 | -171 |
| Total policy decisions | -1,674 | 630 | -205 | -127 |
| Effect of parameter and other variations | | | | |
| Revenue | 1,923 | 1,421 | 468 | -113 |
| Expenses | 2,605 | 1,734 | 2,320 | 2,994 |
| Net capital investment | -118 | 61 | 28 | 30 |
| Total parameter and other variations | -565 | -374 | -1,881 | -3,137 |
| 2001-02 MYEFO fiscal balance | -3,073 | -1,290 | 612 | 3,670 |
| Per cent of GDP | -0.4 | -0.2 | 0.1 | 0.4 |

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

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

REVENUE

Relative to the 2001-02 Budget, total Commonwealth general government revenue has been revised up in all years other than 2004-05. This mainly reflects the flow-on effects of a stronger revenue base in 2000-01 and continued strength in collections to end-September 2001, partly offset from 2002-03 by the effects of weaker forecast nominal GDP growth. Forecast growth in nominal GDP in 2002-03 is around 0.9 percentage points lower than projected at Budget.

Policy measures since Budget have reduced estimated total revenue by around \$60 million in both 2001-02 and 2002-03, and by around \$300 million in 2003-04 and 2004-05. Significant policy measures announced since Budget include:

- amendments to the double taxation convention between Australia and the United States to provide for a modern and internationally competitive tax treaty network

for Australian located companies (with an estimated revenue cost of \$10 million in 2002-03, \$235 million in 2003-04 and \$190 million in 2004-05); and

- an air passenger ticket levy to fund a safety net for the entitlements of Ansett group employees (estimated to raise around \$70 million in 2001-02 and around \$100 million per annum from 2002-03).

All revenue policy decisions announced since the 2001-02 Budget are listed in Table 12 (Attachment B).

Table 7 presents a breakdown of Commonwealth general government revenue estimates into individual heads of revenue for the 2001-02 MYEFO, and compares these with the estimates published at the 2001-02 Budget.

Table 7: Revised 2001-02 general government revenue estimates

| | 2001-02 | | | |
|----------------------------------|------------------------|-----------------------|-------------------------|-----------------------|
| | Budget Estimate \$m | MYEFO Estimate \$m | Change on Budget \$m | Change on Budget % |
| Taxation revenue | | | | |
| Income tax | | | | |
| Individuals(a) | | | | |
| Gross PAYG withholding | 78,502 | 79,000 | 498 | 0.6 |
| Gross other individuals | 15,560 | 15,510 | -50 | -0.3 |
| less Refunds | 11,248 | 10,700 | -548 | -4.9 |
| Total individuals | 82,815 | 83,810 | 995 | 1.2 |
| Companies | 27,209 | 27,085 | -124 | -0.5 |
| Superannuation funds(b) | 4,312 | 4,560 | 248 | 5.8 |
| Other withholding tax(c) | 1,487 | 1,980 | 493 | 33.2 |
| Petroleum resource rent tax | 1,430 | 1,450 | 20 | 1.4 |
| Total income tax | 117,252 | 118,885 | 1,633 | 1.4 |
| Indirect tax(d) | | | | |
| Excise duty | | | | |
| Petroleum products and crude oil | 12,590 | 12,590 | 0 | 0.0 |
| Other excise | 6,460 | 6,460 | 0 | 0.0 |
| Total excise duty | 19,050 | 19,050 | 0 | 0.0 |
| Customs duty | 4,885 | 4,885 | 0 | 0.0 |
| Other indirect taxes(e) | 810 | 740 | -70 | -8.6 |
| Total indirect tax | 24,745 | 24,675 | -70 | -0.3 |
| Fringe benefits tax(f) | 3,500 | 3,440 | -60 | -1.7 |
| Agricultural levies | 573 | 528 | -45 | -7.8 |
| Other taxes | 698 | 895 | 197 | 28.2 |
| Total tax revenue | 146,768 | 148,424 | 1,656 | 1.1 |
| Non-tax revenue | 12,072 | 12,283 | 211 | 1.7 |
| Total revenue | 158,840 | 160,706 | 1,867 | 1.2 |

(a) Includes Medicare levy revenue.

(b) Includes the superannuation contributions surcharge.

(c) Includes amounts withheld for failure to quote a Tax File Number (TFN) or an Australian Business Number (ABN).

(d) Indirect taxes exclude the Goods and Services Tax (GST) and surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories (the latter as Revenue Replacement Payments (RRPs)). The final RRP liability was collected and paid to the States in 2000-01.

(e) Includes wine equalisation tax, luxury car tax and final payments of wholesale sales tax (abolished on 1 July 2000).

(f) Excludes FBT collected from Commonwealth government agencies (estimated at \$280 million in 2001-02).

Relative to Budget, estimated total revenue in 2001-02 has increased by around \$1.9 billion. This increase is primarily attributable to a \$1.6 billion upward revision to income tax revenue. Higher income tax revenue largely reflects:

- a downward revision to the estimate of individuals' refunds by around \$550 million, reflecting substantially lower than expected refund payments to end-September 2001, a period over which nearly half of all refunds claimed are normally processed (this is partly offset by higher claims for Family Tax Benefit on the expenses side of the budget – see the expenses section below);
- an increase in the PAYG withholding estimate of around \$500 million, reflecting slightly stronger forecast wages growth in 2001-02 and some strength in collections to end-September 2001; and
- some large one-off payments of dividend withholding tax, unanticipated at Budget.

Other notable revisions to individual heads of revenue in 2001-02 include:

- a downward revision to estimated company tax revenue, reflecting a slightly weaker outlook for company profits, lower than expected company tax collections to end-September 2001 and stronger than expected refunds;
- an upward revision to estimated superannuation revenue, representing the flow-on effects of a higher than expected outcome in 2000-01 and continued strength in collections to end-September 2001, partly offset by slightly lower than expected fund earnings; and
- a downward revision to estimated customs duty cash receipts, representing the flow-on effects of a lower than expected outcome in 2000-01 and a weaker outlook for import demand. In accrual terms, this downward revision is offset by additional accrual revenue recognised in 2001-02 from the issuing of customs duty credits in relation to the Automotive Competitiveness and Investment Scheme. (Under accrual principles, the issuing of these tax credits gives rise to the recognition of an expense and an associated revenue.)

On a cash basis, estimated company tax revenue in 2001-02 has been revised down by around \$450 million, which significantly exceeds the accrual company tax revenue revision of around \$120 million. The difference is due to a lower than expected take-up of the deferral arrangements offered under the new PAYG system. This resulted in a higher cash outcome in 2000-01, with correspondingly lower receipts in later years, relative to expectations at Budget. The extent to which companies utilised the deferral option has no effect on accrual revenue.

Other taxes estimates have increased by around \$200 million in 2001-02 since the Budget, in part due to increased revenue from transport levies (including the air passenger ticket levy) and the superannuation guarantee charge.

EXPENSES

Estimated expenses in 2001-02 have increased by around \$3.7 billion since Budget. This increase reflects the combined effect of economic parameter variations, including the impact of higher than previously anticipated prices and wages growth in 2001-02, new policy measures, and a range of programme specific parameter and other variations. Several major variations to expenses involve the recognition of liabilities in 2001-02 without a corresponding impact on cash expenditure.

Table 8: Reconciliation of general government expenses estimates

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|---|----------------|----------------|----------------|----------------|
| Expenses at 2001-02 Budget | 160,875 | 166,813 | 173,117 | 178,959 |
| <i>Changes between 2001-02 Budget and MYEFO</i> | | | | |
| Effect of policy decisions(a) | 1,112 | 52 | 46 | 23 |
| Effect of economic parameter variations | | | | |
| Unemployment benefits | -139 | 350 | 481 | 470 |
| Prices and wages | 627 | 570 | 724 | 798 |
| Interest and exchange rates | 311 | 134 | 151 | 193 |
| Total economic parameter variations | 799 | 1,054 | 1,356 | 1,461 |
| Public debt interest | -2 | -71 | -68 | -52 |
| Programme specific parameter variations | 983 | 863 | 1,079 | 1,524 |
| Slippage | 100 | 5 | 7 | 30 |
| Other variations | 726 | -117 | -53 | 31 |
| Total variations | 3,717 | 1,786 | 2,367 | 3,017 |
| Expenses at 2001-02 MYEFO | 164,592 | 168,599 | 175,484 | 181,975 |

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

Major new policy decisions announced since the Budget that affect expenses in 2001-02 include:

- the Special Employees Entitlements Scheme for Ansett Group employees, providing a safety net arrangement for the entitlements of Ansett employees. Provision for the Commonwealth's total potential liability is recognised as a \$468 million expense in 2001-02. However, the Commonwealth's total liability will be reduced to the extent that employee entitlements are paid by Ansett or Ansett group employees continue to remain employed by a restructured company. This measure has a minimal impact on the underlying cash balance (see the cash flow section below for more information);
- \$52 million of assistance to airline passengers and communities stranded by the cancellation of Ansett flights;
- the provision of \$108 million of additional funding to the Australian Taxation Office (ATO), principally due to the greater than anticipated number of Australian

Business Number registrations which has led to higher processing, client assistance and compliance assessment costs being incurred by the ATO; and

- \$103 million of additional expenditure in 2001-02 to address the flow of unauthorised arrivals to Australia.

Parameter and other variations have increased expenses by \$2.6 billion in 2001-02. The major variations in 2001-02 include:

- a \$500 million increase in the Commonwealth's nominal superannuation liability as a result of stronger than anticipated CPI inflation in 2001-02;
- an increase of \$115 million in estimated pension expenses due to an upward revision to the Male Total Average Weekly Earnings (MTAWE) parameter (reflecting the Government's ongoing commitment to maintain most pensions at 25 per cent of MTAWE);
- an increase in estimated Budget Balancing Assistance grants to the States and First Home Owners Scheme expenses of around \$615 million, mainly reflecting an increase in the Guaranteed Minimum Amount (GMA) primarily due to higher CPI forecasts,² and a greater than anticipated demand for housing;
- a \$300 million increase in Family Tax Benefit (FTB) expenses, as a result of more taxpayers claiming entitlements from Centrelink, rather than as refunds through the tax system. The impact on the fiscal balance of this increase in expenses is more than offset by an increase in taxation revenue arising from lower payments being claimed as tax refunds;
- a one-off increase in military superannuation expenses of \$140 million, reflecting an increase in the Commonwealth's military superannuation liability following the decision to index Commonwealth military superannuation pensions twice-yearly (rather than annually);
- increased veterans' hospital and disability expenses, of around \$120 million, relating to the need for more intensive health care for veterans as their population ages;
- the slippage into 2001-02 of expenses relating to a number of programmes, including: \$125 million of payments announced in the 2001-02 Budget to former detainees of the Japanese or their surviving widow/ers;³ \$115 million of grants

2 The GMA provides that the States will not receive less than the amount they would have received under the previous arrangements for Commonwealth-State relations, indexed for various factors including the change in CPI.

3 The slippage of this payment is less than was reported in the *Final Budget Outcome 2000-01* due to a minor downward revision to total estimated payments under this programme.

under the Roads to Recovery programme; and \$45 million of grants for the Alice Springs to Darwin rail link project; and

- the recognition of the Commonwealth's liability in relation to the Automotive Competitiveness and Investment Credit Scheme as an expense of around \$300 million, largely matched by an equivalent increase in revenue.

These variations are partially offset in 2001-02 by:

- a downward economic parameter revision of \$139 million to estimated Newstart and Youth Allowance expenses due to a reduction in the expected number of unemployment benefit recipients in 2001-02; and
- the scheduled reductions to contingency reserve expenses estimates following the inclusion of the provision for underspends⁴ in 2001-02 and the regular drawdown of the conservative bias allowance⁵ in each year from 2002-03.

NET CAPITAL INVESTMENT

Estimated net capital investment in 2001-02 has increased by \$388 million since the 2001-02 Budget. This increase largely reflects the rescheduling of some Defence property sales from 2001-02 to 2002-03 (proceeds from the sale of non-financial assets, including property, reduce net capital investment).

The decrease in net capital investment from 2002-03 largely reflects increased property sales, including an acceleration of the Defence Housing Authority's (DHA) sale of excess properties and sale and lease back programmes.

4 Each year at the MYEFO, an allowance for underspends is included in the contingency reserve for the established tendency of departments and agencies to underspend their budgets in the current financial year.

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

Table 9: Reconciliation of general government net capital investment estimates^(a)

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|---|----------------|----------------|----------------|----------------|
| Change in non-financial assets at 2001-02 Budget | -1201 | -364 | -266 | -236 |
| <i>Changes between 2001-02 Budget and MYEFO</i> | | | | |
| Effect of policy decisions | 506 | -748 | -160 | -171 |
| Effect of economic parameter and other variations | -118 | 61 | 28 | 30 |
| Total variations | 388 | -687 | -132 | -141 |
| Change in non-financial assets at 2001-02 MYEFO | -812 | -1051 | -398 | -377 |

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

NET DEBT AND NET WORTH

In 2001-02, Commonwealth general government net debt is estimated to fall to 5.1 per cent of GDP, from a high of almost 20 per cent of GDP in 1995-96. In dollar terms, around \$60 billion of debt will have been repaid since 1995-96, reflecting the combined effect of budget surpluses and the proceeds of privatisations, predominantly Telstra.

Estimated net debt at the end of 2001-02 is \$2.2 billion better than forecast at the 2001-02 Budget, reflecting higher debt repayments as a result of the 2000-01 budget outcome. Net debt is expected to fall further through the forward estimates period.

Consistent with the reduction in net debt, net interest outlays are expected to continue to fall, to 0.6 per cent of GDP in 2001-02 from a high of 1.6 per cent of GDP in 1996-97.

Table 10: Commonwealth general government net worth and net debt (\$b)

| | 2001-02 | | 2002-03 | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | Budget | MYEFO | Budget | MYEFO |
| Financial assets | 100.8 | 91.8 | 100.5 | 91.3 |
| Non-financial assets | 30.7 | 33.9 | 30.9 | 33.4 |
| Total assets | 131.5 | 125.8 | 131.4 | 124.8 |
| Total liabilities | 165.4 | 168.9 | 166.7 | 169.6 |
| Net worth | -33.9 | -43.1 | -35.4 | -44.8 |
| Net debt(a)(b) | 37.7 | 35.5 | 36.6 | 34.2 |
| Per cent of GDP | 5.4 | 5.1 | 4.9 | 4.6 |
| Net interest outlays(c) | 4.5 | 4.4 | 4.2 | 4.1 |
| Per cent of GDP | 0.6 | 0.6 | 0.6 | 0.6 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Financial assets | 85.8 | 79.3 | 71.8 | 68.5 |
| Non-financial assets | 31.0 | 33.4 | 31.1 | 33.2 |
| Total assets | 116.8 | 112.7 | 102.9 | 101.7 |
| Total liabilities | 150.1 | 157.3 | 130.0 | 143.2 |
| Net worth | -33.3 | -44.6 | -27.1 | -41.5 |
| Net debt(a)(b) | 17.9 | 20.1 | -4.7 | 3.4 |
| Per cent of GDP | 2.3 | 2.6 | -0.6 | 0.4 |
| Net interest outlays(c) | 3.7 | 3.7 | 2.6 | 2.9 |
| Per cent of GDP | 0.5 | 0.5 | 0.3 | 0.4 |

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

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

(c) Commonwealth cash interest payments less cash interest receipts.

Estimated Commonwealth general government net worth in 2001-02 has fallen by \$9.2 billion since the Budget. This reflects both a fall in the Telstra share price, reducing the market value of the Commonwealth's shareholding, and revisions to the forecast accrual operating deficit in 2001-02.

CASH FLOWS

In 2001-02, the underlying cash balance is expected to be a surplus of \$0.5 billion.

Table 11: Summary of Commonwealth general government cash flows (\$b)

| | 2001-02 | | 2002-03 | |
|--|-------------|-------------|-------------|-------------|
| | Budget | MYEFO | Budget | MYEFO |
| Cash receipts(a) | | | | |
| Operating cash receipts | 161.1 | 162.3 | 167.2 | 167.7 |
| Capital cash receipts(b) | 1.7 | 1.1 | 0.7 | 1.5 |
| Total cash receipts | 162.8 | 163.4 | 167.9 | 169.2 |
| Cash payments(a) | | | | |
| Operating cash payments | 159.6 | 160.9 | 165.0 | 166.3 |
| Capital cash payments(c) | 1.8 | 2.0 | 1.8 | 2.0 |
| Total cash payments | 161.4 | 163.0 | 166.8 | 168.3 |
| <i>plus</i> Finance leases and similar arrangements | 0.1 | 0.1 | 0.0 | 0.1 |
| Underlying cash balance | 1.5 | 0.5 | 1.1 | 1.0 |
| Per cent of GDP | 0.2 | 0.1 | 0.1 | 0.1 |
| <i>Memorandum items:</i> | | | | |
| Net cash flows from investments in financial assets for policy purposes(d) | 3.2 | 3.1 | -1.1 | -1.2 |
| Headline cash balance | 4.7 | 3.6 | -0.1 | -0.2 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Cash receipts(a) | | | | |
| Operating cash receipts | 176.8 | 176.3 | 186.8 | 185.8 |
| Capital cash receipts(b) | 0.7 | 0.9 | 0.6 | 0.7 |
| Total cash receipts | 177.5 | 177.1 | 187.4 | 186.5 |
| Cash payments(a) | | | | |
| Operating cash payments | 171.7 | 173.7 | 178.3 | 181.0 |
| Capital cash payments(c) | 1.7 | 1.7 | 1.6 | 1.6 |
| Total cash payments | 173.4 | 175.4 | 180.0 | 182.7 |
| <i>plus</i> Finance leases and similar arrangements | 0.0 | 0.0 | 0.0 | 0.0 |
| Underlying cash balance | 4.1 | 1.8 | 7.4 | 3.9 |
| Per cent of GDP | 0.5 | 0.2 | 0.9 | 0.5 |
| <i>Memorandum items:</i> | | | | |
| Net cash flows from investments in financial assets for policy purposes(d) | 13.5 | 10.9 | 13.3 | 10.7 |
| Headline cash balance | 17.6 | 12.6 | 20.7 | 14.6 |

(a) Cash receipts and payments are derived from the accrual Australian Bureau of Statistics (ABS) GFS framework.

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

The difference in the revision to the fiscal balance, as compared to the cash balance, primarily results from the following.

- The impact of higher CPI forecasts on the Commonwealth's nominal superannuation interest expense leads to an increase in estimated accrual expenses of around \$500 million, with no impact on cash payments.
- The one-off increase in military superannuation expenses of \$140 million flowing from the introduction of twice-yearly indexation of Commonwealth military superannuation pensions has no impact on cash payments.
- The Commonwealth's total potential liability under the Special Employee Entitlements Scheme for Ansett Group Employees (SEESA) is recognised as an expense in 2001-02, reducing the fiscal balance by \$468 million in that year. However, initial financing for the scheme will be provided by a private sector firm to ensure that former employees are paid promptly, with cash payments being made by the Commonwealth as the Air Passenger Ticket Levy is collected. Consequently, this measure will have a minimal net impact on the underlying cash balance in 2001-02 and the forward years.
- The slippage from 2000-01 into 2001-02 of \$160 million of expenses under the Roads to Recovery programme and the Alice Springs to Darwin rail link project, as identified in the *Final Budget Outcome 2000-01*, are accrual variations only. The corresponding cash prepayments were made in 2000-01 as previously scheduled.

ATTACHMENT A

EXTERNAL REPORTING STANDARDS

The Commonwealth *Charter of Budget Honesty Act 1998* requires that the MYEFO be based on external reporting standards, and that departures from applicable external reporting standards be identified.

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

The GFS framework requires that flows and stocks be valued at current market prices (or where these are not observable, a suitable proxy indicator). While this is the case for flows in the operating statement and the cash flow statement, not all assets and liabilities in the GFS balance sheet are currently valued at current market prices. This is principally because Australian accounting standards allow reporting entities to elect to value their assets at either cost or fair value (current market value). The accounting profession is considering general valuation issues relating to liabilities. The early years of accrual budgeting have focussed on preparing robust GFS operating and cash flow statements. Refinements to the GFS balance sheet valuations of assets and liabilities will be considered over time, in consultation with the ABS, as the new framework is bedded down.

The draft ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) 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 Commonwealth assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The Commonwealth revenue and expense figures in Part III and Appendices B and E do not include goods and services tax (GST) collections and equivalent payments to the States. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all GST receipts are appropriated to the States and Territories and thus are not available for expenditure by the Commonwealth. Because the Commonwealth collects GST as an agent for the States and Territories, GST receipts are not shown as Commonwealth revenue. Estimates of GST receipts are provided in Table D2 of Appendix D.

In order to ensure the reporting of reliable budget estimates and outcomes, taxation revenue is recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Tax Office or the Australian Customs Service. Accordingly, for most categories of taxation revenue, there is a short lag

between when the revenue is recognised and the time at which the underlying income (or economic activity) giving rise to the tax liability occurs. Longer lags, of up to a year, occur for some elements of company and superannuation funds taxation.

