

**MID-YEAR ECONOMIC AND
FISCAL OUTLOOK
2007-08**

STATEMENT BY
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FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2007-08* (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report which provides updated information to allow the assessment of the Government's fiscal performance against its fiscal strategy.

Consistent with these requirements:

- **Part 1: Overview** – contains summary information on the key fiscal and economic indicators.
- **Part 2: Personal income tax reform** – outlines the Government's tax reform goal and plan for continuing reform of Australia's personal tax system.
- **Part 3: Economic outlook** – discusses the domestic and international economic forecasts that underpin the budget estimates.
- **Part 4: 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 2007-08 Budget. This part also discusses the sensitivity of the forward budget estimates to changes in major economic parameters.
- **Appendix A: Policy decisions taken since the 2007-08 Budget** – provides details of decisions taken since the 2007-08 Budget that affect revenue, expenses and capital estimates.
- **Appendix B: Government Finance Statistics (GFS) statements** – provides the general government and consolidated whole of government financial statements on a GFS basis, consistent with the *Accrual Uniform Presentation Framework*.
- **Appendix C: Australian Accounting Standards (AAS) financial statements** – provides AAS statements and notes to the financial statements.
- **Appendix D: Statement of risks** – provides details of general developments or specific events that may have an impact on the fiscal position, and contingent liabilities which are costs the government may possibly face, some of which are quantified.
- **Appendix E: Financial reporting standards and budget concepts** – provides a discussion of key budget concepts relevant to the MYEFO and the external reporting standards upon which the MYEFO is based.
- **Appendix F: Historical Australian Government data** – provides historical data for the Australian Government's key fiscal aggregates.

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NOTES

(a) The following definitions are used in the MYEFO:

- 'real' means adjusted for the effect of inflation;
- real growth in expenses is measured by the non-farm Gross Domestic Product (GDP) deflator;
- one billion is equal to one thousand million; and
- the budget year refers to 2007-08, while the forward years refer to 2008-09, 2009-10 and 2010-11.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:

- estimates under \$100,000 are rounded to the nearest thousand;
- estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
- estimates midway between rounding points are rounded up; and
- the percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

*	The nature of this measure is such that a reliable estimate cannot be provided.
NEC/nec	not elsewhere classified
-	nil
0	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
nfp	not for publication
\$m	\$ million
\$b	\$ billion

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

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

PART 1: OVERVIEW

The economic and fiscal outlook for Australia remains sound and has strengthened since Budget. The Australian economy is expected to grow strongly in 2007-08, notwithstanding increased downside risks to the world economic outlook. Strong fiscal outcomes are forecast and projected across the forward estimates.

In light of this strong economic and fiscal outlook, the Government will provide personal income tax cuts of \$34 billion over the forward estimates period, commencing from 1 July 2008.

An underlying cash surplus of \$14.8 billion is forecast for 2007-08, \$4.2 billion higher than the 2007-08 Budget forecast.

Estimated taxation receipts in 2007-08 have been revised up by \$5.0 billion since the 2007-08 Budget. The higher taxation estimates are driven by stronger forecast growth in employment, higher wages, profits and realised capital gains.

Cash payments in 2007-08 are estimated to be \$1.6 billion higher than the estimate at the 2007-08 Budget. This largely reflects new policy measures announced since Budget, including drought relief to support affected regions, the Northern Territory Emergency Response to assist remote communities and the new Disability Assistance Package to address unmet need in the provision of disability services. These increases are partially offset by lower than expected payments across a range of income support and welfare programmes and slippage in some defence acquisition projects.

Table 1 presents the fiscal and underlying cash balances for 2007-08 and the forward years.