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

ATTACHMENT B

SUMMARY OF MEASURES SINCE THE 2001-02 BUDGET

Table 12: Revenue measures since the 2001-02 Budget^(a)

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|--|----------------|----------------|----------------|----------------|
| AGRICULTURE, FISHERIES AND FORESTRY | | | | |
| Reduction in Australian Quarantine Inspection | | | | |
| Service export programme fees and charges | -19.9 | -29.8 | -29.8 | -29.8 |
| Portfolio total | -19.9 | -29.8 | -29.8 | -29.8 |
| EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS | | | | |
| Air passenger ticket levy | - | - | - | - |
| Portfolio total | - | - | - | - |
| INDUSTRY, SCIENCE AND RESOURCES | | | | |
| Timor Sea arrangement | * | * | * | * |
| Portfolio Total | - | - | - | - |
| TRANSPORT AND REGIONAL SERVICES | | | | |
| Air passenger ticket levy | 73.8 | 98.4 | 98.4 | 98.4 |
| Portfolio total | 73.8 | 98.4 | 98.4 | 98.4 |
| TREASURY | | | | |
| <i>Income Tax</i> | | | | |
| Alienation of personal services income - the 'results test' | - | - | - | - |
| Alienation of personal services income - <i>de minimus</i> provisions for the 'results test' | -1.0 | -1.0 | -1.0 | -1.0 |
| Alienation of personal services income - treatment of commission agents | -35.0 | -35.0 | -35.0 | -35.0 |
| Amendment of income tax assessments to allow for repayments of assessable income | * | * | * | * |
| Amendment to non-commercial losses rules | - | - | - | - |
| Amendments to the double taxation convention between Australia and the United States | - | -10.0 | -235.0 | -190.0 |
| Amendments to the reform of the debt/equity borderline | * | * | * | * |
| Amendment to the taxation of expatriates resident in Australia | - | - | * | * |
| Amendments to the thin capitalisation regime | * | * | * | * |
| Broadening the exemption from Interest Withholding Tax (IWT) | -10.0 | -10.0 | -10.0 | -10.0 |
| Capital Gains Tax rollover relief for fixed trust to company restructures | * | * | * | * |
| Capital Gains Tax treatment of perpetual conservation covenants | -0.4 | -0.7 | -0.7 | -0.5 |
| Deductibility of certain gifts | * | * | * | * |
| Deductibility of travel expenses | - | - | - | - |

Table 12: Revenue measures since the 2001-02 Budget^(a) (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---------|---------|---------|---------|
| | \$m | \$m | \$m | \$m |
| TREASURY (continued) | | | | |
| Deductions for certain conservation covenants | - | * | * | * |
| Exclusion from the Superannuation Guarantee for payments made to non-residents employed for the 2001 Goodwill Games in Brisbane | .. | .. | .. | .. |
| Extension of German forced labour compensation Capital Gains Tax exemption | * | * | * | * |
| Film industry package - refundable tax offset for large scale film production | - | -5.0 | -35.0 | -32.0 |
| Fringe benefits reporting - exclusion of benefits associated with police force removals | * | * | * | * |
| Fringe benefits reporting - exclusion of travel between home and work in unmarked police vehicles | * | * | * | * |
| General interest charge changes - 1 per cent reduction in the margin applied to the 90 day bank bill yield benchmark | -14.0 | -10.0 | -10.0 | -10.0 |
| General interest charge changes - replacing the 13 week Treasury Note yield benchmark | -1.0 | -1.0 | -1.0 | -1.0 |
| Giving co-operatives the option to frank dividend payments | - | -5.0 | -10.0 | -10.0 |
| HIH rescue package - Income Tax issues | - | - | - | - |
| Improving the integrity of dividend imputation for life insurance companies | nfp | nfp | nfp | nfp |
| Incentives to promote Australian venture capital investment by non-residents | - | - | -20.0 | -20.0 |
| Income tax exemption of compensation for deployment allowance paid to Australian Defence Force (ADF) members | * | * | * | * |
| Income tax exemption of compensation for loss of pay and allowances paid to Australian Defence Force (ADF) Reserve personnel | * | * | * | * |
| Maintaining the existing definition of research and development and the existing treatment of trading stock and feedstock | * | * | * | * |
| Modification to the 175 per cent premium tax concession for research and development | -10.0 | -15.0 | -15.0 | -25.0 |
| Prepayment rule for forestry managed investments | - | -25.0 | -5.0 | - |
| Streamlining of the crude oil excise regime | -38.0 | -19.0 | -9.0 | -7.0 |
| Tax exemption for structured settlement annuities | - | -1.4 | -2.5 | -3.6 |
| Timor Sea arrangements | * | * | * | * |
| Trading stock rules for oyster farmers | .. | .. | .. | .. |

Table 12: Revenue measures since the 2001-02 Budget^(a) (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| <i>Indirect Tax</i> | | | | |
| Abolition of fees for licences to manufacture excisable goods | - | - | - | - |
| Abolition of oils and lubricants excise indexation | -0.5 | -1.1 | -1.8 | -2.5 |
| <i>Non-tax revenue</i> | | | | |
| Increased levy to support enhanced prudential supervision of superannuation | - | 3.8 | 3.8 | 3.8 |
| Small Business Assistance Package - capping of fees paid by small business to the Australian Securities and Investments Commission | - | - | - | - |
| Portfolio total | -109.9 | -135.4 | -387.2 | -343.8 |
| Total impact of revenue measures | -56.0 | -66.8 | -318.6 | -275.2 |

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

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

Table 13: Expense measures since the 2001-02 Budget

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|-------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| AGRICULTURE, FISHERIES AND FORESTRY | | | | |
| <i>Department of Agriculture, Fisheries and Forestry</i> | | | | |
| Eradication of the red imported fire ant | 17.0 | 15.5 | 15.3 | 6.9 |
| Exceptional circumstances drought assistance to Western Australia and Queensland | 21.0 | 24.4 | 0.8 | - |
| Ex-gratia emergency income support to farmers in Western Australia and Queensland | 0.6 | - | - | - |
| Extension of Lamb Industry Development Programme - levy alleviation | 2.1 | - | - | - |
| National Food Industry Strategy - additional funding for the Food Market Development Programme and Australian participation in international food standard setting bodies | - | 1.5 | 1.5 | 1.6 |
| National Food Industry Strategy - continuation and expansion of the Technical Market Access Programme | - | 3.3 | 3.3 | 3.4 |
| National Food Industry Strategy - food industry supply chain management and food safety and quality initiative | - | 3.0 | 3.0 | 3.1 |
| National Food Industry Strategy - funding for implementation | - | 2.9 | 2.8 | 3.0 |
| National Food Industry Strategy - reprioritising funding from FarmBis | - | -1.9 | -5.3 | - |
| National Food Industry Strategy - reprioritising funding from the New Industries Development Programme | - | -0.3 | -0.3 | -0.3 |
| National Food Industry Strategy - reprioritising funding from the Supermarket to Asia Council Programme | - | -5.0 | -5.0 | -5.0 |
| Portfolio total | 40.7 | 43.4 | 16.1 | 12.7 |
| ATTORNEY-GENERAL'S | | | | |
| <i>Attorney General's Department</i> | | | | |
| Reform of the Marriage Celebrants Programme | - | 0.2 | 0.2 | 0.2 |
| Royal Commission witness costs | 10.9 | - | - | - |
| <i>Australian Customs Service</i> | | | | |
| Additional funding to address unauthorised arrivals(a) | - | - | - | - |
| <i>Australian Federal Police</i> | | | | |
| Additional funding to address unauthorised arrivals(a) | - | - | - | - |
| Portfolio total | 10.9 | 0.2 | 0.2 | 0.2 |
| COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS | | | | |
| <i>Australian Film Commission</i> | | | | |
| Film Industry Package - additional development funding for Australian films | - | 3.0 | 5.0 | 5.1 |
| Film Industry Package - innovative broadband content | - | 0.5 | 0.7 | 0.9 |
| Film Industry Package - single point of contact for foreign film producers | - | 1.0 | 1.0 | 1.0 |
| <i>Australian Film, Television and Radio School</i> | | | | |
| Film Industry Package - digital training capability | 0.5 | 1.0 | 1.0 | 1.0 |

Table 13: Expense measures since the 2001-02 Budget (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued) | | | | |
| <i>Department of Communications, Information Technology and the Arts</i> | | | | |
| Film Industry Package - administration of refundable tax offset for large scale film production | 1.0 | 0.8 | 0.7 | 0.7 |
| Film Industry Package - Community Service Obligations for Film Australia | - | 2.7 | 2.8 | 2.8 |
| Film Industry Package - increased funding for television drama | - | 7.5 | 10.5 | 10.5 |
| Film Industry Package - increasing access to affordable bandwidth | 0.3 | 0.3 | - | - |
| Film Industry Package - National Interest Programme(b) | - | - | - | - |
| Grant to the Prospectors' and Miners' Hall of Fame - Western Australia | 1.0 | - | - | - |
| <i>National Museum of Australia</i> | | | | |
| Additional funding for the National Museum of Australia to meet higher visitor numbers | 4.0 | - | - | - |
| <i>National Office for the Information Economy</i> | | | | |
| Small Business Assistance Package - accelerating the uptake of e-commerce by small business | 1.5 | 5.0 | - | - |
| <i>Special Broadcasting Service Corporation</i> | | | | |
| Film Industry Package - increased funding for SBS Independent | - | 7.0 | 8.6 | 8.8 |
| Portfolio total | 8.3 | 28.8 | 30.3 | 31.0 |
| DEFENCE | | | | |
| <i>Department of Defence</i> | | | | |
| Additional funding to address unauthorised arrivals(a) | - | - | - | - |
| Deferral of Defence property sales until 2002-03 - saving in lease-back costs | -10.0 | - | - | - |
| Extension of Peace Monitoring Group in Bougainville | 10.0 | - | - | - |
| Indexation of military superannuation | 8.0 | 9.0 | 9.0 | 10.0 |
| Reallocation of Federation Funds for St Paul's Anglican Cathedral | -2.5 | - | - | - |
| Portfolio total | 5.5 | 9.0 | 9.0 | 10.0 |
| EDUCATION, TRAINING AND YOUTH AFFAIRS | | | | |
| <i>Australian Research Council</i> | | | | |
| Additional resourcing for the Australian Research Council | 1.5 | 1.5 | 1.5 | 1.5 |
| <i>Department of Education, Training and Youth Affairs</i> | | | | |
| National Food Industry Strategy - Food Centres of Excellence Initiative | - | 2.1 | 2.6 | 3.1 |
| Offsetting savings for the Food Centres of Excellence Initiative (from within DETYA programmes) | - | -2.1 | -2.6 | -3.1 |
| Parents and Community Education Information Programme | 2.3 | - | - | - |
| Portfolio total | 3.8 | 1.5 | 1.5 | 1.5 |

Table 13: Expense measures since the 2001-02 Budget (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|--------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS | | | | |
| <i>Department of Employment, Workplace Relations and Small Business</i> | | | | |
| Enhanced Protection of Employee Entitlements - the General Employee Entitlements and Redundancy Scheme | 12.8 | 27.1 | 68.4 | 69.9 |
| Small Business Assistance Package - development of an E-Commerce Business Authentication Framework | 0.7 | 1.3 | 1.3 | 0.7 |
| Small Business Assistance Package - extend the Business Entry Point to include a Business Resource Facility | 0.7 | 0.7 | 0.7 | - |
| Special Employee Entitlements Scheme for Ansett Group employees | 468.4 | 1.1 | 1.0 | 1.0 |
| Portfolio total | 482.6 | 30.2 | 71.4 | 71.6 |
| ENVIRONMENT AND HERITAGE | | | | |
| <i>Department of the Environment and Heritage</i> | | | | |
| Reallocation of Federation Funds for St Paul's Anglican Cathedral | 2.5 | - | - | - |
| Portfolio total | 2.5 | 0.0 | 0.0 | 0.0 |
| FAMILY AND COMMUNITY SERVICES | | | | |
| <i>Department of Family and Community Services</i> | | | | |
| Additional funding to allow better targeted investigations from 2002-03 | 17.0 | -117.0 | -117.0 | -117.0 |
| Compliance Package - enhanced data matching with the Australian Taxation Office | - | -80.0 | -80.0 | -80.0 |
| Compliance Package - greater promotion of 'tip-off' facilities | -10.0 | -20.0 | - | - |
| Compliance Package - new options for customers to notify Centrelink of changes in circumstances | -5.0 | -26.0 | -26.0 | -26.0 |
| Family Tax Benefit and Child Care Benefit tolerance | - | - | - | - |
| Portfolio total | 2.0 | -243.0 | -223.0 | -223.0 |
| FINANCE AND ADMINISTRATION | | | | |
| <i>Department of Finance and Administration</i> | | | | |
| Changes to the Parliamentary Contributory Superannuation Scheme | -0.2 | -0.2 | -0.3 | -0.5 |
| Royal Commission into Collapse of HIH Insurance Group | 29.0 | 1.0 | - | - |
| Royal Commission into the Building Industry | 35.0 | 25.0 | - | - |
| Sugar Industry Assistance Package - extension of income support | 15.0 | - | - | - |
| <i>Office of Asset Sales and Commercial Support</i> | | | | |
| Privatisation of the Australian Submarine Corporation Pty Limited - sale costs | 5.3 | 7.9 | - | - |
| Portfolio total | 84.0 | 33.6 | -0.3 | -0.5 |

Table 13: Expense measures since the 2001-02 Budget (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|-------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| FOREIGN AFFAIRS AND TRADE | | | | |
| <i>Australian Agency for International Development</i> | | | | |
| Additional funding to address unauthorised arrivals | 16.4 | - | - | - |
| Additional funding to support displaced Afghans | 14.3 | - | - | - |
| <i>Department of Foreign Affairs and Trade</i> | | | | |
| Additional funding to manage unauthorised arrivals(a) | - | - | - | - |
| Australian Television Service to the Asia-Pacific Region | 18.5 | 17.4 | 17.8 | 18.2 |
| Extension of the International Peace Monitoring Team deployment in the Solomon Islands | 5.4 | - | - | - |
| Export Finance and Insurance Corporation - short term credit facility alliance | 2.7 | - | - | - |
| Portfolio total | 57.3 | 17.4 | 17.8 | 18.2 |
| HEALTH AND AGED CARE | | | | |
| <i>Department of Health and Aged Care</i> | | | | |
| Barbara Walker Centre for Pain Management(a) | - | - | - | - |
| Co-location of national General Practice organisations - 'GP House'(a) | - | - | - | - |
| Community Pharmacy - Pharmaceutical Benefits Scheme dispensing costs | 18.5 | 23.7 | 23.9 | 24.6 |
| Establishment of a Trans-Tasman Therapeutic Goods Agency | 2.0 | 2.0 | - | - |
| Exceptional circumstances drought assistance to Western Australia and Queensland | 1.8 | 2.1 | 0.3 | - |
| Funding for the provision of Herceptin to patients with metastatic breast cancer | 6.8 | 13.2 | 14.5 | 15.9 |
| Increase in Schedule Fees for emergency after-hours attendances provided by other medical practitioners | 3.6 | 6.2 | 6.2 | 5.6 |
| Increased retention payments for general practitioners in rural and remote areas(a) | - | - | - | - |
| Prevention of Q Fever in livestock farmers | 2.4 | 4.1 | 1.7 | - |
| Reform of the Australian blood banking and plasma product sector | 2.8 | 0.8 | - | - |
| Review of arrangements for pharmaceutical wholesaling under the Pharmaceutical Benefits Scheme | 0.3 | - | - | - |
| Portfolio total | 38.2 | 52.0 | 46.6 | 46.2 |
| IMMIGRATION AND MULTICULTURAL AFFAIRS | | | | |
| <i>Department of Immigration and Multicultural Affairs</i> | | | | |
| Additional funding to address unauthorised arrivals | 86.1 | 4.4 | 5.2 | 5.2 |
| Portfolio total | 86.1 | 4.4 | 5.2 | 5.2 |

Table 13: Expense measures since the 2001-02 Budget (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|--------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| INDUSTRY, SCIENCE AND RESOURCES | | | | |
| <i>Department of Industry, Science and Resources</i> | | | | |
| Council of Australian Governments Review of Energy Market Directions | 2.0 | - | - | - |
| Funding for Asia Pacific Space Centre | 6.0 | 10.0 | 15.4 | - |
| Funding for AusIndustry Regional Office Network | 2.0 | 2.0 | 2.0 | - |
| Funding for small business assistance during tourism downturn | 15.0 | - | - | - |
| Further tourism promotion | 5.0 | - | - | - |
| National Food Industry Strategy - Food Innovation Grants Programme | - | 4.7 | 7.5 | 9.3 |
| Offsetting savings for the Food Innovation Grants Programme (from within DISR programmes) | - | -4.7 | -7.5 | -9.3 |
| Small Business Assistance Package - enhancing small business participation in major projects | 3.1 | - | - | - |
| Portfolio total | 33.1 | 12.0 | 17.4 | 0.0 |
| TRANSPORT AND REGIONAL SERVICES | | | | |
| <i>Department of Transport and Regional Services</i> | | | | |
| Additional funding to address unauthorised arrivals(a) | - | - | - | - |
| Ansett - Rapid Route Recovery Scheme | 31.4 | - | - | - |
| Construction of a new Scoresby Freeway (additional funding from 2005-06) | - | - | - | - |
| Relief for stranded Ansett passengers | 21.0 | - | - | - |
| Stronger Regions Programme - awareness raising and access to information | 7.7 | 1.7 | 1.7 | 1.7 |
| Stronger Regions Programme - regional business development analysis | 1.1 | 0.4 | - | - |
| Stronger Regions Programme - sustainable regions | 7.9 | 37.3 | 29.3 | 25.9 |
| Structural Adjustment Programme for the Wide Bay Burnett region in Queensland | 4.0 | - | - | - |
| Tamworth Australasian-Pacific Aeronautical College | 1.6 | 1.1 | 1.1 | 0.3 |
| Portfolio total | 74.6 | 40.4 | 32.1 | 27.9 |
| TREASURY | | | | |
| <i>Australian Prudential Regulation Authority</i> | | | | |
| Increased prudential supervision of superannuation | 2.1 | 3.1 | 3.1 | 3.1 |
| <i>Australian Taxation Office</i> | | | | |
| Fuel Sales Grant Scheme - sales at sea by mother ships | 1.2 | 1.2 | 1.2 | 1.2 |
| Increased resourcing for the Australian Taxation Office | 107.5 | - | - | - |
| <i>Department of the Treasury</i> | | | | |
| GST - availability of decreasing adjustments on insurance settlements | 20.0 | 15.0 | 15.0 | 15.0 |
| GST - HIH rescue package: GST issues | - | - | - | - |
| GST - one-off credit for car rental businesses | 50.0 | - | - | - |
| Portfolio total | 180.8 | 19.3 | 19.3 | 19.3 |

Table 13: Expense measures since the 2001-02 Budget (continued)

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|-------------|-------------|-------------|
| | \$m | \$m | \$m | \$m |
| VETERANS' AFFAIRS | | | | |
| <i>Department of Veterans' Affairs</i> | | | | |
| Community Pharmacy - Pharmaceutical Benefits Scheme dispensing costs | 1.6 | 2.4 | 2.6 | 2.5 |
| Portfolio total | 1.6 | 2.4 | 2.6 | 2.5 |
| Total expense measures | 1,111.9 | 51.6 | 46.4 | 22.8 |

- (a) The additional costs of this measure are shown as zero in the table, as these costs are to be absorbed within the agency's existing resourcing.
- (b) The additional costs of this measure are shown as zero in the table, as the measure represents the renewal of a lapsing programme for which funding is already included in the forward estimates.

CAPITAL MEASURES SINCE THE 2001-02 BUDGET

Table 14: Capital measures since the 2001-02 Budget

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|--------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| DEFENCE | | | | |
| <i>Defence Housing Authority</i> | | | | |
| Accelerating sale and lease-back programme | -50.0 | -150.0 | -100.0 | -100.0 |
| Sales of excess property | -24.0 | -122.0 | -66.0 | -66.0 |
| <i>Department of Defence</i> | | | | |
| Delays in Defence property sales until 2002-03 | 528.1 | -528.1 | - | - |
| Portfolio total | 454.1 | -800.1 | -166.0 | -166.0 |
| EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS | | | | |
| <i>Department of Employment, Workplace Relations and Small Business</i> | | | | |
| Small Business Assistance Package - development of an E-Commerce Business Authentication Framework(a) | 3.3 | -1.3 | -1.3 | -0.7 |
| Portfolio total | 3.3 | -1.3 | -1.3 | -0.7 |
| IMMIGRATION AND MULTICULTURAL AFFAIRS | | | | |
| <i>Department of Immigration and Multicultural Affairs</i> | | | | |
| Additional funding to address unauthorised arrivals(a) | 45.1 | -0.4 | -4.4 | -4.4 |
| Portfolio total | 45.1 | -0.4 | -4.4 | -4.4 |
| INDUSTRY, SCIENCE AND RESOURCES | | | | |
| <i>Department of Industry, Science and Resources</i> | | | | |
| Loan to support energy infrastructure and research(b) | - | - | - | - |
| Portfolio total | - | - | - | - |
| TRANSPORT AND REGIONAL SERVICES | | | | |
| <i>Department of Transport and Regional Services</i> | | | | |
| Funding for Asia Pacific Space Centre | 3.8 | 53.6 | 11.2 | - |
| Portfolio total | 3.8 | 53.6 | 11.2 | 0.0 |
| Total capital measures | 506.3 | -748.2 | -160.5 | -171.1 |

- (a) The negative amounts in the forward years reflect depreciation on the initial capital investment.
- (b) Loan transactions affect the Commonwealth's investments in financial assets, and for this reason, are shown as having no impact on the fiscal balance.

ATTACHMENT C

SUPPLEMENTARY REVENUE TABLES

Table 15 provides estimates of Commonwealth general government tax, non-tax and total revenue from 2001-02 to 2004-05.

Table 15: Estimates of Commonwealth general government revenue

| | 2001-02 | | 2002-03 | |
|---|----------------|----------------|----------------|----------------|
| | Budget | MYEFO | Budget | MYEFO |
| Total tax (\$m) | 146,768 | 148,424 | 154,543 | 155,482 |
| <i>Real growth on previous year (%)</i> | -4.3 | -3.5 | 2.8 | 3.1 |
| Per cent of GDP | 20.9 | 21.2 | 20.7 | 21.1 |
| Non-tax (\$m) | 12,072 | 12,283 | 10,361 | 10,776 |
| <i>Real growth on previous year (%)</i> | 14.8 | 16.4 | -16.2 | -13.6 |
| Per cent of GDP | 1.7 | 1.8 | 1.4 | 1.5 |
| Total revenue (\$m) | 158,840 | 160,706 | 164,903 | 166,257 |
| <i>Real growth on previous year (%)</i> | -3.1 | -2.2 | 1.3 | 1.8 |
| Per cent of GDP | 22.6 | 22.9 | 22.1 | 22.6 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Total tax (\$m) | 165,004 | 165,301 | 174,835 | 174,773 |
| <i>Real growth on previous year (%)</i> | 4.2 | 3.8 | 3.4 | 3.2 |
| Per cent of GDP | 20.9 | 21.2 | 20.9 | 21.1 |
| Non-tax (\$m) | 10,545 | 10,397 | 10,822 | 10,495 |
| <i>Real growth on previous year (%)</i> | -0.7 | -5.8 | 0.2 | -1.5 |
| Per cent of GDP | 1.3 | 1.3 | 1.3 | 1.3 |
| Total revenue (\$m) | 175,548 | 175,698 | 185,657 | 185,268 |
| <i>Real growth on previous year (%)</i> | 3.9 | 3.1 | 3.2 | 2.9 |
| Per cent of GDP | 22.2 | 22.5 | 22.1 | 22.4 |

Table 16 provides an outline of the changes to the forward estimates of Commonwealth general government revenue.

Table 16: Forward estimates of general government revenue

| | 2001-02 | | | 2002-03 | | | 2003-04 | | | 2004-05 | | |
|-------------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| | Budget | MYEFO | Change on Budget | Budget | MYEFO | Change on Budget | Budget | MYEFO | Change on Budget | Budget | MYEFO | Change on Budget |
| | \$m | \$m | % | \$m | \$m | % | \$m | \$m | % | \$m | \$m | % |
| Individuals tax | 82815 | 83810 | 1.2 | 88893 | 89270 | 0.4 | 96625 | 96880 | 0.3 | 103347 | 103430 | 0.1 |
| <i>Per cent of GDP</i> | 11.8 | 12.0 | | 11.9 | 12.1 | | 12.2 | 12.4 | | 12.3 | 12.5 | |
| Other income tax | 34437 | 35075 | 1.9 | 35365 | 35835 | 1.3 | 37209 | 37195 | 0.0 | 39347 | 39170 | -0.5 |
| <i>Per cent of GDP</i> | 4.9 | 5.0 | | 4.7 | 4.9 | | 4.7 | 4.8 | | 4.7 | 4.7 | |
| Total income tax | 117,252 | 118,885 | 1.4 | 124,257 | 125,105 | 0.7 | 133,835 | 134,075 | 0.2 | 142,694 | 142,600 | -0.1 |
| <i>Per cent of GDP</i> | 16.7 | 17.0 | | 16.7 | 17.0 | | 16.9 | 17.2 | | 17.0 | 17.2 | |
| Total indirect tax | 24745 | 24675 | -0.3 | 25378 | 25354 | -0.1 | 26113 | 26061 | -0.2 | 26937 | 26869 | -0.3 |
| <i>Per cent of GDP</i> | 3.5 | 3.5 | | 3.4 | 3.4 | | 3.3 | 3.3 | | 3.2 | 3.2 | |
| Total tax(a) | 146,768 | 148,424 | 1.1 | 154,543 | 155,482 | 0.6 | 165,004 | 165,301 | 0.2 | 174,835 | 174,773 | 0.0 |
| <i>Per cent of GDP</i> | 20.9 | 21.2 | | 20.7 | 21.1 | | 20.9 | 21.2 | | 20.9 | 21.1 | |
| Non-tax revenue | 12072 | 12283 | 1.7 | 10361 | 10776 | 4.0 | 10545 | 10397 | -1.4 | 10822 | 10495 | -3.0 |
| <i>Per cent of GDP</i> | 1.7 | 1.8 | | 1.4 | 1.5 | | 1.3 | 1.3 | | 1.3 | 1.3 | |
| Total revenue | 158,840 | 160,706 | 1.2 | 164,903 | 166,257 | 0.8 | 175,548 | 175,698 | 0.1 | 185,657 | 185,268 | -0.2 |
| <i>Per cent of GDP</i> | 22.6 | 22.9 | | 22.1 | 22.6 | | 22.2 | 22.5 | | 22.1 | 22.4 | |

(a) Includes FBT and other taxes.

ATTACHMENT D

TAX EXPENDITURES

Individuals and businesses derive financial benefits from various tax concessions. These concessions can be delivered in a variety of ways: by a tax exemption, tax deduction, tax 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 17 provides aggregate tax expenditure estimates for the period from 1997-98 to 2004-05.

Table 17: Aggregate tax expenditures 1997-98 to 2004-05^(a)

| | Superannuation | Other tax | Total | Tax expenditures |
|------------|----------------|--------------|--------|------------------|
| | \$m | expenditures | \$m | as a proportion |
| | | \$m | \$m | of GDP |
| | | | | % |
| 1997-98 | 9,920 | 15,565 | 25,485 | 4.5 |
| 1998-99 | 9,510 | 16,243 | 25,753 | 4.4 |
| 1999-00 | 10,210 | 17,572 | 27,782 | 4.4 |
| 2000-01 | 9,065 | 20,600 | 29,625 | 4.4 |
| 2001-02(b) | 9,485 | 19,767 | 29,252 | 4.2 |
| 2002-03(b) | 10,305 | 19,464 | 29,739 | 4.0 |
| 2003-04(b) | 11,225 | 19,539 | 30,734 | 3.9 |
| 2004-05(b) | 11,875 | 20,256 | 32,101 | 3.9 |

(a) Preliminary estimates only — final estimates will be published in the *2001 Tax Expenditures Statement*.

(b) Projections.

Between 1997-98 and 2004-05, total measured tax expenditures are estimated to decline as a proportion of GDP from 4.5 per cent to 3.9 per cent. This decline largely reflects the policy decision to remove accelerated depreciation for plant and equipment for businesses with an annual turnover of \$1 million or more. Further detail on tax expenditures will be provided in the *2001 Tax Expenditures Statement*.

ATTACHMENT E

SUPPLEMENTARY EXPENSE AND CAPITAL TABLES AND THE CONTINGENCY RESERVE

EXPENSES

Table 18 shows estimates of general government expenses for 2001-02 and the forward years.

Table 18: Estimates of general government expenses

| | 2001-02 | | 2002-03 | |
|---|----------------|----------------|----------------|----------------|
| | Budget | MYEFO | Budget | MYEFO |
| Expenses (\$m) | 160,875 | 164,592 | 166,813 | 168,599 |
| <i>Real growth on previous year (%)</i> | 0.9 | 3.2 | 1.1 | 0.8 |
| Per cent of GDP | 22.9 | 23.5 | 22.4 | 22.9 |
| Net capital investment (\$m) | -1201 | -812 | -364 | -1051 |
| <i>Real growth on previous year (%)</i> | 1.1 | -31.6 | -70.2 | 27.4 |
| Per cent of GDP | -0.2 | -0.1 | 0.0 | -0.1 |
| | 2003-04 | | 2004-05 | |
| | Budget | MYEFO | Budget | MYEFO |
| Expenses (\$m) | 173,117 | 175,484 | 178,959 | 181,975 |
| <i>Real growth on previous year (%)</i> | 1.3 | 1.5 | 0.9 | 1.2 |
| Per cent of GDP | 21.9 | 22.5 | 21.4 | 22.0 |
| Net capital investment (\$m) | -266 | -398 | -236 | -377 |
| <i>Real growth on previous year (%)</i> | -28.8 | -63.1 | -13.2 | -7.4 |
| Per cent of GDP | 0.0 | -0.1 | 0.0 | 0.0 |

Table 19: General government expenses by function

| | 2001-02 | | | 2002-03 | | | 2003-04 | | | 2004-05 | | |
|--|---------------|--------------|-----------------------------|---------------|--------------|-----------------------------|---------------|--------------|-----------------------------|---------------|--------------|-----------------------------|
| | 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 % |
| General public services | | | | | | | | | | | | |
| Legislative and executive affairs | 786 | 803 | 2 | 687 | 693 | 1 | 686 | 688 | 0 | 788 | 792 | 1 |
| Financial and fiscal affairs | 2,937 | 3,344 | 14 | 2,609 | 2,893 | 11 | 2,581 | 2,847 | 10 | 2,652 | 2,919 | 10 |
| Foreign economic aid | 1,996 | 2,028 | 2 | 2,118 | 2,088 | -1 | 2,102 | 2,074 | -1 | 2,132 | 2,104 | -1 |
| General research | 1,641 | 1,679 | 2 | 1,784 | 1,798 | 1 | 1,950 | 1,956 | 0 | 2,072 | 2,073 | 0 |
| General services | 531 | 625 | 18 | 530 | 595 | 12 | 539 | 582 | 8 | 537 | 589 | 10 |
| Government superannuation benefits | 1,558 | 1,915 | 23 | 1,488 | 1,933 | 30 | 1,553 | 1,960 | 26 | 1,505 | 1,875 | 25 |
| Defence | 12,212 | 12,747 | 4 | 13,072 | 13,211 | 1 | 13,725 | 13,889 | 1 | 14,407 | 14,602 | 1 |
| Public order and safety | 1,693 | 1,742 | 3 | 1,677 | 1,706 | 2 | 1,669 | 1,704 | 2 | 1,661 | 1,699 | 2 |
| Education | 11,474 | 11,729 | 2 | 12,076 | 12,334 | 2 | 12,694 | 13,027 | 3 | 13,215 | 13,614 | 3 |
| Health | 26,812 | 27,327 | 2 | 28,545 | 29,115 | 2 | 30,002 | 30,734 | 2 | 31,655 | 32,577 | 3 |
| Social security and welfare | 68,198 | 68,956 | 1 | 70,739 | 71,880 | 2 | 73,108 | 74,724 | 2 | 75,374 | 77,379 | 3 |
| Housing and community amenities | 1,934 | 2,030 | 5 | 1,766 | 1,774 | 0 | 1,681 | 1,711 | 2 | 1,598 | 1,620 | 1 |
| Recreation and culture | 1,957 | 2,098 | 7 | 1,892 | 1,995 | 5 | 1,973 | 2,058 | 4 | 1,956 | 2,051 | 5 |
| Fuel and energy | 2,987 | 2,986 | 0 | 3,066 | 3,063 | 0 | 3,128 | 3,125 | 0 | 3,166 | 3,164 | 0 |
| Agriculture, fisheries and forestry | 1,733 | 1,887 | 9 | 1,725 | 1,792 | 4 | 1,726 | 1,750 | 1 | 1,579 | 1,604 | 2 |
| Mining and mineral resources (other than fuels), manufacturing and construction | 1,062 | 1,007 | -5 | 1,054 | 1,059 | 0 | 1,058 | 1,056 | 0 | 995 | 986 | -1 |
| Transport and communication | 2,530 | 2,815 | 11 | 2,238 | 2,323 | 4 | 2,008 | 2,096 | 4 | 1,750 | 1,794 | 3 |
| Other economic affairs | | | | | | | | | | | | |
| Tourism and area promotion | 129 | 148 | 15 | 112 | 111 | -1 | 114 | 113 | -1 | 116 | 115 | -1 |
| Labour and employment affairs | 2,845 | 3,435 | 21 | 2,992 | 3,081 | 3 | 3,007 | 3,148 | 5 | 3,086 | 3,233 | 5 |
| Other economic affairs | 440 | 448 | 2 | 415 | 418 | 1 | 413 | 413 | 0 | 417 | 418 | 0 |

Table 19: General government expenses by function (continued)

| | 2001-02 | | | 2002-03 | | | 2003-04 | | | 2004-05 | | |
|--|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|----------------|----------------|-----------------------------|
| | 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 % |
| Other purposes | | | | | | | | | | | | |
| Public debt interest | 5,098 | 5,001 | -2 | 4,880 | 4,714 | -3 | 4,386 | 4,222 | -4 | 4,007 | 3,859 | -4 |
| Nominal superannuation interest | 4,287 | 4,847 | 13 | 4,454 | 4,486 | 1 | 4,609 | 4,641 | 1 | 4,594 | 4,675 | 2 |
| General purpose inter-govt transactions | 4,981 | 5,555 | 12 | 4,132 | 4,516 | 9 | 3,567 | 3,843 | 8 | 3,127 | 3,369 | 8 |
| Natural disaster relief | 101 | 101 | 0 | 81 | 81 | 0 | 81 | 81 | 0 | 81 | 81 | 0 |
| Contingency reserve(a) | 919 | -702 | -176 | 2,680 | 932 | -65 | 4,541 | 2,825 | -38 | 6,274 | 4,567 | -27 |
| Asset sales | 33 | 42 | 27 | 0 | 8 | 0 | 218 | 218 | 0 | 218 | 218 | 0 |
| Total expenses | 160,875 | 164,592 | 2 | 166,813 | 168,599 | 1 | 173,117 | 175,484 | 1 | 178,959 | 181,975 | 2 |

(a) Incorporates an \$850 million provision for estimated underspends in 2001-02.

CONTINGENCY RESERVE

The Contingency Reserve is an allowance, included in aggregate expenses figuring, to reflect anticipated events that cannot be assigned to individual programmes in the preparation of the Commonwealth 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 policy reserve.

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

The Contingency Reserve makes allowance in 2001-02 and the forward years for anticipated events, including the following:

- an allowance for the tendency for estimates of expenses for existing government policy to be revised upwards in the forward years;
- an allowance for the tendency for the estimates of administered expenses for some specific agencies or functions to be overstated in the budget year;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately;
- decisions made too late for inclusion against individual agency estimates; and
- 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.

Appendix A: Government Finance Statistics statements

The Commonwealth, States and Territories have an agreed framework – the *Accrual Uniform Presentation Framework* (UPF) – for the presentation of government financial information on a basis consistent with the ABS Government Finance Statistics (GFS) publication. This Appendix presents Commonwealth data on a GFS basis, as required by the UPF. An exception to this is the treatment of provisions for bad and doubtful debts. The draft ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) 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 Commonwealth assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

The statistical tables that are presented below include an operating statement, balance sheet and cash flow statement for the Commonwealth general government, public non-financial corporations (PNFC) and total non-financial public sectors.

The clear policy intent of the *Intergovernmental Agreement on Commonwealth-State Financial Arrangements* is that GST is collected by the Commonwealth, as an agent for the States and Territories, and appropriated to the States. As such, it is not shown as Commonwealth revenue in Part III and Appendices B and E. However, the tables in this Part are presented on an accrual UPF reporting basis, and show GST as revenue in and expenses out.

Consistent with Australian Bureau of Statistics (ABS) practice, transactions between the Commonwealth general government and PNFC sectors are included in the tables produced for these sectors, but are removed from the total non-financial sector tables as they are transactions internal to that sector.

Appendix D provides reconciliations between key GFS aggregates and their Australian Accounting Standard No. 31 (AAS31) counterparts.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table A1: Commonwealth general government operating statement

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| GFS revenue | | | | |
| Taxation revenue | 176,004 | 184,652 | 196,131 | 207,373 |
| Current grants and subsidies | 0 | 0 | 0 | 0 |
| Sales of goods and services | 3,106 | 3,114 | 3,140 | 3,169 |
| Interest income | 936 | 1,014 | 1,115 | 1,553 |
| Dividend income | 4,783 | 3,446 | 3,007 | 2,657 |
| Other | 3,459 | 3,201 | 3,136 | 3,116 |
| Total GFS revenue | 188,286 | 195,427 | 206,528 | 217,868 |
| GFS expenses | | | | |
| Gross operating expenses | | | | |
| Depreciation | 1,548 | 1,537 | 1,615 | 1,617 |
| Superannuation | 1,915 | 1,934 | 1,960 | 1,875 |
| Salaries and wages | 10,329 | 10,268 | 10,542 | 11,175 |
| Payment for supply of goods and services | 35,482 | 37,236 | 39,233 | 41,319 |
| Other operating expenses | 1,286 | 1,175 | 1,130 | 807 |
| <i>Total gross operating expenses</i> | <i>50,561</i> | <i>52,150</i> | <i>54,481</i> | <i>56,793</i> |
| Nominal superannuation interest expense | 4,847 | 4,486 | 4,641 | 4,675 |
| Other interest expenses | 5,397 | 5,110 | 4,625 | 4,259 |
| Other property expenses | 0 | 0 | 0 | 0 |
| Current transfers | | | | |
| Grant expenses | 60,782 | 62,726 | 65,005 | 67,216 |
| Subsidy expenses | 4,233 | 4,337 | 4,480 | 4,576 |
| Personal benefit payments in cash | 62,802 | 65,919 | 70,252 | 74,217 |
| Other current transfers | 0 | 0 | 0 | 0 |
| <i>Total current transfers</i> | <i>127,817</i> | <i>132,982</i> | <i>139,737</i> | <i>146,010</i> |
| Capital transfers | 3,400 | 3,040 | 2,830 | 2,840 |
| Total GFS expenses | 192,022 | 197,769 | 206,314 | 214,575 |
| Net operating balance | -3,736 | -2,342 | 214 | 3,293 |
| Net acquisition of non-financial assets | | | | |
| Gross fixed capital formation | 1,016 | 553 | 1,127 | 1,038 |
| <i>less</i> Depreciation | <i>1,548</i> | <i>1,537</i> | <i>1,615</i> | <i>1,617</i> |
| <i>plus</i> Change in inventories | <i>-12</i> | <i>54</i> | <i>364</i> | <i>313</i> |
| <i>plus</i> Other movements in non-financial assets | <i>-268</i> | <i>-122</i> | <i>-274</i> | <i>-111</i> |
| Total net acquisition of non-financial assets | -812 | -1,051 | -398 | -377 |
| Net lending/fiscal balance(a)(b) | -2,923 | -1,290 | 612 | 3,670 |

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

(b) The fiscal balance and net operating balance estimates for 2001-02 in this table are \$150 million greater than the 2001-02 fiscal balance and net operating balance estimates elsewhere in the MYEFO. This represents GST revenue accrued in 2001-02 but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

Table A2: Commonwealth general government sector balance sheet

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|--|----------------|----------------|----------------|----------------|
| GFS assets | | | | |
| Financial assets | | | | |
| Cash and deposits | 1,099 | 557 | 175 | 152 |
| Advances paid | 19,227 | 20,082 | 20,651 | 21,983 |
| Investments, loans and placements | 9,861 | 10,003 | 10,163 | 10,272 |
| Other non-equity assets | 10,521 | 9,696 | 9,721 | 9,816 |
| Equity | 51,427 | 51,326 | 38,923 | 26,546 |
| <i>Total financial assets</i> | <i>92,134</i> | <i>91,664</i> | <i>79,632</i> | <i>68,769</i> |
| Non-financial assets | | | | |
| Land | 4,061 | 3,819 | 3,675 | 3,548 |
| Buildings | 12,017 | 11,403 | 11,291 | 11,086 |
| Plant, equipment and infrastructure | 11,099 | 11,510 | 11,451 | 11,370 |
| Inventories | 3,479 | 3,533 | 3,897 | 4,210 |
| Other non-financial assets | 3,282 | 3,159 | 3,057 | 3,035 |
| <i>Total non-financial assets</i> | <i>33,938</i> | <i>33,423</i> | <i>33,371</i> | <i>33,249</i> |
| Total GFS assets | 126,072 | 125,088 | 113,003 | 102,018 |
| GFS liabilities | | | | |
| Deposits held | 293 | 293 | 293 | 293 |
| Advances received | 0 | 0 | 0 | 0 |
| Government securities | 51,420 | 51,113 | 38,480 | 23,362 |
| Loans | 13,700 | 13,185 | 12,146 | 11,964 |
| Other borrowing | 283 | 203 | 175 | 155 |
| Superannuation liability | 80,781 | 82,381 | 83,854 | 85,181 |
| Other employee entitlements and provisions | 6,473 | 6,559 | 6,621 | 6,574 |
| Other non-equity liabilities | 16,037 | 15,961 | 15,842 | 15,766 |
| Total GFS liabilities | 168,988 | 169,695 | 157,410 | 143,296 |
| Net worth(a)(b) | -42,916 | -44,607 | -44,407 | -41,278 |
| Net financial worth(c) | -76,854 | -78,031 | -77,778 | -74,527 |
| Net debt(d) | 35,510 | 34,152 | 20,105 | 3,368 |

(a) Net worth is calculated as assets minus liabilities.

(b) The net worth estimates in this table are \$214 million greater than the net worth estimates elsewhere in the MYEFO. This represents GST revenue accrued but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

(c) Net financial worth equals total financial assets minus total liabilities.

(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 A3: Commonwealth general government sector cash flow statement^(a)

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|---|-----------------|-----------------|-----------------|-----------------|
| Cash receipts from operating activities | | | | |
| Taxes received | 176,105 | 184,683 | 195,352 | 206,577 |
| Receipts from sales of goods and services | 2,865 | 2,974 | 3,024 | 3,000 |
| Grants/subsidies received | 0 | 0 | 0 | 0 |
| Interest receipts | 845 | 970 | 1,031 | 1,494 |
| Dividends | 4,783 | 3,446 | 3,007 | 2,657 |
| GST receipts related to purchases/sales | 0 | 0 | 0 | 0 |
| Other receipts | 3,171 | 2,847 | 2,766 | 2,726 |
| <i>Total receipts</i> | <i>187,769</i> | <i>194,920</i> | <i>205,180</i> | <i>216,455</i> |
| Cash payments for operating activities | | | | |
| Payments for goods and services | -34,878 | -37,110 | -39,211 | -41,288 |
| Grants and subsidies paid | -67,723 | -69,446 | -71,727 | -73,952 |
| Interest paid | -5,245 | -5,026 | -4,741 | -4,439 |
| Personal benefit payments | -62,417 | -65,761 | -70,113 | -74,751 |
| Salaries, wages and other entitlements | -14,956 | -14,991 | -15,642 | -16,477 |
| GST payments related to purchases/sales | 0 | 0 | 0 | 0 |
| Other payments for operating activities | -1,170 | -1,179 | -1,127 | -780 |
| <i>Total payments</i> | <i>-186,389</i> | <i>-193,514</i> | <i>-202,560</i> | <i>-211,686</i> |
| Cash flows from operating activities | 1,380 | 1,407 | 2,620 | 4,769 |
| Cash flows from investments in non-financial assets | | | | |
| Sales of non-financial assets | 1,073 | 1,498 | 851 | 722 |
| less purchases of new and secondhand non-financial assets | -2,021 | -1,964 | -1,699 | -1,635 |
| Net cash flows from investments in non-financial assets | -949 | -466 | -847 | -913 |
| Net cash flows from investments in financial assets for policy purposes | 3,055 | -1,152 | 10,857 | 10,711 |
| Cash flows from investments in financial assets for liquidity purposes | | | | |
| Increase in investments | -326 | -117 | -378 | -293 |
| Net cash flows from investments in financial assets for liquidity purposes | -326 | -117 | -378 | -293 |
| Cash flows from financing activities | | | | |
| Advances received (net) | 0 | 0 | 0 | 0 |
| Borrowing (net) | -2,495 | -348 | -12,677 | -15,117 |
| Deposits received (net) | 0 | 0 | 0 | 0 |
| Other financing (net) | -670 | 133 | 43 | 820 |
| Net cash flows from financing activities | -3,165 | -215 | -12,634 | -14,297 |
| Net increase/decrease in cash held | -5 | -542 | -382 | -23 |
| Net cash from operating activities and investments in non-financial assets | 431 | 941 | 1,772 | 3,856 |
| <i>plus Finance leases and similar arrangements(b)</i> | <i>71</i> | <i>50</i> | <i>3</i> | <i>0</i> |
| Equals Surplus(+)/Deficit(-) | 502 | 991 | 1,776 | 3,856 |

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

(b) The acquisition of assets under finance leases reduces the surplus/deficit.