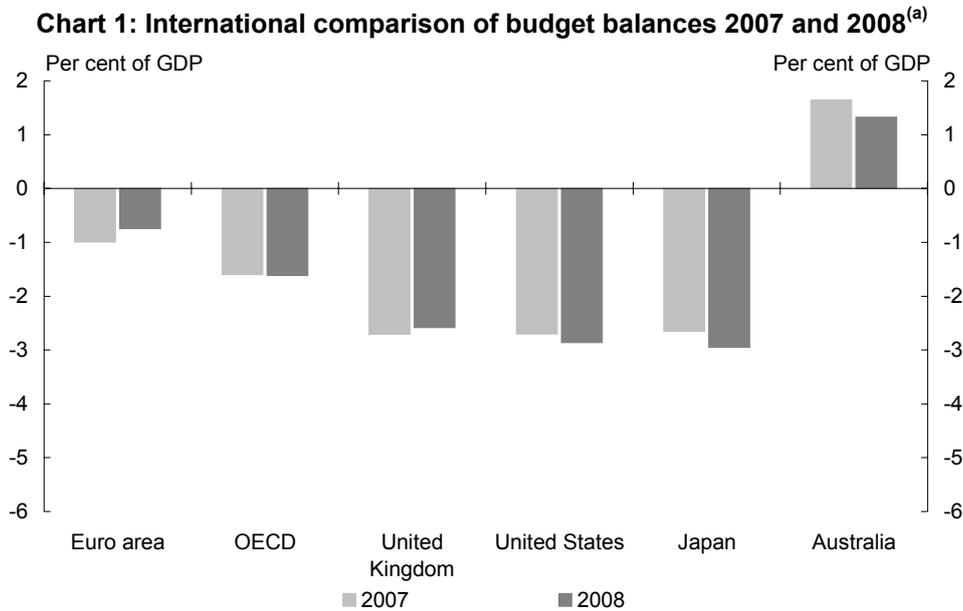
Table 1: Summary of budget aggregates

	Estimates			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Underlying cash balance (\$b)(a)	10.6	14.8	12.7	14.4
Per cent of GDP	1.0	1.3	1.1	1.2
Fiscal balance (\$b)	10.0	14.9	11.9	13.6
Per cent of GDP	0.9	1.3	1.0	1.1
	Projections			
	2009-10		2010-11	
	Budget	MYEFO	Budget	MYEFO
Underlying cash balance (\$b)(a)	13.8	17.7	12.4	15.1
Per cent of GDP	1.2	1.4	1.0	1.2
Fiscal balance (\$b)	14.1	18.4	13.7	17.1
Per cent of GDP	1.2	1.5	1.1	1.3

(a) Excludes expected Future Fund earnings.

Part 1: Overview

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



(a) Source: International data is for the total general government sector, sourced from the latest OECD Economic Outlook, No. 81, May 2007, which contains data up to 2008. Australian data is for the Australian Government general government sector.

In accrual terms, the fiscal balance is expected to record a \$14.9 billion surplus in 2007-08, \$4.9 billion higher than forecast at the 2007-08 Budget.

Further details on the accrual and cash budget estimates are provided in Part 4.

DOMESTIC AND INTERNATIONAL ECONOMIC OUTLOOK

The Australian economy is expected to grow by 4¼ per cent in 2007-08, compared with 3¾ per cent forecast at Budget. The upward revision reflects a broad-based strengthening in growth in the non-farm sector during the first half of 2007, which is expected to be sustained. Growth is forecast to ease to 3½ per cent in 2008-09. The farm sector is not expected to recover fully from drought over the forecast horizon. Farm GDP is forecast to grow by 14 per cent in 2007-08, which is a significantly weaker recovery than seen in previous droughts.

The forecasts have been prepared in an environment of significant turbulence in global financial markets, triggered by rising default rates on sub-prime mortgages in the United States and considerable uncertainty about where the resulting losses ultimately reside. The ongoing implications of this turbulence, while uncertain, clearly introduce

downside risks to the outlook. These events have occurred at a time when there has been significant momentum in the domestic and global economies.

World GDP growth is forecast to be 5 per cent in 2007 and 4¾ per cent in 2008. In comparison with Budget, the downward revision to the outlook for 2008 reflects weaker growth in the United States. The US housing downturn is likely to continue to weigh on its economy during 2007 and 2008.