Table A4: Commonwealth public non-financial corporations operating statement

| | 2001-02 \$m |
|--|----------------|
| GFS revenue | |
| Current grants and subsidies | 228 |
| Sales of goods and services | 27,082 |
| Interest income | 169 |
| Other | 19 |
| Total GFS revenue | 27,499 |
| GFS expenses | |
| Gross operating expenses | |
| Depreciation | 3,879 |
| Other operating expenses | 14,121 |
| <i>Total gross operating expenses</i> | <i>18,000</i> |
| Interest expenses | 1,221 |
| Other property expenses | 1,413 |
| Current transfers | |
| Tax expenses | 1,988 |
| Other current transfers | 0 |
| <i>Total current transfers</i> | <i>1,988</i> |
| Capital transfers | 0 |
| Total GFS expenses | 22,622 |
| Net operating balance | 4,877 |
| Net acquisition of non-financial assets | |
| Gross fixed capital formation | 4,747 |
| <i>less</i> Depreciation | <i>3,879</i> |
| <i>plus</i> Change in inventories | <i>2</i> |
| <i>equals Total net capital formation</i> | <i>870</i> |
| <i>plus</i> Other movements in non-financial assets | <i>-262</i> |
| Total net acquisition of non-financial assets | 608 |
| Net lending/fiscal balance(a) | 4,269 |

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

Table A5: Commonwealth public non-financial corporations balance sheet

| | 2001-02 \$m |
|--|----------------|
| GFS assets | |
| Financial assets | |
| Cash and deposits | 1,931 |
| Advances paid | 0 |
| Investments, loans and placements | 3,191 |
| Other non-equity assets | 3,895 |
| Equity | 0 |
| <i>Total financial assets</i> | <i>9,016</i> |
| Non-financial assets | |
| Land and fixed assets | 31,270 |
| Other non-financial assets | 2,459 |
| <i>Total non-financial assets</i> | <i>33,729</i> |
| Total GFS assets | 42,745 |
| GFS liabilities | |
| Deposits held | 0 |
| Advances received | 56 |
| Borrowing | 14,039 |
| Provisions (other than depreciation and bad debts) | 6,612 |
| Other non-equity liabilities | 5,261 |
| Total GFS liabilities | 25,969 |
| Shares and other contributed capital | 75,774 |
| Net worth(a) | -58,997 |
| Net financial assets(b) | -92,726 |
| Net debt(c) | 8,974 |

(a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

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

Table A6: Commonwealth public non-financial corporations cash flow statement^(a)

| | 2001-02 \$m |
|---|----------------|
| Cash receipts from operating activities | |
| Receipts from sales of goods and services | 27,282 |
| Grants and subsidies received | 228 |
| Other receipts | 172 |
| <i>Total receipts</i> | 27,684 |
| Cash payments for operating activities | |
| Payment for goods and services | -1,210 |
| Interest paid | -16,362 |
| Other payments for operating activities(b) | -3,851 |
| <i>Total payments</i> | -21,423 |
| Net cash flows from operating activities | 6,261 |
| Cash flows from investments in non-financial assets | |
| Sales of non-financial assets | 204 |
| <i>less purchases of new and secondhand non-financial assets</i> | -4,951 |
| Net cash flows from investments in non-financial assets | -4,747 |
| Net cash flows from investments in financial assets for policy purposes | 0 |
| Cash flows from investments in financial assets for liquidity purposes | |
| Increase in investments | -20 |
| Net cash flows from investments in financial assets for liquidity purposes | -20 |
| Cash flows from financing activities | |
| Advances received (net) | -70 |
| Borrowing (net) | 24 |
| Deposits received (net) | 0 |
| Distributions paid (net)(c) | -1,413 |
| Other financing (net) | -16 |
| Net cash flows from financing activities | -1,475 |
| Net increase/decrease in cash held | 17 |
| Net cash from operating activities and investments in non-financial assets | 1,512 |
| <i>plus</i> Finance leases and similar arrangements(d) | 0 |
| <i>plus</i> Distributions paid | -1,413 |
| Equals Surplus(+)/Deficit(-) | 99 |

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

(b) 'Other payments for operating activities' includes the cash flow to the general government sector from PNFC distributions paid.

(c) 'Distributions paid' comprise PNFC dividends to external shareholders.

(d) The acquisition of assets under finance leases reduces the surplus/deficit.

Table A7: Commonwealth total non-financial public sector operating statement

| | 2001-02 \$m |
|---|----------------|
| GFS revenue | |
| Taxation revenue | 174,016 |
| Current grants and subsidies | 0 |
| Sales of goods and services | 30,188 |
| Interest income | 1,049 |
| Dividend Income | 2,875 |
| Other | 3,478 |
| Total GFS revenue | 211,605 |
| GFS expenses | |
| Gross operating expenses | |
| Depreciation | 5,428 |
| Superannuation | 1,918 |
| Salaries and wages | 10,329 |
| Payment for supply of goods and services | 35,482 |
| Other operating expenses | 13,495 |
| <i>Total gross operating expenses</i> | <i>66,652</i> |
| Nominal superannuation interest expense | 4,847 |
| Other interest expenses | 6,563 |
| Other property expenses | 1,413 |
| Current transfers | |
| Grant expenses | 60,782 |
| Subsidy expenses | 4,005 |
| Personal benefit payments in cash | 62,802 |
| Other current transfers | 0 |
| <i>Total current transfers</i> | <i>127,589</i> |
| Capital transfers | 3,400 |
| Total GFS expenses | 210,464 |
| Net operating balance | 1,141 |
| Net acquisition of non-financial assets | |
| Gross fixed capital formation | 5,764 |
| <i>less</i> Depreciation | <i>5,428</i> |
| <i>plus</i> Change in inventories | <i>-10</i> |
| <i>plus</i> Other movements in non-financial assets | <i>-531</i> |
| Total increase in net non-financial assets | -205 |
| Net lending/fiscal balance(a)(b) | 1,346 |

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. The term 'fiscal balance' is not used by the ABS.

(b) The fiscal balance and net operating balance estimates for 2001-02 in this table are \$150 million greater than the fiscal balance and net operating balance 2001-02 estimates in Appendix E. This represents GST revenue accrued in 2001-02 but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

Table A8: Commonwealth total non-financial public sector balance sheet

| | 2001-02 \$m |
|---|-----------------|
| GFS assets | |
| Financial assets | |
| Cash and deposits | 3,030 |
| Advances paid | 19,297 |
| Investments, loans and placements | 13,051 |
| Other non-equity assets | 14,416 |
| Equity | 12,571 |
| <i>Total financial assets</i> | <i>62,365</i> |
| Non-financial assets | |
| Land | 4,061 |
| Buildings | 12,017 |
| Plant, equipment and infrastructure | 42,369 |
| Inventories | 3,479 |
| Other non-financial assets | 5,741 |
| <i>Total non-financial assets</i> | <i>67,667</i> |
| Total GFS assets | 130,032 |
| GFS liabilities | |
| Deposits held | 293 |
| Advances received | 126 |
| Government securities | 51,420 |
| Loans | 13,700 |
| Other borrowing | 14,322 |
| Superannuation liability | 80,781 |
| Other employee entitlements and provisions | 13,085 |
| Other non-equity liabilities | 21,298 |
| Total GFS liabilities | 195,026 |
| Shares and other contributed capital | 36,917 |
| Net worth(a)(b) | -101,912 |
| Net financial worth(c) | -169,579 |
| Net debt(d) | 44,483 |

(a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(b) The net worth estimates in this table are \$214 million greater than the net worth estimates in Appendix E. This represents GST revenue accrued but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

(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 A9: Commonwealth total non-financial public sector cash flow statement^(a)

| | 2001-02 \$m |
|---|-----------------|
| Cash receipts from operating activities | |
| Taxes received | 174,117 |
| Receipts from sales of goods and services | 30,148 |
| Grants and subsidies received | 0 |
| Interest receipts | 845 |
| Dividends | 2,875 |
| GST receipts related to purchases/sales | 0 |
| Other receipts | 3,287 |
| Total receipts | 211,272 |
| Cash payments for operating activities | |
| Payments for goods and services | -51,240 |
| Grants and subsidies paid | -67,495 |
| Interest paid | -6,400 |
| Personal benefit payments | -62,417 |
| Salaries, wages and other entitlements | -14,956 |
| GST payments related to purchases/sales | 0 |
| Other payments for operating activities | -1,125 |
| Total payments | -203,632 |
| Net cash flows from operating activities | 7,640 |
| Cash flows from investments in non-financial assets | |
| Sales of non-financial assets | 1,276 |
| Less Purchases of new and secondhand non-financial assets | -6,972 |
| Net cash flows from investments in non-financial assets | -5,696 |
| Net cash flows from investments in financial assets for policy purposes | 2,985 |
| Cash flows from investments in financial assets for liquidity purposes | |
| Increase in investments | -346 |
| Net cash flows from investments in financial assets for liquidity purposes | -346 |
| Cash flows from financing activities | |
| Advances received (net) | 0 |
| Borrowing (net) | -2,471 |
| Deposits received (net) | 0 |
| Distributions paid (net)(b) | -1,413 |
| Other financing (net) | -686 |
| Net cash flows from financing activities | -4,570 |
| Net increase/decrease in cash held | 12 |
| Net cash from operating activities and investments in non-financial assets | 1,944 |
| plus Finance leases and similar arrangements(c) | 71 |
| plus Distributions paid | -1,413 |
| Equals surplus(+)/deficit(-) | 602 |

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

(b) 'Distributions paid' comprise PNFC dividends to external shareholders.

(c) The acquisition of assets under finance leases reduces the surplus/deficit.

LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Commonwealth and each State and Territory nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector cash deficit (made up from the general government and public non-financial corporations sectors deficits);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items. These transactions, though not formally borrowings, have many of the characteristics of borrowing.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as the macroeconomic implications of aggregate figure.

In March 2001 the Commonwealth nominated, and the Loan Council endorsed, an LCA surplus for 2001-02 of \$12.6 billion. In the 2001-02 Budget the Commonwealth estimated a LCA surplus of \$7.8 billion. Table A10 presents a revised estimate for the Commonwealth's 2001-02 LCA of a \$3.8 billion surplus.

Table A10: Commonwealth Loan Council Allocation for 2001-02

| | Budget Estimate | MYEFO Estimate |
|--|-----------------|----------------|
| | \$m | \$m |
| General government sector cash deficit(+)/surplus(-) | -1,520 | -502 |
| PNFC sector cash deficit(+)/surplus(-) | -3,710 | -99 |
| Non-financial public sector cash deficit(+)/surplus(-) | -5,231 | -602 |
| <i>minus</i> Net cash flows from investments | | |
| in financial assets for policy purposes(a) | 3,124 | 2,985 |
| <i>plus</i> Memorandum items(b) | 586 | -190 |
| Loan Council Allocation | -7,768 | -3,777 |

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(b) For the Commonwealth, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million), university borrowings, overfunding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the LCA.

Appendix B: AAS31 *Financial Reporting by Government statements*

This appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31), except where departures from the standard are identified in Note 1.

Table B1: Statement of revenue and expenses for the Commonwealth general government sector — AAS31

| | | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|------|----------------|----------------|----------------|----------------|
| | | \$m | \$m | \$m | \$m |
| | Note | Estimates | | Projections | |
| Revenues | | | | | |
| Taxation | | | | | |
| Income tax | 3 | 118,885 | 125,105 | 134,075 | 142,600 |
| Indirect tax | 4 | 24,472 | 25,060 | 25,775 | 26,584 |
| Fringe Benefits Tax | | 3,440 | 3,560 | 3,680 | 3,810 |
| Other taxes | | 1,378 | 1,418 | 1,442 | 1,450 |
| Total taxation revenue | | 148,175 | 155,143 | 164,971 | 174,443 |
| Non-taxation | | | | | |
| Sales of goods and services | | 2,924 | 2,927 | 2,949 | 2,975 |
| Interest and dividends | 5 | 8,270 | 6,985 | 6,457 | 6,473 |
| Net foreign exchange gains | | 0 | 0 | 0 | 0 |
| Net gains from sales of assets | | 2,689 | -18 | 10,102 | 9,989 |
| Other sources of non-tax revenue | 6 | 3,693 | 3,433 | 3,370 | 3,355 |
| Total non-tax revenue | | 17,575 | 13,326 | 22,878 | 22,792 |
| Total revenue | | 165,750 | 168,469 | 187,849 | 197,235 |
| Expenses | | | | | |
| Goods and services | | | | | |
| Employees | 7 | 18,377 | 17,864 | 18,273 | 18,532 |
| Suppliers | 8 | 13,863 | 13,142 | 13,176 | 13,510 |
| Depreciation and amortisation | 9 | 3,529 | 3,718 | 3,927 | 3,986 |
| Net write down of assets | | 3,901 | 1,204 | 1,218 | 1,252 |
| Net foreign exchange losses | | 111 | 3 | 0 | 0 |
| Net losses from the sale of assets | | 4 | 2 | 2 | 0 |
| Other goods and services expenses | | 5,759 | 6,006 | 6,368 | 6,690 |
| Total goods and services | | 45,542 | 41,939 | 42,963 | 43,970 |
| Subsidies benefits and grants | | | | | |
| Personal benefits | | 73,375 | 77,692 | 82,763 | 87,583 |
| Subsidies | | 7,501 | 7,842 | 8,236 | 8,669 |
| Grants | 10 | 35,806 | 35,299 | 35,668 | 36,667 |
| Total subsidies benefits and grants | | 116,682 | 120,833 | 126,667 | 132,919 |
| Interest and other financing costs | | | | | |
| Interest | | 7,352 | 6,785 | 6,178 | 5,766 |
| Other financing costs | | 36 | 25 | 20 | 19 |
| Total interest and other financing costs | | 7,388 | 6,810 | 6,198 | 5,784 |
| Total expenses | | 169,613 | 169,582 | 175,829 | 182,674 |
| Operating result | | -3,862 | -1,113 | 12,021 | 14,561 |
| Extraordinary items | | 0 | 0 | 0 | 0 |
| Operating result after extraordinary items | | -3,862 | -1,113 | 12,021 | 14,561 |

Table B2: Balance sheet for the Commonwealth general government sector — AAS31

| | Note | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
| | | \$m | \$m | \$m | \$m |
| | | Estimates | | Projections | |
| Assets | | | | | |
| Financial assets | | | | | |
| Cash | | 1,099 | 557 | 175 | 152 |
| Receivables | | 25,364 | 25,397 | 25,956 | 26,831 |
| Investments | 11 | 27,798 | 27,829 | 26,324 | 24,738 |
| Accrued revenue | | 557 | 539 | 520 | 531 |
| Other financial assets | | 16 | 28 | 28 | 28 |
| Total financial assets | | 54,834 | 54,350 | 53,003 | 52,280 |
| Non-financial assets | | | | | |
| Land and buildings | 12 | 16,129 | 15,302 | 15,079 | 14,785 |
| Infrastructure | | 42,298 | 43,422 | 44,563 | 45,802 |
| Intangibles | | 1,316 | 1,325 | 1,279 | 1,271 |
| Inventories | | 3,479 | 3,533 | 3,897 | 4,210 |
| Other non-financial assets | | 1,394 | 1,266 | 1,229 | 1,205 |
| Total non-financial assets | | 64,616 | 64,849 | 66,047 | 67,273 |
| Total assets | | 119,450 | 119,199 | 119,050 | 119,552 |
| Liabilities | | | | | |
| Debt | | | | | |
| Government securities | 11 | 51,420 | 51,113 | 38,480 | 23,362 |
| Loans | | 6,574 | 6,533 | 6,489 | 6,490 |
| Leases | | 269 | 191 | 163 | 145 |
| Deposits | | 293 | 293 | 293 | 293 |
| Overdrafts | | 0 | 0 | 0 | 0 |
| Other debt | | 4,173 | 3,529 | 2,586 | 2,349 |
| Total debt | | 62,729 | 61,660 | 48,012 | 32,639 |
| Provisions and payables | | | | | |
| Employees | 13 | 87,254 | 88,940 | 90,474 | 91,755 |
| Suppliers | | 2,020 | 1,837 | 1,696 | 1,563 |
| Personal benefits payable | | 2,899 | 3,060 | 3,222 | 2,727 |
| Subsidies payable | | 231 | 198 | 164 | 137 |
| Grants payable | 14 | 8,603 | 8,580 | 8,489 | 9,075 |
| Other provisions and payables | | 5,984 | 6,153 | 6,085 | 6,132 |
| Total provisions and payables | | 106,992 | 108,768 | 110,130 | 111,389 |
| Total liabilities | | 169,720 | 170,428 | 158,142 | 144,028 |
| Net assets | 15 | -50,270 | -51,229 | -39,092 | -24,476 |
| Equity | | | | | |
| Accumulated results | | -84,497 | -85,609 | -71,938 | -55,724 |
| Reserves | | 34,227 | 34,380 | 32,846 | 31,248 |
| Capital | | 0 | 0 | 0 | 0 |
| Total equity | | -50,270 | -51,229 | -39,092 | -24,476 |

Table B3: Statement of cash flows for the Commonwealth general government sector — AAS31

| | | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|------|----------------|----------------|----------------|----------------|
| | | \$m | \$m | \$m | \$m |
| | Note | Estimates | | Projections | |
| Operating activities | | | | | |
| Cash received | | | | | |
| Taxes | 16 | 148,662 | 155,468 | 164,475 | 173,932 |
| Sales of goods and services | | 2,919 | 3,028 | 3,079 | 3,054 |
| Interest | | 3,378 | 3,517 | 3,426 | 3,769 |
| Dividends | | 4,783 | 3,446 | 3,007 | 2,657 |
| GST input credit receipts | | 1,842 | 1,848 | 1,836 | 1,837 |
| Other | | 3,261 | 2,937 | 2,856 | 2,816 |
| Total operating cash received | | 164,844 | 170,244 | 178,679 | 188,066 |
| Cash used | | | | | |
| Payments to employees | | 16,289 | 16,178 | 16,739 | 17,251 |
| Payments to suppliers | | 15,129 | 14,861 | 14,986 | 15,313 |
| Subsidies paid | | 7,540 | 7,875 | 8,271 | 8,696 |
| Personal benefits | | 72,990 | 77,534 | 82,624 | 88,117 |
| Grant payments | | 35,467 | 35,322 | 35,759 | 36,081 |
| Interest and other financing costs | | 7,272 | 6,643 | 6,250 | 5,731 |
| GST payments to taxation authority | | 102 | 102 | 102 | 102 |
| Other | | 5,596 | 5,997 | 6,397 | 6,696 |
| Total operating cash used | | 160,385 | 164,512 | 171,128 | 177,987 |
| Net cash from operating activities | | 4,460 | 5,732 | 7,551 | 10,080 |
| Investing activities | | | | | |
| Cash received | | | | | |
| Proceeds from asset sales programme | | 3,336 | 32 | 11,737 | 11,737 |
| Proceeds from sales of property, plant and equipment and intangibles | | 1,073 | 1,498 | 851 | 722 |
| Net loans, advances and HECS | | 0 | 0 | 0 | 0 |
| Other net investing cash received | | 143 | 12 | 0 | 0 |
| Total investing cash received | | 4,552 | 1,542 | 12,588 | 12,459 |
| Cash used | | | | | |
| Purchase of property, plant and equipment and intangibles | | 4,968 | 5,712 | 5,881 | 6,082 |
| Net loans, advances and HECS | | 35 | 956 | 651 | 815 |
| Other net investing cash paid | 11 | 469 | 129 | 378 | 293 |
| Total investing cash used | | 5,472 | 6,797 | 6,910 | 7,189 |
| Net cash from investing activities | | -920 | -5,255 | 5,678 | 5,270 |
| Financing activities | | | | | |
| Cash received | | | | | |
| Net cash received from currency issues | | 0 | 0 | 0 | 0 |
| Other | | 0 | 0 | 0 | 0 |
| Total financing cash received | | 0 | 0 | 0 | 0 |
| Cash used | | | | | |
| Net repayments of borrowings | 11 | 2,495 | 348 | 12,677 | 15,117 |
| Other | | 1,050 | 671 | 934 | 256 |
| Total financing cash used | | 3,545 | 1,019 | 13,611 | 15,373 |
| Net cash from financing activities | | -3,545 | -1,019 | -13,611 | -15,373 |
| Net increase/decrease in cash held | | -5 | -542 | -382 | -23 |

NOTES TO THE AAS31 FINANCIAL STATEMENTS

Note 1: External reporting standards

The *Charter of Budget Honesty Act 1998* requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The financial statements included in this appendix have been prepared on an accrual basis in accordance with applicable Australian accounting standards, including *Australian Accounting Standard No. 31 'Financial Reporting by Governments'* (AAS31). AAS31 is the relevant accounting standard for financial reporting by governments.

AAS31 requires adoption of the full accrual basis of accounting. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, an operating statement, a balance sheet and a statement of cash flows have been prepared using estimates for the budget year and the three forward years.

The accounting policies in this budget document are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Commonwealth public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the budget presentation of financial estimates covers the general government sector only.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. At this stage, the Commonwealth does not consider its taxation revenues can be reliably measured on this basis for budget reporting purposes. Taxation revenue is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office (ATO) or the Australian Customs Service (ACS) raises a tax assessment.

In regard to GST revenue, AAS31 and other relevant accounting standards would suggest the gross amount of GST be included in the Commonwealth's Financial Statements. However, the clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) is that the GST is a State tax collected by the Commonwealth in an agency capacity. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the MYEFO financial statements.