Australian economic growth is expected to be broadly based. Strong global demand for mineral and energy resources is continuing to support high terms of trade. Business investment is forecast to grow strongly, underpinned by strong ongoing profitability. Growth in export volumes is expected to accelerate as additional capacity comes on line.

Household consumption is forecast to be stronger than at Budget, supported by strong employment growth and solid wage growth. The forecast for employment growth has increased since Budget, in line with stronger economic conditions and rises in immigration and workforce participation. Dwelling investment growth is expected to pick-up significantly in 2008-09.

Despite some near-term strength, wage and inflation pressures are forecast to ease in 2008-09. This reflects an easing in demand pressures and increasing supply flowing from strong and sustained business investment. Moreover, stronger productivity growth is expected to put downward pressure on unit labour costs.

The risks surrounding the world economy are creating uncertainty for the domestic outlook. While strong world growth is expected to support the domestic economy over the forecast horizon, there is a risk that the slowing in US growth will be more pronounced than expected. This would have broader implications for world trade and financial markets. Tighter global credit conditions would be expected to dampen activity in the domestic economy. In addition, a significant slowdown in world growth could result in commodity price falls. Alternatively, stronger outcomes for the domestic economy are possible if turbulence in financial markets continues to unwind in a relatively benign fashion.

Dry weather conditions and low water storage levels continue to pose a downside risk to the outlook for the farm sector. The forecasts take into account the below-average rainfall over winter and the consequent deterioration in yields in cropping regions as reported in the *September quarter 2007 Australian Commodities* by the Australian Bureau of Agricultural and Resource Economics (ABARE). The impact of further dry conditions since the publication of the ABARE report, in particular on the New South Wales wheat crop, has also been taken into account. The usual Budget assumption of average seasonal conditions applies for the remainder of the forecast period. However, there is a significant risk to the farm sector if below-average rainfall persists in many parts of Australia.

Part 1: Overview

Table 2 presents the major economic parameters used in preparing the *Mid-Year Economic and Fiscal Outlook 2007-08*. The parameters for 2007-08 and 2008-09 are forecasts, while those for 2009-10 and 2010-11 are projections. The projections of economic growth are based on analysis of underlying trends in employment and productivity. As at Budget, iron ore and coal prices are assumed to return to their long-run average level over the two projection years. This is broadly consistent with aggregate non-rural commodity prices retracing almost 50 per cent of their recent gains by the end of the projection period. The projections of inflation are consistent with the medium-term inflation target band.

Table 2: Major economic parameters^(a)

	Forecasts		Projections	
	2007-08	2008-09	2009-10	2010-11
Real GDP	4 1/4	3 1/2	3	3
Employment	2 1/4	1 3/4	1 1/4	1 1/4
Wage Price Index	4 1/4	4 1/4	4	4
CPI	2 3/4	2 3/4	2 1/2	2 1/2

(a) Year-average percentage change.

PART 2: PERSONAL INCOME TAX REFORM

Since 2000, the Government has undertaken a range of far-reaching reforms to the tax system. These reforms have reshaped Australia's personal, business, superannuation, indirect and international tax landscape and ensured that Australia remains a low tax country compared to the standards of the developed world. The reforms to the tax system have increased incentives to work, save and invest, reduced costs and complexity, and improved Australia's international competitiveness.

The Government's objective of keeping the Budget in surplus has been maintained whilst also maintaining its commitment not to increase the overall Commonwealth tax burden from 1996-97 levels. In fact the tax burden has fallen significantly from 1996-97 levels.

Tax reform goal

The Government has now decided on an ambitious new goal to drive tax reform much further. This goal can be met if the expected strong economic and fiscal conditions continue. The goal is that in five years time (2012-13) the personal income tax system will have the following features:

- A rate scale of 15 per cent, 30 per cent, 35 per cent, and 40 per cent;
- Forty-five per cent of taxpayers¹ facing a marginal tax rate of 15 per cent or less;
- Eighty-five per cent of taxpayers facing a marginal tax rate of 30 per cent or less;
- Ninety-eight per cent of taxpayers facing a marginal tax rate of 35 per cent or less; and
- An enhanced low income tax offset (LITO) that will mean that low income earners will have an effective tax free threshold of \$20,000.

Tax reform plan

The Government has decided to cut tax as part of a plan to commence on 1 July 2008. Across the forward estimates this will mean tax cuts of \$34 billion.

This will result in a significant reduction in taxes for all individual taxpayers while maintaining the sustainability of the revenue base. In particular, the reforms provide added incentives for low income workers to participate in the workforce.

1 Defined as a resident adult who is not a full-rate pensioner or beneficiary and who has a taxable income greater than the tax free threshold of \$6,000, but does not necessarily have a net tax liability.

Part 2: Personal income tax reform

From 1 July 2008, the 30 per cent threshold will increase from \$30,001 to \$34,001. In addition, from 1 July 2009, the 30 per cent threshold will be further increased to \$35,001 and the 40 per cent and 45 per cent tax rates will be reduced to 38 per cent and 43 per cent. From 1 July 2010, the 30 per cent threshold will be increased again to \$37,001 and the top marginal tax rates will be cut to 37 per cent and 42 per cent.

Table 3 outlines the new personal tax rates and thresholds for the forward estimates period.

Table 3: New personal tax rates and thresholds

Current		From 1 July 2008		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 34,000	15	6,001 - 35,000	15	6,001 - 37,000	15
30,001 - 75,000	30	34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	40	80,001 - 180,000	38	80,001 - 180,000	37
150,001 +	45	180,001 +	45	180,001 +	43	180,001 +	42

Low and middle income earners will be further assisted through an increase in the LITO. From 1 July 2008, the LITO will increase from \$750 to \$1,200. It will continue to be withdrawn from the income level of \$30,000. Those eligible for the full LITO will not pay tax after assessment until their annual income exceeds at least \$14,000 (up from the current level of \$11,000). Further increases in the LITO, to \$1,350 from 1 July 2009 and to \$1,500 from 1 July 2010 will mean that the effective tax free threshold will increase further to at least \$15,000 in 2009-10 and \$16,000 in 2010-11, towards the goal of \$20,000.

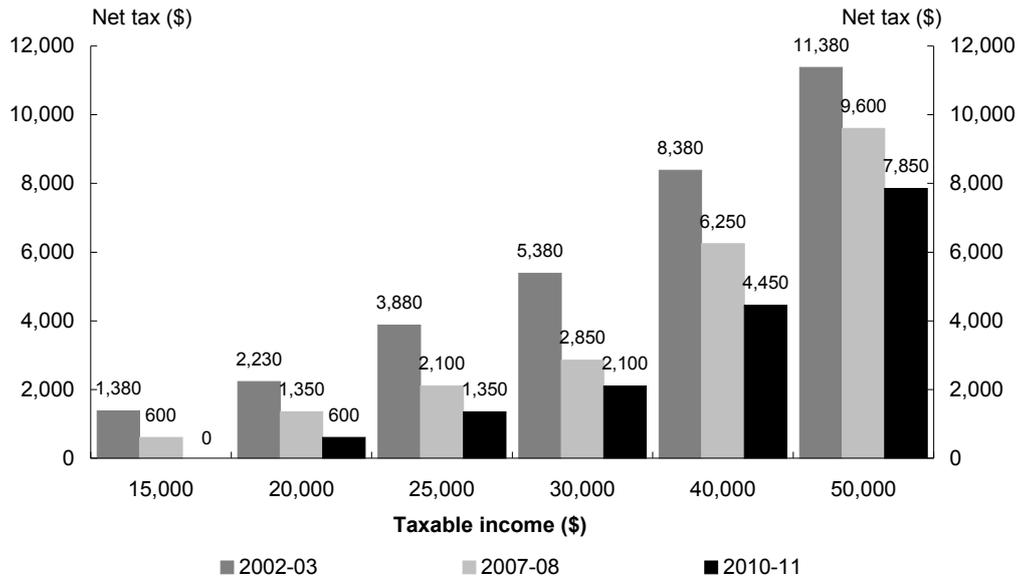
Given the large increase in the amount of the offset, new withholding schedules will be created so that low and average income earners will receive half of the benefits of the LITO through their regular pay, rather than receiving the total as a lump sum when their income tax returns are assessed. This will bolster participation incentives by allowing people to realise sooner the benefits of working more.