In addition, non-accounting standard classifications have been used in different sections of the budget. 'Outcomes' is a Commonwealth classification framework that indicates the results, impacts or consequences of agencies' activities. Functional

classifications used in some tables are based on standards maintained by the ABS, but have been extended in some cases to provide greater detail.

Note 2: Reconciliation of cash

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Operating result (revenues less expenses) | -3,862 | -1,113 | 12,021 | 14,561 |
| less Revenues not providing cash | | | | |
| Foreign exchange gains | 0 | 0 | 0 | 0 |
| Gains from asset sales programme | 2,536 | -49 | 9,841 | 9,868 |
| Gains from sale of assets | 152 | 30 | 261 | 121 |
| Other | 290 | 222 | 239 | 259 |
| Total revenues not providing cash | 2,979 | 203 | 10,341 | 10,248 |
| plus Expenses not requiring cash | | | | |
| Increase/(Decrease) in employee entitlements | 2,089 | 1,686 | 1,534 | 1,281 |
| Depreciation/amortisation expense | 3,529 | 3,718 | 3,927 | 3,986 |
| Provision for bad and doubtful debts | 314 | 323 | 321 | 317 |
| Provision for diminution in value of assets | 2,647 | 129 | 125 | 160 |
| Losses from asset sales programme | 0 | 0 | 0 | 0 |
| Losses from sale of assets | 4 | 2 | 1 | 0 |
| Foreign exchange losses | 111 | 3 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total expenses not requiring cash | 8,692 | 5,860 | 5,909 | 5,744 |
| plus Cash provided by working capital items | | | | |
| Decrease in inventories | 272 | 298 | 156 | 161 |
| Decrease in receivables | 1,003 | 787 | 0 | 0 |
| Decrease in other financial assets | 0 | 6 | 18 | 0 |
| Decrease in other non-financial assets | 151 | 7 | 0 | 3 |
| Increase in benefits subsidies and grants payable | 781 | 162 | 162 | 587 |
| Increase in suppliers liabilities | 323 | 0 | 0 | 0 |
| Increase in other provisions and payables | 138 | 169 | 0 | 47 |
| Total cash provided by working capital items | 2,667 | 1,427 | 336 | 798 |
| less Cash used by working capital items | | | | |
| Increase in inventories | 0 | 0 | 0 | 0 |
| Increase in receivables | 0 | 0 | 33 | 109 |
| Increase in other financial assets | 20 | 0 | 0 | 11 |
| Increase in other non-financial assets | 0 | 0 | 7 | 0 |
| Decrease in benefits subsidies and grants payable | 39 | 56 | 125 | 522 |
| Decrease in other provisions and payables | 0 | 0 | 68 | 0 |
| Decrease in suppliers liabilities | 0 | 183 | 141 | 134 |
| Total cash used by working capital items | 59 | 239 | 374 | 775 |
| equals <i>Net cash from/(to) operating activities</i> | 4,460 | 5,732 | 7,551 | 10,080 |
| <i>Net cash from/(to) investing activities</i> | -920 | -5,255 | 5,678 | 5,270 |
| Net cash from operating activities and investment | 3,540 | 477 | 13,229 | 15,349 |
| <i>Net cash from/(to) financing activities</i> | -3,545 | -1,019 | -13,611 | -15,373 |
| equals Net (decrease)/increase in cash | -5 | -542 | -382 | -23 |

Note 3: Income tax — accrual AAS31

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|-----------------------------|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Individuals | | | | |
| Gross PAYG withholding | 79,000 | 84,920 | 91,500 | 98,120 |
| Gross other individuals | 15,510 | 15,440 | 17,250 | 18,350 |
| <i>less</i> Refunds | 10,700 | 11,090 | 11,870 | 13,040 |
| Total individuals | 83,810 | 89,270 | 96,880 | 103,430 |
| Companies | 27,085 | 27,965 | 29,540 | 31,385 |
| Superannuation funds | 4,560 | 4,860 | 5,245 | 5,535 |
| Other withholding tax | 1,980 | 1,530 | 1,310 | 1,330 |
| Petroleum resource rent tax | 1,450 | 1,480 | 1,100 | 920 |
| Total income tax | 118,885 | 125,105 | 134,075 | 142,600 |

Note 4: Indirect tax — accrual AAS31

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Excise duty | | | | |
| Petroleum products | 12,590 | 12,730 | 12,870 | 13,090 |
| Other excise | 6,460 | 6,510 | 6,605 | 6,690 |
| Total excise duty | 19,050 | 19,240 | 19,475 | 19,780 |
| Customs duty | 4,682 | 4,967 | 5,422 | 5,902 |
| Other indirect taxes | 740 | 853 | 878 | 902 |
| GST | 27,580 | 29,170 | 30,830 | 32,600 |
| <i>Less</i> transfers to States and Territories in relation to GST revenue | 27,580 | 29,170 | 30,830 | 32,600 |
| GST revenue | 0 | 0 | 0 | 0 |
| Mirror taxes | 207 | 216 | 227 | 238 |
| <i>Less</i> transfers to States and Territories in relation to mirror tax revenue | 207 | 216 | 227 | 238 |
| Mirror tax revenue | 0 | 0 | 0 | 0 |
| Indirect tax revenue | 24,472 | 25,060 | 25,775 | 26,584 |

Note 5: Interest and dividends

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|--------------|--------------|--------------|--------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Interest | | | | |
| Interest from other governments | | | | |
| State and Territory debt | 59 | 52 | 39 | 29 |
| Housing agreements | 185 | 181 | 178 | 174 |
| Total interest from other governments | 243 | 233 | 216 | 203 |
| Interest from other sources | | | | |
| Swap interest | 2,551 | 2,525 | 2,336 | 2,263 |
| Advances | 49 | 53 | 53 | 53 |
| Deposits | 10 | 10 | 10 | 10 |
| Bills receivable | 6 | 6 | 6 | 6 |
| Bank deposits | 158 | 164 | 165 | 170 |
| Other | 470 | 549 | 665 | 1,111 |
| Total interest from other sources | 3,244 | 3,306 | 3,234 | 3,613 |
| Total interest | 3,487 | 3,539 | 3,451 | 3,816 |
| Dividends | | | | |
| Dividends from associated entities | 4,647 | 3,409 | 2,967 | 2,612 |
| Other dividends | 136 | 37 | 40 | 45 |
| Total dividends | 4,783 | 3,446 | 3,007 | 2,657 |
| Total interest and dividends | 8,270 | 6,985 | 6,457 | 6,473 |

Note 6: Other sources of non-taxation revenue

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|--------------|--------------|--------------|--------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Industry contributions | 47 | 41 | 40 | 41 |
| Indexation of HECS receivable and other student loans | 282 | 222 | 239 | 259 |
| International Monetary Fund related revenue | 69 | 69 | 69 | 69 |
| Other | 3,295 | 3,102 | 3,022 | 2,987 |
| Total other sources of non-taxation revenue | 3,693 | 3,433 | 3,370 | 3,355 |

Note 7: Employees expenses

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|----------------------------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Salaries and wages(a) | 10,329 | 10,268 | 10,542 | 11,175 |
| Leave and other entitlements | 362 | 346 | 355 | 364 |
| Separations and redundancies | 32 | 26 | 25 | 27 |
| Workers' compensation premiums | 0 | 0 | 0 | 0 |
| Other (including superannuation) | 7,655 | 7,224 | 7,351 | 6,966 |
| Total employee expenses | 18,377 | 17,864 | 18,273 | 18,532 |

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------------------------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Supply of goods and services | 11,897 | 11,299 | 11,359 | 11,685 |
| Operating lease rental expenses | 966 | 981 | 977 | 964 |
| Other | 1,000 | 862 | 839 | 861 |
| Total suppliers | 13,863 | 13,142 | 13,176 | 13,510 |

Note 9: Depreciation and amortisation

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|--------------|--------------|--------------|--------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Depreciation | | | | |
| Specialist military equipment | 1,980 | 2,182 | 2,312 | 2,370 |
| Buildings | 471 | 460 | 469 | 461 |
| Other infrastructure, plant and equipment | 844 | 785 | 819 | 824 |
| Total depreciation | 3,295 | 3,426 | 3,600 | 3,656 |
| Total amortisation | 234 | 292 | 327 | 331 |
| Total depreciation and amortisation | 3,529 | 3,718 | 3,927 | 3,986 |

Note 10: Grants

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------------------------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| State and Territory governments | 24,287 | 23,735 | 23,884 | 24,388 |
| Non-profit organisations | 1,079 | 1,112 | 1,152 | 1,168 |
| Overseas | 603 | 328 | 240 | 816 |
| Private sector | 964 | 816 | 837 | 775 |
| Local governments | 543 | 424 | 428 | 282 |
| Other | 8,329 | 8,883 | 9,126 | 9,239 |
| Total grants | 35,806 | 35,299 | 35,668 | 36,667 |

Note 11: Government securities

For 2001-02 and the forward years, transactions relating to government securities and financial assets acquired for debt management purposes have been netted in the balance sheet and cash flows. In the balance sheet, the *financial assets – investments* category excludes financial assets acquired for debt management purposes, while the *debt – government securities* category is shown net of financial assets acquired for debt management purposes. Likewise, in the statement of cash flows, the *investing activities – cash used – other* category excludes cash used to acquire financial assets for debt management purposes.

This netting treatment has been applied because of the considerable uncertainty associated with the split between government securities and financial assets acquired for debt management purposes. Debt management strategies in respect of government securities and financial assets are highly dependent on prevailing market conditions and other factors. The balance to be struck between gross debt retirement and financial asset acquisition cannot be accurately estimated in advance.

Note 12: Total non-financial assets

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Land and buildings | | | | |
| Land | 4,061 | 3,819 | 3,675 | 3,548 |
| Buildings | 12,068 | 11,483 | 11,404 | 11,237 |
| Total land and buildings | 16,129 | 15,302 | 15,079 | 14,785 |
| Infrastructure | | | | |
| Specialist military equipment | 31,189 | 31,896 | 33,088 | 34,400 |
| Other | 11,110 | 11,526 | 11,474 | 11,401 |
| Total infrastructure | 42,298 | 43,422 | 44,563 | 45,802 |
| Intangibles | | | | |
| Computer software | 1,053 | 1,064 | 1,041 | 1,054 |
| Other | 263 | 261 | 238 | 217 |
| Total intangibles | 1,316 | 1,325 | 1,279 | 1,271 |
| Inventories | 3,479 | 3,533 | 3,897 | 4,210 |
| Total inventories | 3,479 | 3,533 | 3,897 | 4,210 |
| Other non-financial assets | | | | |
| Prepayments | 1,168 | 1,162 | 1,169 | 1,166 |
| Other | 226 | 104 | 60 | 38 |
| Total other non-financial assets | 1,394 | 1,266 | 1,229 | 1,205 |
| Total non-financial assets | 64,616 | 64,849 | 66,047 | 67,273 |

Note 13: Employee liabilities

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|------------------------------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Superannuation | 80,781 | 82,381 | 83,854 | 85,181 |
| Leave and other entitlements | 3,164 | 3,181 | 3,193 | 3,216 |
| Accrued salaries and wages | 264 | 284 | 281 | 224 |
| Workers compensation claims | 1,214 | 1,181 | 1,146 | 1,112 |
| Separations and redundancies | 27 | 27 | 27 | 27 |
| Workers compensation premiums | 1,263 | 1,346 | 1,434 | 1,528 |
| Other | 541 | 540 | 539 | 467 |
| Total employee entitlements | 87,254 | 88,940 | 90,474 | 91,755 |

Note 14: Grants payable

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------------------------------|--------------|--------------|--------------|--------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| State and Territory governments | 3,377 | 3,536 | 3,794 | 4,028 |
| Non-profit organisations | 4 | 4 | 4 | 4 |
| Private sector | 12 | 9 | 11 | 9 |
| Overseas | 1,246 | 1,078 | 824 | 1,159 |
| Local governments | 1 | 1 | 1 | 1 |
| Other | 3,962 | 3,951 | 3,854 | 3,874 |
| Total grants payable | 8,603 | 8,580 | 8,489 | 9,075 |

Note 15: Net asset movements

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Opening net assets | -46,305 | -50,270 | -51,229 | -39,092 |
| Operating result after extraordinary items | -3,862 | -1,113 | 12,021 | 14,561 |
| Asset revaluation reserve | 108 | 155 | 116 | 55 |
| Other movements | -211 | -1 | -1 | 0 |
| Closing net assets | -50,270 | -51,229 | -39,092 | -24,476 |

Note 16: Taxes — cash AAS31

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| | Estimates | | Projections | |
| Total taxes | 176,907 | 184,853 | 195,532 | 206,770 |
| less payments to States and Territories in relation to GST revenue | 27,430 | 29,170 | 30,830 | 32,600 |
| less payments to States and Territories in relation to mirror tax revenue | 815 | 216 | 227 | 238 |
| Taxes | 148,662 | 155,468 | 164,475 | 173,932 |

Appendix C: Sensitivity of fiscal aggregates to economic developments and statement of risks

Sensitivity of fiscal aggregates to economic developments

Table C1 provides a guide to the sensitivity of the forward estimates of GFS expenses and GFS revenue to variations in economic parameters in 2001-02. 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. It is important to recognise that such guides provide only a 'rule of thumb' indication of the impact on the budget of changes in economic and other parameters.

Table C1: Sensitivity of fiscal aggregates to changes in economic parameters

| | 2001-02 \$m | 2002-03 \$m | 2003-04 \$m | 2004-05 \$m |
|---------------------------------|----------------|----------------|----------------|----------------|
| Expenses | | | | |
| Prices | 590 | 520 | 790 | 810 |
| Wages | 0 | 260 | 360 | 370 |
| Unemployment benefit recipients | 150 | 300 | 290 | 270 |
| Safety net adjustments | 10 | 70 | 130 | 190 |
| Revenue | | | | |
| Prices | 10 | 100 | 100 | 100 |
| Wages | 650 | 1,400 | 1,490 | 1,600 |
| Employment | 450 | 960 | 1,020 | 1,100 |
| Private final demand | 120 | 250 | 260 | 260 |

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 deflators are assumed to change by one percentage point at the start of the March quarter 2002, with wage deflators left unchanged.

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

Wages

All wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2002, with price deflators left unchanged.

- The effect of a change in wage and salary growth rates is largely determined by the effect of the Government's commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings. The wages effect in Table C1 above does not include the effect of changes to wage and salary payments on Commonwealth departmental expenses.

Unemployment benefit recipients (includes Newstart Allowance and unemployed Youth Allowance recipients)

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

Safety Net Adjustment

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

- About \$45 billion of expenses, comprising agency departmental expenses, other Commonwealth Own Purpose Expenses and Specific Purpose Payments to the States of a departmental expense nature, are indexed to weighted averages of movements in inflation and the SNA.

REVENUE

On the revenue 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 revenue, and a decrease in any of the parameters will lead to a reduction in revenue.

Prices and wages

The assumptions underlying the sensitivity of the revenue estimates to changes in prices and wages are similar to those used for expenses.

The effect of a change in prices affects revenue primarily through changes in excise revenue.

- The effect of a change in wages affects revenue predominantly through changes in PAYG withholding tax and FBT revenue.

Employment

The level of employment is assumed to change by one percentage point from the beginning of the March quarter 2002, with no change in the composition of demand.

- The effect of a change in employment feeds through into tax revenue largely through increases in PAYG withholding tax collections.

Private final demand

The level of private final demand (consumption plus investment) is assumed to change by one percentage point from the beginning of the March quarter 2002, with no change in the composition of demand.

- The effect of a change in private final demand affects revenue predominantly through changes in excise and customs duty collections.

Statement of risks

OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in *Budget Strategy and Outlook 2001-02 – Budget Paper No. 1*.

The forward estimates of revenue and expenses at the 2001-02 MYEFO incorporate assumptions and judgements based on information at the time of publication. A range of factors may influence the actual budget outcome in future years. *The Charter of Budget Honesty Act 1998* requires that these be disclosed in each Economic and Fiscal Outlook report.

Events that could affect fiscal outcomes include:

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

Economic and other parameters

Some degree of uncertainty is attached to estimates of both revenue and expenses. The major factor influencing expected expenses and revenue in any year is typically changes in forecasts of economic and non-economic parameters. Over time, differences between the economic parameter forecasts and outcomes have not caused any clear bias toward understatement or overstatement of expenses and revenue – and therefore the budget balance. The sensitivity of the estimates to major economic parameters (but not other parameters) is discussed earlier in this Appendix.

Fiscal risks

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

Contingent liabilities

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

Contingent liabilities are defined as costs the Government will have to face if a particular event occurs. They include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort. The Commonwealth's major exposure to contingent liabilities arises out of legislation providing guarantees over certain liabilities of Commonwealth controlled financial institutions (that is, the Reserve Bank of Australia and the Export Finance and Insurance Corporation) and the now fully privatised Commonwealth Bank of Australia. Other substantial non-loan guarantees include guaranteed payments from Telstra Corporation Ltd to the Telstra Superannuation Scheme.

Details of fiscal risks and contingent liabilities

Fiscal risks 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 2001-02 Budget are outlined below.

FISCAL RISKS — REVENUE

Renegotiation of double tax agreements (DTAs) with the United Kingdom and other countries

The Commonwealth is currently renegotiating its DTA with the United Kingdom. In addition, the recent agreement to a protocol to amend Australia's current DTA with the United States will require the renegotiation of existing DTAs with other countries, where those DTAs include a 'most favoured nation' clause. Depending on the negotiated outcomes, changes to the DTAs could have positive as well as negative revenue effects.

FISCAL RISKS — EXPENSES

Agriculture, Fisheries and Forestry

Compensation Claim for Defective Administration

The Department of Agriculture, Fisheries and Forestry is considering a claim made under 'The Scheme for Compensation for Detriment Caused by Defective Administration' (CDDA). CDDA is an administrative scheme established in 1995 to enable Commonwealth agencies to compensate persons who have been adversely affected by the defective action or inaction of agencies but who have no other avenues to seek redress. The claim, for an amount of \$68.1 million, relates to a decision in 1985-86 by the then Export Inspection Service to ban the export of sultana table grapes.

Eradication of an outbreak of Black Sigatoka in North Queensland

The Commonwealth has given in-principle agreement to fund one third of the costs associated with the eradication of Black Sigatoka, a fungal disease of bananas, following an outbreak in the Tully River Valley in North Queensland. Commonwealth funding is subject to endorsement of the eradication programme and budget by the Primary Industries Ministerial Council (PIMC). Should the PIMC agree to the programme, Commonwealth, State and industry cost-sharing arrangements will be entered into and the Commonwealth's share of the costs is expected to be \$6.8 million over two years from 2001-02.

Defence

Litigation cases in train

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters have yet to be finalised by negotiation or, where required, litigation. Various claims, the subject of cases that have yet to be heard or are part heard, await a decision on what if any damages and/or costs should be paid to the claimant. The litigated and non-litigated claims include common law liability claims and claims before the Human Rights and Equal Opportunity Commission. The litigation also includes asbestos claims. In total there are about 350 claims, with a value of approximately \$90 million, an increase of some \$10 million since the 2001-02 Budget.

Counter-terrorism upgrade

Following the 11 September terrorist attacks in New York, Washington and Pennsylvania the Government has decided to significantly enhance Australia's Counter-Terrorist and Incident Response capability.

The Government has decided to effectively double the counter-terrorist capability of the Special Forces and to reinstate the specialist Incident Response Unit, whose capabilities in responding to chemical, biological, radiological and explosive incidents were in place during the Olympic Games.

The events of 11 September have indicated the need for a higher-level response to the threat of terrorism in addition to increased involvement foreshadowed in the Defence White Paper.

The Government has also agreed to a policy of randomly placing security officers on domestic and international flights into and out of Australia. More stringent baggage security – including full x-ray and physical search of cabin and checked baggage – will apply.

Under the ANZUS treaty Australia has also offered to support the United States in its response to terrorism. The Australian Government is in close consultation with the

United States Administration and is ready to consider what actions Australia might take in support of the US response.

It is not possible to quantify the fiscal risk associated with these measures or potential developments at this stage.

Defence Housing Authority

The Defence Housing Authority (DHA) may require a loan from the Commonwealth to meet its future capital requirements as part of a restructure of its balance sheet and is examining a range of options. It is not possible to quantify the size of the loan that DHA may require at this stage.

Employment, Workplace Relations and Small Business

Employee entitlements

Potential exists for an increase in the level of claims made on the General Employee Entitlements Redundancy Scheme (GEERS) as a consequence of Ansett entering administration, for non-Ansett group companies negatively affected by that action.

Claims by Ansett Group employees will be handled under the separately funded Special Employee Entitlements Scheme for Ansett Group employees.

Finance and Administration

Member choice and Commonwealth superannuation arrangements

The Government's policy for new superannuation arrangements for Commonwealth employees has been provided for in the forward estimates. These new arrangements provide for the closure of the Public Sector Superannuation Scheme (PSS) to new employees and would allow new employees to join a complying superannuation fund or retirement savings account (RSA) offered by their employer. The arrangements also provide for existing Commonwealth Superannuation Scheme (CSS) and PSS members to choose to join another fund or RSA. Subject to introduction of new legislation into Parliament to give effect to this policy, the estimates are based on an assumed start date of 1 July 2003. A later start date would improve the underlying cash balance from 2003-04.

Department of Finance and Administration litigation

The Department of Finance and Administration is involved in litigation where a counter-claim for damages has been lodged against the Commonwealth. The counter-claim claims damages of \$4.3 billion against the Commonwealth although the basis for this amount is yet to be fully provided.

Asset sales — Sydney Airports Corporation Limited

The forward estimates include the effect of the sale of Sydney Airports Corporation Limited. The Government announced on 24 September that the sale will be delayed until early 2002. The sale was originally announced in the 2001-02 Budget and was expected to be completed in the latter part of 2001. The level of proceeds to the Commonwealth will depend on market forces at the time of sale.