Senior Australians will also benefit from these changes and related increases. Senior Australians eligible for the senior Australians tax offset (SATO) and the LITO currently do not pay tax until they reach an annual income of at least \$25,867 for singles and \$21,680 for each member of a couple. As a result of the Government's personal income tax plan, from 1 July 2008 these income levels will be lifted to \$28,867 for singles and \$24,680 for each member of a couple. By 2010-11, the income levels will be \$30,685 for singles and \$26,680 for each member of a couple.

The fringe benefits tax rate will also be reduced in line with reductions in the top marginal tax rate (including the Medicare levy), decreasing to 44.5 per cent from 1 April 2009 and to 43.5 per cent from 1 April 2010.

These tax cuts build on the significant reductions in personal income tax for low and average income earners that have resulted from tax cuts delivered in the last five budgets. Chart 2 shows the net reductions in tax that will result over the forward estimates period.

Chart 2: Reductions in net income tax paid by low and average income earners

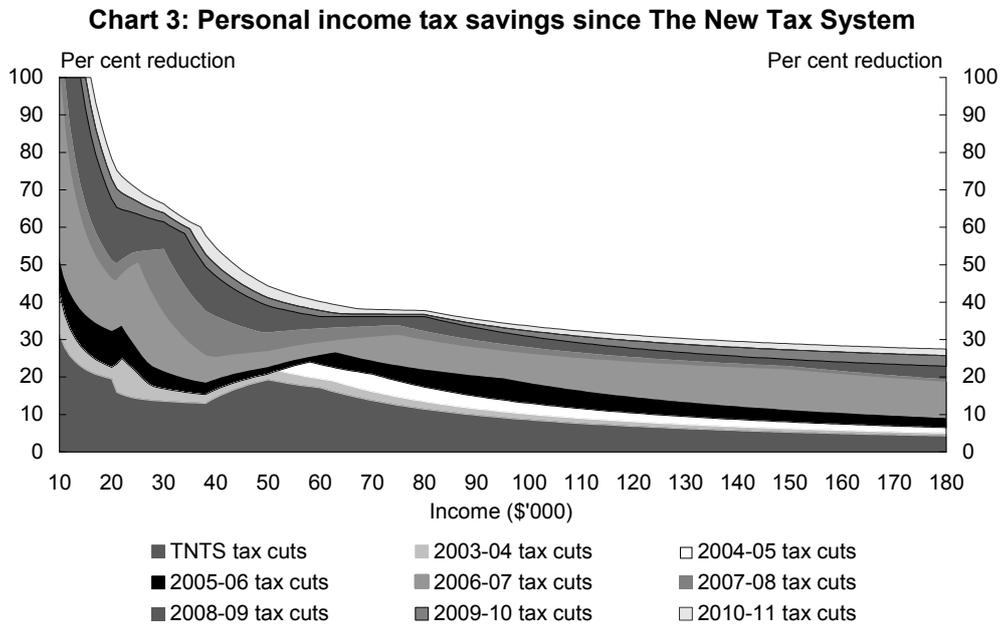


The 2007-08 MYEFO tax cuts build on the reforms delivered in The New Tax System introduced in 2000-01 and the 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 budgets. The overall effect has been to deliver significant reductions in tax for all Australian taxpayers.

- Adult taxpayers earning \$30,000 paid \$6,222 in income tax prior to The New Tax System (excluding the Medicare levy) whereas taxpayers on that income will, from 1 July 2010, pay \$2,100; a reduction of 66 per cent.
- Taxpayers on \$60,000 paid \$18,802 in income tax prior to The New Tax System (excluding the Medicare levy) whereas taxpayers on that income will, from 1 July 2010, pay \$11,250; a reduction of 40 per cent.
- Taxpayers on \$100,000 paid \$37,602 in income tax prior to The New Tax System (excluding the Medicare levy) whereas taxpayers on that income will, from 1 July 2010, pay \$24,950; a reduction of 34 per cent.
- Taxpayers on \$180,000 paid \$75,202 in income tax prior to The New Tax System (excluding the Medicare levy) whereas taxpayers on that income will, from 1 July 2010, pay \$54,550; a reduction of 27 per cent.