Immigration and Multicultural Affairs

Unauthorised boat arrivals and processing of asylum seekers

The numbers of unauthorised boat arrivals and asylum seekers are volatile and difficult to predict. The numbers reaching Australia in each of the last two financial years has been a little over 4,000. Since September 2001, and in response to a surge in arrival numbers in mid 2001, the Government has adopted additional measures to deal with unauthorised arrivals. The measures have contributed to a reduction in unauthorised arrival numbers reaching Australia. At this time, it is too early to predict the full effect of the Government's new measures, or the impact of external pressures on future arrival numbers from 2002-03 onwards. If the reduction in arrival numbers since September 2001 can be sustained, the funding requirements for on-shore processing will be considerably lower than that provided in the estimates for 2002-03 and later years.

The processing of asylum seekers off-shore is being coordinated by the International Organisation for Migration and the United Nations High Commissioner for Refugees, and the Australian Government has given an undertaking to fully fund the cost of processing. The cost will be dependent upon processing numbers and times, approval rates and the level of security provided. Estimates of these costs will need to be reviewed in the light of operational arrangements and processing outcomes.

Industry, Science and Resources

Corporatisation of the Snowy Mountains Hydro-electric Scheme and environmental flows into the Snowy and Murray Rivers

The Commonwealth is providing \$75 million over 10 years until 2011-12 as its contribution to water savings projects as part of a commitment with the NSW and Victorian governments to increasing environmental water flows in the Snowy and Murray Rivers. The establishment of a joint government entity to oversee the investment in the water savings projects will occur after the Scheme is corporatised. The timing of the expenditure on water savings projects will be driven by the corporatisation process and on how quickly a programme of works can be developed and implemented by the joint government entity. There may be a need to bring forward Commonwealth expenditure.

Corporatisation of the Snowy Mountains Hydro-electric Scheme — Repayment of debt to the Commonwealth

Corporatisation of the Scheme will involve the refinancing and repayment of debt to the Commonwealth. The market value of the debt to be repaid is expected to be in the order of \$900 million. Detailed arrangements are to be finalised between the Commonwealth, New South Wales and Victorian Governments as shareholders in Snowy Hydro Limited, the company that will own and manage the Scheme following corporatisation. The amount and timing of repayments will be influenced by the timing of corporatisation and market conditions. Some equity contribution or other support may be required from shareholders prior to refinancing.

Australian Magnesium Corporation (AMC)

The Commonwealth has conditionally agreed to offer a guarantee to cover borrowing by AMC to assist in developing a magnesium smelting facility in Stanwell which will commercialise Australian-developed magnesium refining technology. The maximum value of the guarantee is \$100 million. The loan itself is to be provided by a lender suitable to the Commonwealth. The issue of the guarantee is subject, inter alia, to a successful equity raising by AMC and the satisfactory conclusion of a number of matters surrounding other financial arrangements being put into place as part of a package of measures.

Treasury

International Monetary Fund (IMF) assistance to Thailand

Australia's offer to provide bilateral financing of up to \$1 billion in support of the IMF programme in Thailand was taken up in the form of a series of currency swaps between the Reserve Bank of Australia (RBA) and the Bank of Thailand. Under the swap arrangements, the RBA provided \$US862 million to the Bank of Thailand in exchange for Thai baht. From March 2001, the Bank of Thailand began repaying the swaps as scheduled. By the end of the financial year, US\$712 million of the facility remained outstanding. Repayment in full is scheduled to occur no later than July 2004. In the event of default, the ability of the RBA to maintain the dividend stream projected in the forward estimates may be affected.

Transitional arrangements for reforms to Commonwealth-State financial relations

The Commonwealth has guaranteed that in each of the transitional years following the introduction of *The New Tax System*, each State's budgetary position will be no worse off than had reforms to Commonwealth-State financial relations not been implemented. The amount of funding each State would have had available to it under the previous system of financial relations is known as the Guaranteed Minimum Amount (GMA).

To meet this commitment, the Commonwealth has implemented arrangements for the transitional years. The Commonwealth will pay Budget Balancing Assistance equivalent to any shortfall of GST below a State's GMA. As a result of these arrangements, changes in the components of the GMA or a shortfall in estimated GST revenue over the forward estimates period may result in increased expenses to the Commonwealth.

Costs incurred by the ATO in administering the GST are paid by the States, but included in the calculation of each State's GMA. An increase in GST administration costs in the forward estimates period may therefore result in increased expenses to the Commonwealth.

CONTINGENT LIABILITIES — QUANTIFIABLE

Communications, Information Technology and the Arts

Australian Broadcasting Corporation (ABC)

The Commonwealth has guaranteed loans entered into by the ABC. These loans were largely used to meet costs relating to the construction of premises for the ABC at Southbank in Melbourne and Ultimo in Sydney. The principal amount covered by the guarantee as at 30 June 2001 was \$90 million, as at the 2001-02 Budget.

Special Broadcasting Service Corporation (SBS)

The Commonwealth has guaranteed a loan taken out by the SBS. The principal amount covered by the guarantee as at 30 June 2001 was \$39 million as at the 2001-02 Budget. The loan was used to pay for the refurbishment and enhancement of SBS's premises at Artarmon in Sydney.

Defence

Military compensation

A contingent liability of an estimated \$25 million exists in relation to military compensation claims. This amount relates to outstanding claims for non-economic loss as a consequence of the Federal Court decision in *Schlenert v the Australian and Overseas Telephone Corporation 1995*.

Education, Training and Youth Affairs

Commonwealth loan guarantees — Group Training

The Minister for Education, Training and Youth Affairs has authorised Commonwealth guarantees on a limited number of loans made to

Commonwealth-endorsed Group Training companies. These loans provide access to additional working capital required to expand the number of apprentices and trainees that may be employed through Group Training companies. The maximum guarantee of each loan is \$175,000, with the total value of all guarantees capped at \$30 million. As at 30 June 2001, three Commonwealth loan guarantees for \$175,000 each were issued by the Commonwealth.

Finance and Administration

Australian Industry Development Corporation (AIDC)

As at 30 June 2001, the AIDC's contingent liabilities were approximately \$126 million in respect of guarantees and credit risk facilities. The AIDC's other guaranteed borrowings totalled approximately \$1.5 billion as at 30 June 2001. These have been offset by holdings in Commonwealth Government securities and certain hedging instruments, all of which are fully guaranteed by Warburg Dillon Read (formerly known as UBS Australia Ltd).

Foreign Affairs and Trade

Export Finance and Insurance Corporation (EFIC)

The Commonwealth guarantees the due payments by EFIC of money that is, or may at any time become, payable by EFIC to any body other than the Commonwealth. As at 30 June 2001, the Commonwealth's total contingent liability was \$7.5 billion, comprising EFIC's balance sheet liabilities (\$1.0 billion), contracts of insurance and guarantees and political risk insurance (\$3.5 billion) and national interest account liabilities (\$3.0 billion).

Industry Science and Resources

Liability for damages caused by space activities

The Commonwealth Government requires anyone seeking approvals under the *Space Activities Act 1998* to insure up to the level of Maximum Probable Loss (MPL), up to a maximum of \$750 million per launch or return of a space object. The Commonwealth also accepts all liability for damage suffered by Australian nationals up to a value of \$3 billion above MPL.

(See also the 'Liability for damages caused by space activities' item under Contingent Liabilities – Unquantifiable.)

Transport and Regional Services

Maritime industry reform

On 18 August 1998, the Commonwealth provided a guarantee to cover borrowings made by the Maritime Industry Finance Company (MIFCo) to finance redundancy-related payments in the stevedoring and maritime industries. Outstanding borrowings covered by the guarantee as at 30 June 2001 were \$147 million.

War Insurance — indemnities for Australian aviation carriers

Following terrorist attacks in the United States on 11 September 2001, regular insurance cover for war and terrorist attacks was withdrawn or significantly limited, placing global aviation operations at risk. The Commonwealth has provided third party war indemnity, for a period of one month, to cover the gap between war risk insurance available commercially and the cover airlines had prior to the 11 September 2001 events.

The indemnities provide up to US\$5 billion in cover per aircraft per event and as at 9 October 2001 indemnities have been provided to Ansett Holdings Ltd, QANTAS Airways Ltd, Hazelton Airlines Ltd, Jet Systems Pty Ltd and Virgin Blue Airlines Pty Ltd. These indemnities will be reviewed on a monthly basis.

War Insurance — indemnities for operators of Australian airports, aviation services and facilities

On 28 September 2001, the Government announced the extension of third party war risk indemnity cover for surface damage to all key services and facilities associated with the Australian aviation sector. The Commonwealth has undertaken to provide indemnities for war and terrorist losses for one month to operators of airports, aviation services and facilities affected by withdrawal of war risk insurance cover. The indemnity is limited to the amount of cover in pre-existing insurance policies.

As at 10 October 2001, indemnities totalling \$10 billion have been provided to 7 major airport operators (Perth, Brisbane, Melbourne/Launceston, Sydney, Adelaide, Darwin/Alice Springs/Tennant Creek, and Cairns) for an initial period of one month. A further \$6.7 billion will be entered into with other airports. In addition, about \$10 billion will be entered into with other aviation service and facility providers, including Airservices Australia. All indemnities will be reviewed on a monthly basis.

Ansett Airlines — Indemnity for Voluntary Administrator

On 26 September 2001 the Commonwealth indemnified the Voluntary Administrators of the Ansett Group, Arthur Andersen, for the face value of tickets sold but not honoured in the event that Ansett Airlines ceases to operate. The indemnity allows Ansett Airlines to recommence operations on some major trunk routes by providing confidence to passengers that the face value of their tickets would be refundable if the

tickets were not honoured by Ansett Airlines. The Commonwealth's maximum liability is capped at \$25 million and the arrangement extends to 31 January 2002 from the resumption of Ansett Airlines services on 29 September 2001.

Treasury

Guarantees under the Commonwealth Bank Sale Act 1995

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Commonwealth has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), the Commonwealth Bank Officers' Superannuation Corporation (CBOSC) and the Commonwealth Development Bank. The guarantee for the CBA relates to both on and off-balance sheet liabilities. Of the existing contingent liability, 36 per cent involves off-balance sheet liabilities. As at 30 June 2001 (the latest available figures), the balance of the guarantee was \$13.675 billion, a reduction of \$5.56 billion on the previous year.

The guarantee for CBOSC covers the due payments of any amount that is payable to or from the Fund, by CBOSC or by the Bank, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. Total accrued benefits at 30 June 2001 have been valued at \$3.949 billion. The outstanding value subject to the guarantee is estimated to be \$3.7 billion.

As of 1 July 1996, the Commonwealth Development Bank ceased to write new business and no additional liabilities are being incurred. The existing contingent liability will gradually decline with the retirement of existing loans and exposures. The revised estimate for the balance of this guarantee was \$18.3 million as at 30 June 2001.

Reserve Bank of Australia (RBA) guarantee

This contingent liability relates to the Commonwealth's guarantee of the liabilities of the RBA. The major component of RBA liabilities relates to Notes (that is, currency) on Issue. This treatment of Notes largely relates to the historical convention of the convertibility of Notes to gold – coins are not treated as a liability in the Commonwealth's accounts. As at 3 October 2001, Notes on Issue totalled \$29.7 billion. In total, the guarantee for the RBA was \$46.9 billion as at 3 October 2001.

Uncalled capital subscriptions – international financial institutions

The liability relates to the value of the uncalled portion of the Commonwealth's shares at 30 June 2001 in the International Bank for Reconstruction and Development (US\$2.8 billion – estimated value A\$5.5 billion), the Asian Development Bank (US\$2.4 billion – estimated value A\$4.8 billion), the European Bank for Reconstruction and Development (EBRD) (US\$82 million plus EUR77.5 million – estimated value A\$290 million), and the Multilateral Investment Guarantee Agency (MIGA) (US\$26 million – estimated value A\$52 million). The values of the uncalled capital portions for the EBRD and MIGA include Australia's subscriptions to the general capital increases for both of these institutions, as announced in the

2000-01 Budget. These subscriptions did not affect the fiscal balance or the underlying cash balance as the transactions involved are considered to be financing transactions.

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Attorney-General's

Native title costs

The Commonwealth has offered to assist the States and Territories in meeting compensation costs associated with native title. The amounts that might be paid by the Commonwealth will be subject to the terms of financial assistance agreements being negotiated with the States and Territories and liabilities arising from the Wik amendments to the *Native Title Act 1993*. The Commonwealth'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 Commonwealth may be directly liable.

The Commonwealth 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.

Communications, Information Technology and the Arts

Art Indemnity Australia

The Government has agreed to indemnify artworks on loan to galleries participating in exhibitions. The indemnity is being underwritten by the Commonwealth-managed insurance fund, Comcover. The Government will continue to indemnify these artworks against uninsurable risks of acts of aggression. This amount cannot be quantified.

Defence

HMAS MELBOURNE, HMAS VOYAGER and HMAS STALWART damages claims

Former crew members of HMAS MELBOURNE have instituted legal proceedings against the Commonwealth, claiming damages for injuries allegedly caused by the HMAS VOYAGER/HMAS MELBOURNE collision on 10 February 1964. About 112 claims remain current. A number of dependency claims arising from that collision have also been made or foreshadowed by the dependants of deceased former members of the crew of HMAS VOYAGER.

Further claims are likely to be made by former members of crew of HMAS MELBOURNE and the dependants of deceased members of the crew of HMAS VOYAGER.

A claim has also been made by a former crew member of HMAS MELBOURNE against the Commonwealth for damages for injuries allegedly sustained as a result of the HMAS MELBOURNE/USC FRANK E EVANS collision of 3 June 1969. Further claims for damages may be made by other former crew members of HMAS MELBOURNE arising out of that collision.

Three claims for damages for injuries allegedly arising out of an incident aboard HMAS STALWART that occurred on 22 October 1985 are currently the subject of legal proceedings and have yet to be finalised. It is possible that other former crew members of HMAS STALWART and the dependants of deceased members of the crew will make claims for damages arising out of that incident.

Environment and Heritage

Newcrest Mining (WA) Limited and BHP Minerals Limited v the Commonwealth of Australia and the Director of National Parks and Wildlife

In August 1997, the High Court of Australia found that the declarations of Stage 3 Kakadu National Park in 1987, 1989 and 1991 were technically invalid with respect to 23 small areas in the south-east of the park covered by existing mineral leases held by the Newcrest group of companies. The reason for this decision was that the declaration over these areas had, with the absolute prohibition on mining activities in Kakadu under the *National Parks and Wildlife Conservation Act 1975*, affected an acquisition of property without payment of just terms compensation, as required by the Australian Constitution.

The Minister for Environment and Heritage has indicated that the lease areas need to be re-incorporated within the Park and that the Government will address the issue of 'just terms' compensation. The quantum of compensation payable for the leases and the financial consequences of incorporation of the leases into Kakadu are under active consideration. Regardless of the amount of compensation, there is an obligation for the Commonwealth to pay court costs on behalf of Newcrest. The Government has commenced negotiations with mining company representatives in relation to the extent of 'just terms' compensation.

Finance and Administration

Australian River Company Limited — Commonwealth guarantee

The Commonwealth has guaranteed certain financing obligations of Australian River Co Ltd (ARCO, formerly ANL Ltd) which existed prior to 22 August 1994. Some of these financing obligations were assumed by the buyers of ARCO's liner shipping and bulk trades businesses which were sold in 1998. Notwithstanding the assumption of

some of these financial obligations by the buyers of the businesses, the Commonwealth's guarantee remained in place following completion of the sales, and in addition, continues to apply to certain residual financing obligations that ARCO is still a party to. The Commonwealth's guarantee is unquantifiable and not subject to any express expiry date.

Australian River Company Limited — board members' and management indemnity

The Commonwealth has indemnified ARCO board members and management, in the event ARCO ceased to exist, against civil claims relating to employment and conduct as directors and management of ARCO and subsidiary companies. Liability is subject to the terms of the indemnities.

Sydney Airports Corporation Limited — directors' indemnities

The Commonwealth has indemnified each member of the board of directors of Sydney Airports Corporation Limited against claims and costs incurred arising from the conduct of the directors in relation to the sale, or scoping study for the sale, of Sydney Airports Corporation Limited. Where certain company insurances or indemnities exist for the directors in relation to a claim, the Commonwealth indemnity cannot be called upon. This contingent liability is not quantifiable.

Essendon Airport Limited — directors' indemnities

The Commonwealth has indemnified each member of the board of directors of Essendon Airport Limited against claims and costs incurred arising from the conduct of the directors in relation to the sale of Essendon Airport Limited. Where certain company insurances or indemnities exist for the directors in relation to a claim, the Commonwealth indemnity cannot be called upon. This contingent liability is not quantifiable.

Australian Industry Development Corporation (AIDC) — board members' and management indemnity

The Commonwealth has indemnified the Corporation's board members and management against civil claims relating to employment and conduct as directors and management of subsidiary companies. Liability is subject to the terms of the indemnities.

Foreign Affairs and Trade

Export Finance and Insurance Corporation (EFIC) — board members' indemnity

The Commonwealth has provided certain indemnities to Export Finance and Insurance Corporation (EFIC) board members and senior management to protect against civil

claims relating to the implementation of EFIC's alliance/divestment of its short term export credit insurance business. This indemnity is unquantifiable and no expiry date has been set.

Health and Aged Care

Commonwealth Serum Laboratories (CSL) Limited

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

Blood and blood products liability cover

The Commonwealth has signed a memorandum of understanding (MoU) with the States, Territories and the Australian Red Cross Blood Service (ARCBS) to establish a National Managed Fund (NMF). The NMF is necessary to establish a single consistent approach to pooling the liability risks associated with the supply of blood and blood products by the ARCBS within the Commonwealth of Australia. The NMF replaces previous arrangements which were on a state-by-state basis. The MoU provides for the parties to contribute to the NMF taking into account, inter alia, potential claims payments; the level of funds in the NMF and investment earnings; and a prudential allowance for liabilities incurred but not the subject of claims.

If there are insufficient funds to cover claim costs, the MoU provides for each party to contribute funds in accordance with allocation provisions prevailing at the time.

Under the MoU, the blood and blood products liability cover for the ARCBS is effective from 1 July 2000. The MoU provides for each party to remain liable for their share of all claims settled within the terms of the MoU including any claims made before or after termination that arise out of events between the commencement date and the date of termination.

Industry Science and Resources

Liability for damages caused by space activities

Under the *United Nations Convention on International Liability for Damage Caused by Space Objects*, the Australian Government is fully responsible for damages caused to nationals of other countries caused by space objects launched from, or by, Australia. The Commonwealth Government requires anyone seeking approvals under the *Space Activities Act 1998* to insure up to the level of Maximum Probable Loss (MPL), up to a

maximum of \$750 million per launch or return of a space object. The Commonwealth also accepts all liability caused to foreign nationals above the insured level.

(See also the 'Liability for damages caused by space activities' item under Contingent Liabilities – Quantifiable.)

Reconciliation and Aboriginal and Torres Strait Islander Affairs

Separation of Aboriginal children from their families in the Northern Territory

Earlier laws, policies and practices in relation to the Commonwealth's administration of the Northern Territory led to the separation of certain indigenous children from their families. There are currently over 2,100 plaintiffs with claims pending against the Commonwealth for (largely unspecified) damages in relation to alleged forcible and wrongful separations (mostly by the children of those allegedly forcibly and wrongfully removed). Only two of these claims have so far proceeded to hearing. These were dismissed by the Federal Court in Darwin in August 2000. An appeal to the Full Bench of the Federal Court was also dismissed in August 2001. Special leave has been sought from the High Court to appeal this decision.

Transport and Regional Services

Australian Maritime Safety Authority (AMSA) – litigation

AMSA is subject to a professional negligence claim seeking unspecified damages arising from a search and rescue incident involving the loss of one life. The flotation device manufacturer and the retailer are second and third defendants. The claim is being defended, although it is not possible to estimate the amounts of any eventual payments that may result.

Tripartite Deed relating to the sale of Core Regulated Airports

Tripartite Deeds apply to the 12 Core Regulated Airports (Sydney, Melbourne, Brisbane, Perth, Canberra, Coolangatta, Townsville, Adelaide, Hobart, Launceston, Darwin and Alice Springs). The Tripartite Deeds between the Commonwealth, the airport lessee company and financiers provide for limited step-in rights for the financiers in circumstances when the Airport Lease is terminated.

Assuming the financiers' step-in rights are not triggered, the potential liability of the Commonwealth can vary considerably under the Tripartite Deed, depending on whether the Airport Lease is able to be sold on to a third party or not.

Where the Commonwealth is able to on-sell the Airport Lease, secured financiers have a limited ability to recover their loans from funds obtained by the Commonwealth from selling on the Airport Lease, subject to higher ranking claims being met first.

Where it is not possible to on-sell the Airport Lease, the Commonwealth is required to obtain a valuation of the airport site that will set the basis for a repayment (or partial repayment) of financiers' loans, again subject to higher ranking claims being met first.

If the Commonwealth enters into possession of an airport site, it would seek to recover its costs from a number of sources, including airport revenues and the airport lessee company, in addition to funds obtained from selling on the Airport Lease. However, the Commonwealth's potential liability to the lessee's financiers is limited to the value received for the affected Airport Lease or the valuation of the airport site.

Federal Airports Corporation (FAC) — transfer of liabilities to the Commonwealth

On 24 September 1998 the Commonwealth assumed responsibility for all remaining assets, liabilities and contracts of the FAC on the wind-up of the Corporation. All of the known liabilities have been settled, however there is a risk that undisclosed liabilities remain.

Appendix D: External reporting standards and budget concepts

EXTERNAL REPORTING STANDARDS

The Commonwealth *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards. In accordance with the Charter, the major external standards used in the MYEFO are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian accounting standards, including *Australian Accounting Standard No. 31 Financial Reporting by Governments* (AAS31). The Charter also requires that departures from applicable external reporting standards be identified.

The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework. The next section of this Appendix provides an overview of the operation of the GFS framework and a discussion of the GFS financial statements, including the major fiscal aggregates. It also includes a very brief overview of AAS31 and some information on reconciling between the two standards.

ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised statistical system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *System of National Accounts 1993* (SNA93) and the final draft accrual version of the IMF's *A Manual on Government Finance Statistics*). Additional information on the Australian accrual GFS framework is available in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. No. 5517.0).

Nature of the GFS framework

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

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

- **Transactions** represent flows that come about as a result of mutually agreed interactions between units or within a single unit. Despite their compulsory nature, taxes are transactions that are deemed to occur by mutual agreement between the government and the taxpayer.

- **Other economic flows** represent changes to stocks that do not result from a transaction. Other economic flows arise from changes to stocks caused by price movements (revaluations), including interest and exchange rate movements, and phenomena such as discoveries, depletion and destruction.

The GFS conceptual framework is divided into a number of separate statements, each of which is designed to draw out analytical aggregates or balances of particular economic significance. Taken together, these aggregates provide for a thorough understanding of the financial position of the public sector entities. The GFS statements reported in the MYEFO are the operating statement, balance sheet and cash flow statement. A discussion of each of these statements follows.

GFS operating statement

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

GFS **revenues** are broadly defined as transactions that increase net worth (effectively inflows) and GFS **expenses** as transactions that decrease net worth (effectively outflows) – net worth is defined in the balance sheet section below.

GFS revenues less GFS expenses gives the GFS **net operating balance**. Conceptually, the net operating balance measures government saving plus capital transfers.

The net acquisition of non-financial assets (**net capital investment**) measures the change in non-financial assets owned by the government. 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. Each of these items is briefly expanded upon below:

- Gross fixed capital formation comprises purchases *less* sales of fixed assets (such as buildings).
- Depreciation measures consumption of fixed assets, such as through physical deterioration or normal obsolescence, as they are used in production.
- Changes in inventories measures investment in new inventory stocks *less* use of current inventories.
- Other transactions in non-financial assets mainly comprises (for the Commonwealth general government sector) changes in the value of work-in-progress and software assets and transactions in non-reproducible, intangible assets (such as telecommunications spectrum).

Fiscal balance

The fiscal balance (or GFS net lending/borrowing) is the net operating balance *minus* net capital investment.

The fiscal balance 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 Commonwealth general government sector to the balance on the current account in the balance of payments.

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

Balance sheet

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

Assets represent instruments or entities over which ownership rights are enforced by a unit, from which economic benefits may be derived by holding them, or using them, over a period of time. **Liabilities** represent obligations to provide economic value to other institutional units.

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

Net debt is defined as the sum of selected financial liabilities (deposits held; advances received; government securities; loans; and other borrowing) *minus* the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt is a common measure of the strength of a government's financial position.

Cash flow statement

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

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

Underlying cash balance

The underlying cash balance (GFS surplus/deficit) is the cash counterpart of the fiscal balance. For the general government sector it is calculated as shown below.

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

less

Acquisitions of assets acquired under finance leases and similar arrangements

equals

Underlying cash balance

The underlying cash balance is a broad indicator of the Commonwealth's cash flow requirements. An underlying cash **surplus** reflects the extent to which cash is available to the Commonwealth to either increase its financial assets or decrease its liabilities (assuming no revaluations and other changes occur). An underlying cash **deficit** is a measure of the extent to which the Commonwealth requires cash, either by running down its financial assets or by drawing on the cash reserves of other sectors.

Headline cash balance

The headline cash balance is calculated by adding 'cash flows from investments in financial assets for policy purposes' to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes⁶ include equity transactions (such as privatisations of government businesses) and net advances (major examples for the Commonwealth relate to cash flows from loans to the States, loans to students under the Higher Education Contribution Scheme (HECS), and contributions to international organisations that increase the Commonwealth's financial assets).

⁶ These cash flows used to be known as *net advances* under the cash budgeting framework.

SECTORAL CLASSIFICATIONS

GFS data are presented by institutional sector, distinguishing between the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

Budget reporting focuses on the general government sector. This sector provides public services that are mainly non-market in nature, and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, although user charging and external funding have increased in recent years. This sector comprises all government departments, offices and some other bodies.

The PNFC sector comprises bodies that provide goods and services that are mainly market, non-regulatory and non-financial in nature, financed predominantly through sales to the consumers of these goods and services. In general, PNFCs are legally distinguishable from the governments that own them. A list of major Commonwealth PNFCs is in Box 1 below.

Box 1: List of major Commonwealth public non-financial corporations at October 2001

| | |
|-------------------------------------|--|
| Airservices Australia | Albury-Wodonga Development Corporation |
| Australian Dairy Corporation | Australian Government Solicitor |
| Australian Hearing Services | Australian Postal Commission |
| Australian Rail Track Corporation | Australian Submarine Corporation |
| Employment National | Snowy Mountains Hydro-Electric Authority |
| National Rail Corporation Limited | Telstra Corporation Limited |
| Sydney Airports Corporation Limited | |

Together the general government sector and the PNFC sector comprise the non-financial public sector.

The GFS coverage of the public sector also includes PFCs. PFCs are bodies engaged in financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account. This sector includes the Reserve Bank of Australia.

The total public sector comprises all sectors of government – general government, the PNFC sector and the PFC sector.

AUSTRALIAN ACCOUNTING STANDARD NO. 31 (AAS31) REPORTING FRAMEWORK

Australian Accounting Standard No. 31 Financial Reporting by Governments (AAS31) requires governments to prepare accrual-based general purpose financial reports, including in relation to the assets they control and any liabilities incurred, their revenues and expenses, and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and position of government, including in the area of financing and investing activities.

There are three main general purpose statements that must be prepared in accordance with the AAS31 framework. These are:

- a statement of revenue and expenses;
- a balance sheet; and
- a statement of cash flows.

In addition to these general purpose statements, the standard requires notes to the financial statements to be prepared which report disaggregated information in relation to the financial performance and financial position of the government. The notes should also include other information seen as relevant to users.

While AAS31 provides a general framework for accrual budgeting and financial reporting by governments, compliance with all other applicable accounting standards is required. Exceptions to this rule are explicitly stated in AAS31.

A full set of AAS31 financial statements and accompanying notes prepared for the general government sector can be found in Appendix B.

RECONCILIATION OF GFS AND AAS31 AGGREGATES

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

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

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

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

Some of the major differences between the GFS and AAS31 treatments of transactions are outlined in Table D1. Further information on the differences between the two systems is provided in the ABS publication *Information Paper: Accruals-based Government Finance Statistics, 2000* (Cat. No. 5517.0).

Table D1: Selected differences between AAS31 and GFS reporting standards

| Issue | AAS31 Treatment | GFS Treatment |
|---|---|--|
| Asset writedowns | Treated as part of operating expenses. | Treated as revaluations, except for mutually agreed writedowns, and therefore removed from expenses. |
| Gains and losses on assets | Treated as part of operating revenues/expenses. | Treated as revaluations and therefore removed from revenues/expenses. |
| Provisions for bad and doubtful debts | Treated as part of operating expenses and included in the balance sheet as an offset to assets. | Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. * Commonwealth does not comply with this requirement (see Part III, Attachment A). |
| Interest flows related to swaps and other financial derivatives | Treated as operating revenues and expenses. | Treated as financing transactions 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. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement. |
| Commonwealth general government sector investments in public corporations | Investments in public corporations are valued at historic cost in the balance sheet. | Investments in public corporations are valued at current market value. For publicly listed corporations, the share price is used to calculate market value. For non-listed corporations, the current value of net assets is used. |
| Public debt net interest | Premiums and discounts on the repurchase of debt are included in public debt net interest expenses at the time of repurchase, regardless of whether the stock is cancelled at that time. Issue premiums and discounts are amortised over the life of the stock. | Repurchase premiums and discounts are treated as economic revaluations at the time the debt is repurchased (provided it is valued at historical cost). The GFS cash flow statement includes repurchase premiums or discounts in the year that the repurchased stock is cancelled or matures. |
| 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. However, this convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability. | As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit (underlying cash balance). |

Table D2 reconciles GFS revenue and expenses with their AAS31 counterparts.

Table D2: Reconciliation of GFS and AAS31 revenue and expenses

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| GFS revenue (Appendix A) | 188,286 | 195,427 | 206,528 | 217,868 |
| <i>less</i> GST revenue for States and Territories | 27,580 | 29,170 | 30,830 | 32,600 |
| GFS revenue (Part III) | 160,706 | 166,257 | 175,698 | 185,268 |
| <i>plus</i> defence asset revenue recognised 1st time | 8 | 0 | 0 | 0 |
| <i>plus</i> foreign exchange gains | 0 | 0 | 0 | 0 |
| <i>plus</i> other economic revaluations | -204 | -295 | -286 | -286 |
| <i>plus</i> profit on the sale of assets | 2,689 | -18 | 10,102 | 9,989 |
| <i>plus</i> swap interest received | 2,551 | 2,525 | 2,336 | 2,263 |
| <i>plus</i> revenue allocated to GFS expenses | 0 | 0 | 0 | 0 |
| AAS31 revenue (Appendix B) | 165,750 | 168,469 | 187,849 | 197,235 |
| GFS expenses (Appendix A) | 192,022 | 197,769 | 206,314 | 214,575 |
| <i>less</i> GST grants to States and Territories | 27,580 | 29,170 | 30,830 | 32,600 |
| <i>plus</i> GST grants paid adjustments | 150 | 0 | 0 | 0 |
| <i>less</i> interest on GST overpayments | 0 | 0 | 0 | 0 |
| GFS expenses (Part III) | 164,592 | 168,599 | 175,484 | 181,975 |
| <i>plus</i> revaluations/writedowns from superannuation | 0 | 0 | 0 | 0 |
| <i>plus</i> net writedown of assets/bad and doubtful debts | 3,701 | 1,004 | 1,018 | 1,052 |
| <i>plus</i> foreign exchange losses | 111 | 3 | 0 | 0 |
| <i>plus</i> other economic revaluations | -108 | -286 | -286 | -286 |
| <i>plus</i> loss on the sale of assets | 4 | 2 | 2 | 0 |
| <i>less</i> costs of asset sales | 0 | 0 | 218 | 218 |
| <i>less</i> other property expenses | 0 | 0 | 0 | 0 |
| <i>plus</i> swap interest paid | 1,930 | 1,826 | 1,699 | 1,652 |
| <i>plus</i> defence weapons platforms depreciation | 1,980 | 2,182 | 2,312 | 2,370 |
| <i>less</i> defence weapons platforms investment | 2,916 | 3,717 | 4,151 | 4,415 |
| <i>plus</i> revenue allocated to GFS expenses | 0 | 0 | 0 | 0 |
| <i>plus</i> AusAid IDA/ADF expenses | 350 | 0 | 0 | 575 |
| <i>less</i> reversal of interest capitalisation | 31 | 31 | 31 | 31 |
| AAS31 expenses (Appendix B) | 169,613 | 169,582 | 175,829 | 182,674 |

Table D3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The reconciliation can be divided into two parts. The first part shows classification differences between the AAS31 operating result before extraordinary items and the GFS net operating balance (these classification differences are simply the sum of those shown in Table D2 above).

The second part of the reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

Table D3: Reconciliation of AAS31 net operating result and fiscal balance

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m |
| AAS31 operating result before extraordinary items (Appendix B) | -3,862 | -1,113 | 12,021 | 14,561 |
| Net classification differences | 126 | -1,229 | -11,807 | -11,268 |
| GFS net operating balance (Appendix A) | -3,736 | -2,342 | 214 | 3,293 |
| <i>less</i> purchase of property, plant and equipment and intangibles | 4,908 | 5,813 | 5,925 | 6,103 |
| <i>less</i> assets acquired under finance leases | -71 | -50 | -3 | 0 |
| <i>less</i> other non-financial assets | -133 | -122 | -44 | -21 |
| <i>less</i> increase in inventories | -12 | 54 | 364 | 313 |
| <i>plus</i> defence weapons platforms investment | 2,916 | 3,717 | 4,151 | 4,415 |
| <i>plus</i> proceeds from sales of property, plant and equipment and intangibles | 1,009 | 1,462 | 842 | 709 |
| <i>plus</i> depreciation and amortisation | 3,529 | 3,718 | 3,927 | 3,986 |
| <i>less</i> weapons depreciation | 1,980 | 2,182 | 2,312 | 2,370 |
| <i>plus</i> reversal of interest capitalisation | 31 | 31 | 31 | 31 |
| Fiscal balance (GFS net lending)(Appendix A)(a) | -2,923 | -1,290 | 612 | 3,670 |

(c) The fiscal balance and net operating balance estimates for 2001-02 in this table are \$150 million greater than the 2001-02 fiscal balance and net operating balance estimates elsewhere in the MYEFO. This represents GST revenue accrued in 2001-02 but not yet paid to the States (as GST is paid to the States on a cash basis). Under the State tax treatment applied elsewhere in this document, GST revenue accrued is offset by an equivalent amount payable to the States. Further information is provided in Attachment A to Part I of the *Final Budget Outcome 2000-01*.

Appendix E: Historical fiscal data

This appendix provides historical data for Commonwealth fiscal aggregates.

For cash data, outcomes up to, and including, 1998-99 are from a cash budget framework, while those for 1999-2000 onwards are cash proxies derived from an accrual framework. Due to methodological and data-source changes associated with the move to an accrual accounting framework, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

There are other structural breaks within the data set, prior to the shift to accrual reporting. Classification differences and revisions, as well as changes to the structure of the budget, can impact on comparisons over such an extended period.

Following changes to the Australian National Accounts standards, the general government cash surplus measures in this appendix, from 1998-99 onwards, incorporate payments by the Commonwealth general government sector in respect of accumulated PNFC superannuation liabilities. Figures for the years prior to 1998-99 do not incorporate these payments.

Other factors that affect the comparability of data between years include:

- classification differences in the data relating to the period prior to 1976-77 (which mean 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 PFC sector in 1998-99, and subsequent backcasting to account for this change;
- the revaluation of Telstra, in 1999-2000, from book value to market value (which only impacts on net worth);
- transfers of taxing powers between the Commonwealth and the States;
- other changes in financial arrangements between the Commonwealth and the State/local government sector; and
- changes in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash revenues and outlays, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing outlays) reduce both cash outlays and revenue.

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

Table E1: Commonwealth general government sector cash revenue, outlays and surplus^(a)

| | Revenue | | | Outlays | | | Cash surplus(b) | |
|-------------------|----------------|-------------|-----------------|----------------|-------------|-----------------|-----------------|-----------------|
| | Per cent | | | Per cent | | | \$m | Per cent of GDP |
| | \$m | real growth | Per cent of GDP | \$m | real growth | Per cent of GDP | | |
| 1969-70 | 7,097 | 13.4 | 20.9 | 6,131 | 6.6 | 18.0 | 966 | 2.8 |
| 1970-71 | 8,000 | 5.1 | 21.4 | 7,176 | 9.1 | 19.2 | 824 | 2.2 |
| 1971-72 | 8,827 | 3.1 | 21.4 | 7,987 | 4.0 | 19.3 | 840 | 2.0 |
| 1972-73 | 9,414 | 0.1 | 20.2 | 9,120 | 7.1 | 19.6 | 294 | 0.6 |
| 1973-74 | 11,890 | 11.2 | 21.2 | 10,829 | 4.5 | 19.3 | 1,061 | 1.9 |
| 1974-75 | 15,325 | 4.4 | 22.9 | 15,275 | 14.3 | 22.9 | 50 | 0.1 |
| 1975-76 | 18,316 | 3.1 | 23.3 | 19,876 | 12.2 | 25.3 | -1,560 | -2.0 |
| 1976-77 | 21,418 | 4.2 | 23.6 | 22,657 | 1.5 | 25.0 | -1,239 | -1.4 |
| 1977-78 | 23,491 | 1.0 | 23.7 | 25,489 | 3.6 | 25.7 | -1,998 | -2.0 |
| 1978-79 | 25,666 | 3.0 | 22.9 | 27,753 | 2.7 | 24.7 | -2,087 | -1.9 |
| 1979-80 | 29,780 | 5.7 | 23.3 | 31,041 | 1.9 | 24.3 | -1,261 | -1.0 |
| 1980-81 | 35,148 | 6.6 | 24.3 | 35,260 | 2.6 | 24.4 | -112 | -0.1 |
| 1981-82 | 40,831 | 3.6 | 24.6 | 40,394 | 2.1 | 24.4 | 437 | 0.3 |
| 1982-83 | 44,675 | -2.0 | 25.0 | 47,907 | 6.3 | 26.8 | -3,232 | -1.8 |
| 1983-84 | 49,102 | 3.1 | 24.4 | 55,966 | 9.6 | 27.8 | -6,864 | -3.4 |
| 1984-85 | 57,758 | 11.3 | 25.8 | 63,639 | 7.6 | 28.5 | -5,881 | -2.6 |
| 1985-86 | 64,845 | 5.6 | 26.3 | 69,838 | 3.2 | 28.3 | -4,993 | -2.0 |
| 1986-87 | 73,145 | 5.8 | 27.0 | 75,392 | 1.3 | 27.8 | -2,247 | -0.8 |
| 1987-88 | 81,217 | 3.6 | 26.3 | 79,440 | -1.7 | 25.7 | 1,777 | 0.6 |
| 1988-89 | 88,369 | 0.8 | 25.3 | 82,202 | -4.1 | 23.5 | 6,167 | 1.8 |
| 1989-90 | 95,517 | 2.1 | 25.0 | 88,882 | 2.2 | 23.2 | 6,635 | 1.7 |
| 1990-91 | 97,705 | -1.5 | 24.7 | 97,333 | 5.4 | 24.6 | 372 | 0.1 |
| 1991-92 | 92,966 | -6.6 | 23.0 | 104,551 | 5.4 | 25.9 | -11,585 | -2.9 |
| 1992-93 | 94,448 | 0.6 | 22.3 | 111,484 | 5.6 | 26.3 | -17,036 | -4.0 |
| 1993-94 | 100,142 | 5.2 | 22.5 | 117,252 | 4.4 | 26.3 | -17,110 | -3.8 |
| 1994-95 | 109,720 | 8.5 | 23.3 | 122,901 | 3.8 | 26.1 | -13,181 | -2.8 |
| 1995-96 | 121,105 | 7.9 | 24.1 | 131,182 | 4.4 | 26.1 | -10,077 | -2.0 |
| 1996-97 | 129,845 | 5.0 | 24.5 | 135,126 | 0.9 | 25.5 | -5,281 | -1.0 |
| 1997-98 | 135,779 | 3.0 | 24.2 | 134,608 | -1.9 | 24.0 | 1,171 | 0.2 |
| 1998-99 | 146,521 | 7.3 | 24.8 | 141,033 | 4.2 | 23.8 | 4,190 | 0.7 |
| 1999-00 | 165,828 | na | 26.4 | 153,157 | na | 24.3 | 12,671 | 2.0 |
| 2000-01 | 160,847 | -7.0 | 24.0 | 155,221 | -2.8 | 23.2 | 5,625 | 0.8 |
| 2001-02(e) | 163,384 | -0.2 | 23.3 | 162,881 | 3.1 | 23.2 | 502 | 0.1 |
| 2002-03(e) | 169,195 | 1.9 | 23.0 | 168,204 | 1.7 | 22.8 | 991 | 0.1 |
| 2003-04(p) | 177,135 | 2.2 | 22.7 | 175,360 | 1.8 | 22.4 | 1,776 | 0.2 |
| 2004-05(p) | 186,513 | 2.8 | 22.5 | 182,657 | 1.7 | 22.0 | 3,856 | 0.5 |

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied by receipts from operating activities and sales of non-financial assets. Outlays are proxied by payments for operating activities, purchases of non-financial assets and acquisitions of assets under financial leases. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

(b) Following changes to the Australian National Accounts standards the surplus measures in this table, from 1998-99 onwards, incorporate payments by the general government sector in respect of accumulated PNFC superannuation liabilities. These payments are not incorporated prior to 1998-99.

(e) Estimates.

(p) Projections.

na Not applicable, due to structural break in series.