Part 2: Personal income tax reform

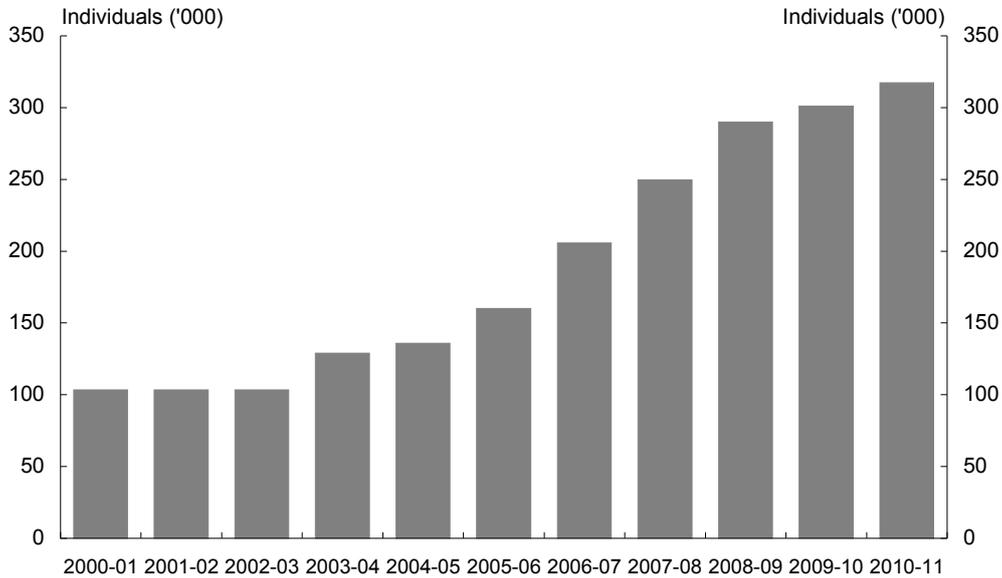
As shown in Chart 3 below, in percentage terms, the greatest tax cuts have been provided to low and average income earners.



The Government has already made significant progress towards achieving its plan for the personal tax system. For example, the effective tax free threshold for low income earners has been increased from \$6,150 prior to 1 July 2000, to \$11,000 in 2007-08, and will increase further to \$16,000 from 1 July 2010.

The 2007-08 MYEFO tax cuts and the Government's goal for the personal income tax system will continue the focus on encouraging workforce participation that has been a feature of the tax cuts delivered by the Government since the introduction of The New Tax System. The estimated impact of the 2007-08 MYEFO tax cuts is to encourage around 65,000 new entrants into the workforce. The cumulative effect of the tax cuts delivered by the Government since The New Tax System is estimated to encourage around 300,000 new entrants to the workforce (see Chart 4). To put this into perspective, this is roughly equivalent in size to a three percentage point fall in the unemployment rate.

Chart 4: Estimated cumulative workforce impacts from personal tax scale changes*



Source: Treasury version of the Melbourne Institute Tax and Transfer Simulator (MITTS).

*The actual workforce impacts are likely to be spread beyond the years of introduction of the tax scale changes.

These tax reforms will also assist in improving Australia's competitiveness with other OECD countries. Australia is a low tax country – the eighth lowest in the OECD. With the fall in the top marginal tax rate as part of the planned tax cuts, Australia's attractiveness to highly skilled workers from overseas will be enhanced. The average ('all in') top marginal rate for OECD countries was 46.6 per cent in 2006. The Government's plan will reduce Australia's top marginal rate to 42 per cent from 1 July 2010, with the goal of further lowering it to 40 per cent over the next two years. When the Medicare levy is included, Australia's top marginal rate will be significantly below the average for the OECD.