Table E2: Commonwealth general government sector cash taxation revenue, non-taxation revenue and total revenue^(a)

| | Taxation revenue | | | Non-taxation revenue | | | Total revenue | | |
|-------------------|------------------|-------------|-----------------|----------------------|-------------|-----------------|----------------|-------------|-----------------|
| | \$m | Per cent | | \$m | Per cent | | \$m | Per cent | |
| | | real growth | Per cent of GDP | | real growth | Per cent of GDP | | real growth | Per cent of GDP |
| 1969-70 | 6,341 | 14.0 | 18.6 | 756 | 9.3 | 2.2 | 7,097 | 13.4 | 20.9 |
| 1970-71 | 7,148 | 5.1 | 19.1 | 852 | 5.0 | 2.3 | 8,000 | 5.1 | 21.4 |
| 1971-72 | 7,887 | 3.1 | 19.1 | 940 | 3.1 | 2.3 | 8,827 | 3.1 | 21.4 |
| 1972-73 | 8,411 | 0.1 | 18.1 | 1,003 | 0.1 | 2.2 | 9,414 | 0.1 | 20.2 |
| 1973-74 | 10,832 | 13.4 | 19.3 | 1,058 | -7.1 | 1.9 | 11,890 | 11.2 | 21.2 |
| 1974-75 | 14,141 | 5.7 | 21.2 | 1,184 | -9.4 | 1.8 | 15,325 | 4.4 | 22.9 |
| 1975-76 | 16,920 | 3.2 | 21.5 | 1,396 | 1.7 | 1.8 | 18,316 | 3.1 | 23.3 |
| 1976-77 | 19,714 | 3.8 | 21.7 | 1,704 | 8.7 | 1.9 | 21,418 | 4.2 | 23.6 |
| 1977-78 | 21,428 | 0.1 | 21.6 | 2,063 | 11.5 | 2.1 | 23,491 | 1.0 | 23.7 |
| 1978-79 | 23,409 | 3.0 | 20.9 | 2,257 | 3.2 | 2.0 | 25,666 | 3.0 | 22.9 |
| 1979-80 | 27,473 | 7.0 | 21.5 | 2,307 | -6.8 | 1.8 | 29,780 | 5.7 | 23.3 |
| 1980-81 | 32,641 | 7.3 | 22.5 | 2,507 | -1.9 | 1.7 | 35,148 | 6.6 | 24.3 |
| 1981-82 | 37,880 | 3.4 | 22.9 | 2,951 | 4.9 | 1.8 | 40,831 | 3.6 | 24.6 |
| 1982-83 | 41,025 | -3.0 | 22.9 | 3,650 | 10.8 | 2.0 | 44,675 | -2.0 | 25.0 |
| 1983-84 | 44,849 | 2.6 | 22.2 | 4,253 | 9.3 | 2.1 | 49,102 | 3.1 | 24.4 |
| 1984-85 | 52,970 | 11.8 | 23.7 | 4,788 | 6.6 | 2.1 | 57,758 | 11.3 | 25.8 |
| 1985-86 | 58,841 | 4.5 | 23.8 | 6,004 | 17.9 | 2.4 | 64,845 | 5.6 | 26.3 |
| 1986-87 | 66,467 | 6.0 | 24.6 | 6,678 | 4.3 | 2.5 | 73,145 | 5.8 | 27.0 |
| 1987-88 | 75,076 | 5.4 | 24.3 | 6,141 | -14.2 | 2.0 | 81,217 | 3.6 | 26.3 |
| 1988-89 | 83,452 | 3.0 | 23.8 | 4,917 | -25.8 | 1.4 | 88,369 | 0.8 | 25.3 |
| 1989-90 | 90,773 | 2.8 | 23.7 | 4,744 | -8.8 | 1.2 | 95,517 | 2.1 | 25.0 |
| 1990-91 | 92,739 | -1.7 | 23.5 | 4,966 | 0.8 | 1.3 | 97,705 | -1.5 | 24.7 |
| 1991-92 | 87,364 | -7.5 | 21.6 | 5,602 | 10.7 | 1.4 | 92,966 | -6.6 | 23.0 |
| 1992-93 | 88,760 | 0.6 | 20.9 | 5,688 | 0.6 | 1.3 | 94,448 | 0.6 | 22.3 |
| 1993-94 | 93,362 | 4.4 | 21.0 | 6,780 | 18.3 | 1.5 | 100,142 | 5.2 | 22.5 |
| 1994-95 | 104,921 | 11.3 | 22.3 | 4,799 | -29.9 | 1.0 | 109,720 | 8.5 | 23.3 |
| 1995-96 | 115,700 | 7.8 | 23.0 | 5,405 | 10.1 | 1.1 | 121,105 | 7.9 | 24.1 |
| 1996-97 | 124,559 | 5.4 | 23.5 | 5,286 | -4.2 | 1.0 | 129,845 | 5.0 | 24.5 |
| 1997-98 | 130,984 | 3.6 | 23.3 | 4,795 | -10.6 | 0.9 | 135,779 | 3.0 | 24.2 |
| 1998-99 | 141,105 | 7.1 | 23.9 | 5,416 | 12.3 | 0.9 | 146,521 | 7.3 | 24.8 |
| 1999-00 | 150,695 | na | 23.9 | 15,133 | na | 2.4 | 165,828 | na | 26.4 |
| 2000-01 | 146,056 | -7.1 | 21.8 | 14,791 | -6.3 | 2.2 | 160,847 | -7.0 | 24.0 |
| 2001-02(e) | 148,707 | 0.1 | 21.2 | 14,677 | -2.5 | 2.1 | 163,384 | -0.2 | 23.3 |
| 2002-03(e) | 155,512 | 2.9 | 21.1 | 13,683 | -8.2 | 1.9 | 169,195 | 1.9 | 23.0 |
| 2003-04(p) | 164,518 | 3.3 | 21.1 | 12,617 | -10.0 | 1.6 | 177,135 | 2.2 | 22.7 |
| 2004-05(p) | 173,976 | 3.2 | 21.0 | 12,537 | -3.0 | 1.5 | 186,513 | 2.8 | 22.5 |

(a) There is a break in the series between 1998-99 and 1999-00. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-00 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied by receipts from operating activities and sales of non-financial assets. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

(e) Estimates.

(p) Projections.
na Not applicable, due to structural break in series.

Table E3: Commonwealth revenue (cash basis)

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Actual | Estimate | Estimate | Projection | Projection |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Tax revenue | | | | | | |
| Income tax | | | | | | |
| Individuals(a) | | | | | | |
| Gross PAYG(W)(b) | 79,627 | 73,555 | 78,750 | 84,670 | 91,250 | 97,870 |
| Gross other individuals | 13,370 | 13,226 | 15,260 | 15,190 | 17,000 | 18,100 |
| less: Refunds | 10,946 | 10,989 | 10,700 | 11,090 | 11,870 | 13,040 |
| Total individuals | 82,050 | 75,792 | 83,310 | 88,770 | 96,380 | 102,930 |
| Companies | 24,453 | 31,582 | 27,850 | 28,650 | 29,550 | 31,380 |
| Superannuation funds | 3,820 | 4,800 | 4,730 | 5,010 | 5,250 | 5,540 |
| Withholding tax | 1,428 | 1,454 | 1,980 | 1,530 | 1,310 | 1,330 |
| Petroleum resource rent tax | 1,184 | 2,379 | 1,450 | 1,480 | 1,100 | 920 |
| Total income tax | 112,936 | 116,006 | 119,320 | 125,440 | 133,590 | 142,100 |
| Indirect tax | | | | | | |
| Excise duty | | | | | | |
| Petroleum products | | | | | | |
| and crude oil | 11,408 | 12,445 | 12,590 | 12,730 | 12,870 | 13,090 |
| Other excise | 2,670 | 6,572 | 6,460 | 6,510 | 6,605 | 6,690 |
| Total excise duty | 14,078 | 19,017 | 19,050 | 19,240 | 19,475 | 19,780 |
| Customs duty | 3,771 | 4,584 | 4,680 | 4,965 | 5,420 | 5,900 |
| Other indirect taxes | 15,532 | 1,929 | 760 | 853 | 878 | 902 |
| Total indirect tax | 33,381 | 25,530 | 24,490 | 25,058 | 25,773 | 26,582 |
| Fringe benefits tax | 3,373 | 3,207 | 3,440 | 3,560 | 3,680 | 3,810 |
| Agricultural levies | 551 | 451 | 528 | 527 | 529 | 531 |
| Other taxes | 454 | 862 | 929 | 927 | 947 | 953 |
| Total tax revenue | 150,695 | 146,056 | 148,707 | 155,512 | 164,518 | 173,976 |
| Non-tax revenue | | | | | | |
| Interest received | 995 | 1,140 | 845 | 970 | 1,031 | 1,494 |
| Dividends and other | 14,138 | 13,651 | 13,832 | 12,713 | 11,586 | 11,043 |
| Total non-tax revenue | 15,133 | 14,791 | 14,677 | 13,683 | 12,617 | 12,537 |
| Total revenue | 165,828 | 160,847 | 163,384 | 169,195 | 177,135 | 186,513 |
| <i>Memorandum items:</i> | | | | | | |
| Medicare levy receipts | 4520 | 4745 | 5050 | 5280 | 5630 | 5920 |
| Diesel fuel rebate expense | 1514 | 1942 | 1980 | 2060 | 2110 | 2130 |
| Fuel sales grant scheme | | 221 | 210 | 215 | 220 | 225 |
| Diesel and alternative fuels grant | | 558 | 665 | 675 | 690 | 705 |

(a) Includes receipts from both the Medicare levy and the Medicare levy surcharge. See memorandum item for revised outcomes and estimates.

(b) Includes final payments from the Prescribed Payments System (which was replaced by the new PAYG system from 1 July 2000).

Table E4: Commonwealth general government sector net debt^(a) and net interest outlays

| | Net debt | | Net interest outlays | |
|-------------------|---------------|-------------|----------------------|-------------|
| | \$m | Per cent of | \$m | Per cent of |
| | | GDP | | GDP |
| 1974-75 | -1,901 | -2.8 | -267 | -0.4 |
| 1975-76 | -341 | -0.4 | -389 | -0.5 |
| 1976-77 | 898 | 1.0 | -161 | -0.2 |
| 1977-78 | 2,896 | 2.9 | -106 | -0.1 |
| 1978-79 | 4,983 | 4.4 | 126 | 0.1 |
| 1979-80 | 6,244 | 4.9 | 290 | 0.2 |
| 1980-81 | 6,356 | 4.4 | 444 | 0.3 |
| 1981-82 | 5,919 | 3.6 | 475 | 0.3 |
| 1982-83 | 9,151 | 5.1 | 654 | 0.4 |
| 1983-84 | 16,015 | 7.9 | 1,327 | 0.7 |
| 1984-85 | 21,896 | 9.8 | 2,462 | 1.1 |
| 1985-86 | 26,889 | 10.9 | 3,626 | 1.5 |
| 1986-87 | 29,136 | 10.8 | 4,387 | 1.6 |
| 1987-88 | 27,359 | 8.9 | 4,019 | 1.3 |
| 1988-89 | 21,982 | 6.3 | 3,722 | 1.1 |
| 1989-90 | 16,121 | 4.2 | 3,848 | 1.0 |
| 1990-91 | 16,936 | 4.3 | 2,834 | 0.7 |
| 1991-92 | 31,132 | 7.7 | 2,739 | 0.7 |
| 1992-93 | 55,218 | 13.0 | 2,912 | 0.7 |
| 1993-94 | 70,223 | 15.8 | 4,549 | 1.0 |
| 1994-95 | 83,492 | 17.7 | 6,310 | 1.3 |
| 1995-96 | 95,831 | 19.1 | 7,812 | 1.6 |
| 1996-97 | 96,281 | 18.2 | 8,449 | 1.6 |
| 1997-98 | 82,935 | 14.8 | 7,381 | 1.3 |
| 1998-99 | 70,402 | 11.9 | 6,901 | 1.2 |
| 1999-00 | 53,106 | 8.4 | 6,326 | 1.0 |
| 2000-01 | 39,258 | 5.9 | 5,082 | 0.8 |
| 2001-02(e) | 35,510 | 5.1 | 4,401 | 0.6 |
| 2002-03(e) | 34,152 | 4.6 | 4,056 | 0.6 |
| 2003-04(p) | 20,105 | 2.6 | 3,710 | 0.5 |
| 2004-05(p) | 3,368 | 0.4 | 2,945 | 0.4 |

(a) The net debt series used in this table incorporates Treasury estimates for 1974-75 to 1986-87 and published ABS data for 1987-88 to 1997-98 (*Public Sector Financial Assets and Liabilities*, Cat. No. 5513.0). Comparable net debt data have been collected by the ABS since 1988. Treasury estimates were constructed by deducting annual net borrowing — defined as the ABS cash deficit — from the ABS measure of the stock of net debt at end June 1998.

(e) Estimates.

(p) Projections.

Table E5: Commonwealth general government sector accrual revenue, expenses, net capital investment and fiscal balance

| | GFS revenue | | | GFS expenses | | | Net capital investment | | Fiscal balance(a) | |
|-------------------|----------------|-------------|-----------------|----------------|-------------|-----------------|------------------------|-----------------|-------------------|-----------------|
| | \$m | Per cent | | \$m | Per cent | | \$m | Per cent of GDP | \$m | Per cent of GDP |
| | | real growth | Per cent of GDP | | real growth | Per cent of GDP | | | | |
| 1996-97 | 141,688 | na | 26.7 | 145,809 | na | 27.5 | 90 | 0.0 | -4,211 | -0.8 |
| 1997-98 | 146,820 | 2.1 | 26.2 | 148,646 | 0.4 | 26.5 | 147 | 0.0 | -1,973 | -0.4 |
| 1998-99 | 151,922 | 2.9 | 25.7 | 146,620 | -1.9 | 24.8 | 1,433 | 0.2 | 3,869 | 0.7 |
| 1999-00 | 166,617 | 7.5 | 26.5 | 154,373 | 3.2 | 24.5 | -1,225 | -0.2 | 13,469 | 2.1 |
| 2000-01 | 161,526 | -7.1 | 24.1 | 156,783 | -2.6 | 23.4 | -1,168 | -0.2 | 5,911 | 0.9 |
| 2001-02(e) | 160,706 | -2.2 | 22.9 | 164,592 | 3.2 | 23.5 | -812 | -0.1 | -3,073 | -0.4 |
| 2002-03(e) | 166,257 | 1.8 | 22.6 | 168,599 | 0.8 | 22.9 | -1,051 | -0.1 | -1,290 | -0.2 |
| 2003-04(p) | 175,698 | 3.1 | 22.5 | 175,484 | 1.5 | 22.5 | -398 | -0.1 | 612 | 0.1 |
| 2004-05(p) | 185,268 | 2.9 | 22.4 | 181,975 | 1.2 | 22.0 | -377 | 0.0 | 3,670 | 0.4 |

(a) The fiscal balance is equal to revenue less expenses less net capital investment.

(e) Estimates.

(p) Projections.

na Data not available.

Table E6: Commonwealth general government sector accrual taxation revenue, non-taxation revenue and total revenue

| | Taxation revenue | | | Non-taxation revenue | | | Total revenue | | |
|-------------------|------------------|-------------|-----------------|----------------------|-------------|-----------------|----------------|-------------|-----------------|
| | Per cent | | | Per cent | | | Per cent | | |
| | \$m | real growth | Per cent of GDP | \$m | real growth | Per cent of GDP | \$m | real growth | Per cent of GDP |
| 1999-00 | 152,576 | na | 24.2 | 14,041 | na | 2.2 | 166,617 | na | 26.5 |
| 2000-01 | 151,156 | -5.0 | 22.6 | 10,369 | -29.2 | 1.5 | 161,526 | -7.1 | 24.1 |
| 2001-02(e) | 148,424 | -3.5 | 21.2 | 12,283 | 16.4 | 1.8 | 160,706 | -2.2 | 22.9 |
| 2002-03(e) | 155,482 | 3.1 | 21.1 | 10,776 | -13.6 | 1.5 | 166,257 | 1.8 | 22.6 |
| 2003-04(p) | 165,301 | 3.8 | 21.2 | 10,397 | -5.8 | 1.3 | 175,698 | 3.1 | 22.5 |
| 2004-05(p) | 174,773 | 3.2 | 21.1 | 10,495 | -1.5 | 1.3 | 185,268 | 2.9 | 22.4 |

(e) Estimates.

(p) Projections.

na Data not available.

Table E7: Commonwealth revenue (accrual basis)

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Actual | Estimate | Estimate | Projection | Projection |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Tax revenue | | | | | | |
| Income tax | | | | | | |
| Individuals(a) | | | | | | |
| Gross PAYG(W)(b) | 79,838 | 74,161 | 79,000 | 84,920 | 91,500 | 98,120 |
| Gross other individuals | 14,232 | 13,426 | 15,510 | 15,440 | 17,250 | 18,350 |
| less: Refunds | 10,909 | 10,989 | 10,700 | 11,090 | 11,870 | 13,040 |
| Total individuals | 83,161 | 76,599 | 83,810 | 89,270 | 96,880 | 103,430 |
| Companies | 24,815 | 35,136 | 27,085 | 27,965 | 29,540 | 31,385 |
| Superannuation funds | 3,912 | 5,286 | 4,560 | 4,860 | 5,245 | 5,535 |
| Withholding tax | 1,428 | 1,452 | 1,980 | 1,530 | 1,310 | 1,330 |
| Petroleum resource rent tax | 1,205 | 2,388 | 1,450 | 1,480 | 1,100 | 920 |
| Total income tax | 114,520 | 120,861 | 118,885 | 125,105 | 134,075 | 142,600 |
| Indirect tax | | | | | | |
| Excise duty | | | | | | |
| Petroleum products | | | | | | |
| and crude oil | 11,418 | 12,447 | 12,590 | 12,730 | 12,870 | 13,090 |
| Other excise | 2,674 | 6,572 | 6,460 | 6,510 | 6,605 | 6,690 |
| Total excise duty | 14,091 | 19,019 | 19,050 | 19,240 | 19,475 | 19,780 |
| Customs duty | 3,799 | 4,606 | 4,885 | 5,261 | 5,708 | 6,187 |
| Other indirect taxes | 15,644 | 1,976 | 740 | 853 | 878 | 902 |
| Total indirect tax | 33,534 | 25,601 | 24,675 | 25,354 | 26,061 | 26,869 |
| Fringe benefits tax | 3,424 | 3,456 | 3,440 | 3,560 | 3,680 | 3,810 |
| Agricultural levies | 551 | 451 | 528 | 527 | 529 | 531 |
| Other taxes | 546 | 788 | 895 | 936 | 956 | 962 |
| Total tax revenue | 152,576 | 151,156 | 148,424 | 155,482 | 165,301 | 174,773 |
| Non-tax revenue | | | | | | |
| Interest received | 967 | 1,105 | 936 | 1,014 | 1,115 | 1,553 |
| Dividends and other | 13,074 | 9,264 | 11,347 | 9,762 | 9,282 | 8,943 |
| Total non-tax revenue | 14,041 | 10,369 | 12,283 | 10,776 | 10,397 | 10,495 |
| Total revenue | 166,617 | 161,526 | 160,706 | 166,257 | 175,698 | 185,268 |
| <i>Memorandum items:</i> | | | | | | |
| Medicare levy revenue | 4,520 | 4,745 | 5,050 | 5,280 | 5,630 | 5,920 |
| Diesel fuel rebate expense | 1,634 | 1,849 | 1,980 | 2,060 | 2,110 | 2,130 |
| Fuel sales grant scheme | | 203 | 210 | 215 | 220 | 225 |
| Diesel and alternative fuels grant | | 574 | 665 | 675 | 690 | 705 |

(a) Includes revenue from both the Medicare levy and the Medicare levy surcharge. See memorandum item for revised outcomes and estimates.

(b) Includes final payments from the Prescribed Payments System (which was replaced by the new PAYG system from 1 July 2000).

Table E8: Commonwealth cash revenue, outlays and surplus by institutional sector^(a)

| | General government(b) | | | Public non-financial corporations | | | Non-financial public sector | | |
|-------------------|-----------------------|----------------|--------------|-----------------------------------|-----------|--------------|-----------------------------|-----------|--------------|
| | Revenue | Outlays | Cash surplus | Revenue | Outlays | Cash surplus | Revenue | Outlays | Cash surplus |
| 1987-88 | 81,217 | 79,440 | 1,777 | 4,129 | 5,006 | 944 | 84,333 | 83,439 | 2,721 |
| 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 | 146,521 | 141,033 | 4,190 | na | na | -353 | na | na | 3,837 |
| 1999-00 | 165,828 | 153,157 | 12,671 | na | na | -2,594 | na | na | 10,077 |
| 2000-01 | 160,847 | 155,221 | 5,625 | na | na | 391 | na | na | 6,017 |
| 2001-02(e) | 163,384 | 162,881 | 502 | na | na | 99 | na | na | 602 |
| 2002-03(e) | 169,195 | 168,204 | 991 | na | na | na | na | na | na |
| 2003-04(p) | 177,135 | 175,360 | 1,776 | na | na | na | na | na | na |
| 2004-05(p) | 186,513 | 182,657 | 3,856 | na | na | na | na | na | na |

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to, and including, 1998-99 are consistent with the cash ABS GFS reporting requirements. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework. Revenues are proxied from operating activities and sales of non-financial assets. Outlays are proxied by payments for operating activities, purchases of non-financial assets and the acquisition of assets under finance leases. Due to methodological and data-source changes associated with the transition to accruals, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

(b) Following changes to the Australian National Accounts standards, the general government surplus measures in this table, from 1998-99 onwards, incorporate payments by the Commonwealth general government sector in respect of accumulated PNFC superannuation liabilities. Prior to 1998-99 these payments are not incorporated.

(e) Estimates.

(p) Projections.

na Data not available.

Table E9: Commonwealth accrual revenue, expenses and fiscal balance by institutional sector^(a)

| | General government | | | Public non-financial corporations | | | Non-financial public sector | | |
|-------------------|--------------------|----------------|----------------|-----------------------------------|---------------|----------------|-----------------------------|----------------|----------------|
| | Revenue | Expenses | Fiscal balance | Revenue | Expenses | Fiscal balance | Revenue | Expenses | Fiscal balance |
| 1996-97 | 141,688 | 145,809 | -4,211 | 27,431 | 26,015 | -331 | na | na | -4,542 |
| 1997-98 | 146,820 | 148,646 | -1,973 | 29,618 | 26,999 | 2,360 | na | na | 387 |
| 1998-99 | 151,922 | 146,620 | 3,869 | 27,687 | 26,088 | -816 | 175,707 | 168,806 | 3,053 |
| 1999-00 | 166,617 | 154,373 | 13,469 | 25,270 | 23,327 | 1,062 | 188,368 | 173,026 | 14,530 |
| 2000-01 | 161,526 | 156,783 | 5,911 | 25,640 | 24,533 | -826 | 183,018 | 177,167 | 5,086 |
| 2001-02(e) | 160,706 | 164,592 | -3,073 | 27,499 | 22,622 | 4,269 | 184,025 | 183,034 | 1,196 |
| 2002-03(e) | 166,257 | 168,599 | -1,290 | na | na | na | na | na | na |
| 2003-04(p) | 175,698 | 175,484 | 612 | na | na | na | na | na | na |
| 2004-05(p) | 185,268 | 181,975 | 3,670 | na | na | na | na | na | na |

(a) The fiscal balance is equal to revenue less expenses less net capital investment, which is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available.

Table E10: Commonwealth net worth by sector (as at end financial year)^(a)

| | General government | | PNFCs | | Non-financial public sector | |
|-------------------|--------------------|-------------|----------------|-------------|-----------------------------|--------------|
| | | Per cent | | Per cent | | Per cent |
| | \$b | of GDP | \$b | of GDP | \$b | of GDP |
| 1996-97 | -74,354 | -14.0 | 18,104 | 3.4 | -56,250 | -10.6 |
| 1997-98 | -68,544 | -12.2 | 18,081 | 3.2 | -50,463 | -9.0 |
| 1998-99 | -76,150 | -12.9 | 7,397 | 1.3 | -68,753 | -11.6 |
| 1999-00 | -39,922 | -6.3 | -75,634 | -12.0 | -115,556 | -18.4 |
| 2000-01 | -41,210 | -6.2 | -55,501 | -8.3 | -96,710 | -14.4 |
| 2001-02(e) | -43,129 | -6.2 | -58,997 | -8.4 | -102,127 | -14.6 |
| 2002-03(e) | -44,821 | -6.1 | na | na | na | na |
| 2003-04(p) | -44,621 | -6.2 | na | na | na | na |
| 2004-05(p) | -41,492 | -6.2 | na | na | na | na |

(a) Net worth is calculated as assets minus liabilities minus shares and other contributed capital.

(e) Estimates.

(p) Projections.

na Data not available.