PART 3: ECONOMIC OUTLOOK

The Australian economy is expected to grow by 4¼ per cent in 2007-08, stronger than the 3¾ per cent forecast at Budget. The economy's supply potential is expected to expand at a faster-than-usual pace, reflecting strong and sustained business investment. Growth in export volumes is forecast to accelerate as increased capacity comes on line. The prospects for the household sector are favourable, buoyed by growth in incomes and wealth. The forecast for 2007-08 also reflects a partial recovery from the drought, which is expected to add ½ of a percentage point to GDP growth.

The economic forecasts have been framed against a backdrop of significant turbulence in global financial markets. Rising default rates on sub-prime mortgages in the United States have led to reduced liquidity and increased volatility in world financial markets. The ongoing implications of this turbulence for the domestic and world economies are uncertain, introducing greater risks to the outlook. These events have occurred at a time when there has been significant momentum in the domestic and global economies.

World GDP is forecast to grow by 5 per cent in 2007 and 4¾ per cent in 2008. The slight downward revision to the outlook for 2008 from the Budget forecast of 5 per cent reflects weaker growth in the United States. Growth is expected to be strong across emerging market economies, and demand from these regions is expected to continue to support export growth in major developed economies.

The Australian economy will continue to be influenced by strong global demand for mineral and energy resources. Business investment grew by 7.1 per cent in 2006-07, following double-digit growth in each of the preceding four years. The increase in commodity prices has boosted mining profits and investment. Investment is also strong in other sectors such as manufacturing, and property and business services. A continuation of strong business investment is forecast for 2007-08 and 2008-09. The strength of corporate balance sheets and profits will continue to support high levels of business investment, notwithstanding possible upward pressure on financing costs as a result of recent financial market developments.

Growth in mining production and export volumes is expected to accelerate from 2007-08 as projects come on line. The mining industry has invested \$76 billion over the past six years and strong investment is expected to continue. Nominal business investment as a share of GDP is at its highest level in 33 years and is anticipated to remain around this level.

The terms of trade are forecast to rise modestly by 1¼ per cent in 2007-08, rather than fall slightly as expected at Budget. The upward revision largely reflects anticipated strength in the prices of Australia's bulk commodity exports of iron ore and coal. World demand is expected to outpace supply in these markets. In contrast, falls in base metal prices are expected as global supply in these markets increases. The increased

Part 3: Economic outlook

downside risks to the world economy create more uncertainty around the outlook for commodity prices.

Ongoing growth in household incomes, wealth and employment is expected to result in strong household consumption growth, and a pick-up in dwelling investment growth in 2008-09. Household incomes are expected to be higher than forecast at Budget. Employment growth is forecast to be strong, supported by strong domestic demand, high participation and increased immigration.

Wage and inflation pressures are expected to ease over the forecast horizon. Current pressure on food prices reflects unfavourable weather conditions and low water allocations in the Murray-Darling Basin. An easing in underlying inflation is expected as demand pressures ease and growth in unit labour costs slows as productivity strengthens.

INTERNATIONAL ECONOMIC OUTLOOK

As reported at Budget, the world economy recorded its fastest growth rate in over 30 years in 2006. World growth remained strong in the first half of 2007, although recent disruptions in global financial markets have resulted in a more uncertain outlook. While continued robust growth in emerging market countries, particularly China and India, is expected to underpin global growth in the coming period, downside risks have increased and require careful monitoring.

Growth in China and India accelerated over the first half of 2007, continuing to exceed expectations. Growth has also been exceptionally strong across other emerging market economies in Latin America, Eastern Europe, the Commonwealth of Independent States and sub-Saharan Africa, with high commodity prices supporting economic activity in a number of these regions. Demand from these regions has fuelled export growth in major developed economies, in particular the euro area and Japan. Growth in the United States has remained constrained by weakness in its housing market and a recent tightening in corporate credit conditions. A return to trend growth for the US in 2008, as expected at Budget, now appears unlikely.

The world economic growth forecasts for 2007 remain unchanged at 5 per cent and have been revised down slightly to 4¾ per cent in 2008 (Table 4). The downward revision in 2008 reflects a weaker outlook for the United States.

In contrast, major trading partner growth has been revised up by ½ of a percentage point to 5 per cent in 2007 and by ¼ of a percentage point to 4¾ per cent in 2008. This upward revision is largely due to higher-than-expected growth in China and India, and the other East Asian economies in the first half of 2007, and an expectation of continued strong growth for China and India in 2008. The upward revisions more than offset a downward revision to the outlook for the US economy over both years. In the

absence of the forecast deeper slowdown in the United States, economic growth in emerging economies would likely have been stronger than currently forecast.

Table 4: International GDP growth forecasts^{(a)(b)}

	Actual	Forecasts	
	2006	2007	2008
United States	2.9	2	2 1/4
Euro area	2.9	2 3/4	2 1/4
Japan	2.2	2	2
China	11.1	11 1/4	10 1/2
India	9.6	9 1/4	8 1/2
Other East Asia(c)	5.6	5 1/4	5 1/4
Major trading partners	5.1	5	4 3/4
Total OECD	3.1	2 1/2	2 1/2
World	5.4	5	4 3/4

(a) Percentage change from preceding year.

(b) Growth rates for the World and euro area are calculated using GDP weights based on purchasing power parity, while growth rates for major trading partners and other East Asia are calculated using export trade weights.

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

Source: National statistical publications, IMF and Treasury.

Recent financial market developments present a significant downside risk to the favourable world outlook. Continued deterioration in the US sub-prime mortgage market, and concerns over exposures to financial securities backed by sub-prime mortgages, have triggered a repricing of risk, a flight to liquid financial assets and a tightening in corporate credit conditions across global markets. The flight to liquid assets has generated a large rise in the spread between policy rates and inter-bank lending rates.

Major central banks have responded by injecting large amounts of liquidity into banking systems. Further, at its September meeting, the US Federal Reserve lowered the target for its main policy rate, the federal funds rate, by 50 basis points to 4.75 per cent. The Fed noted that its action was 'intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets'. Other major central banks have adopted a 'wait-and-see' approach with regard to their policy rates. Prior to the recent financial market turbulence, the European Central Bank, the Bank of England and the Bank of Japan had all been expected to raise rates further this year.

Developments in the US sub-prime mortgage market have the potential to cause further disruption in global financial markets. With a large number of outstanding sub-prime mortgages originated over 2005 and 2006, in the latter stages of the US housing boom, arrears and defaults could increase throughout the remainder of 2007 and into 2008.

Part 3: Economic outlook

While there are some pressures to headline inflation around the world from sharp increases in food and fuel prices, core inflation generally remains contained. Crude oil prices (West Texas Intermediate) have trended upwards since May this year, underpinned by increasing demand from US refiners. Global oil markets remain tight, which could lead to further rises in oil prices and consequently add to global inflationary pressures.

The recent financial market turbulence increases the possibility of a recession in the **United States** in 2008. Notwithstanding this possibility, most forecasters continue to expect modest growth. We now expect the US economy to grow by 2 per cent in 2007, $\frac{1}{4}$ of a percentage point lower than at Budget, and $2\frac{1}{4}$ per cent in 2008, $\frac{3}{4}$ of a percentage point lower than at Budget. These forecasts factor in some impact from the repricing of risk on housing and consumption.

The US labour market has shown signs of gradual softening over the past year. Nevertheless, continued employment growth, together with solid growth in personal incomes, has supported ongoing consumption growth. In addition, business investment appears to be firming, with high corporate profits and capacity utilisation rates likely to support further investment. US exports have been growing at a strong rate over the past year and robust world growth is likely to support a further expansion into 2008.

The economic outlook for **Japan** is unchanged since Budget, with growth of 2 per cent expected in both 2007 and 2008. The 2007 outlook reflects solid, but slowing, business investment growth and firm export growth. In 2008, a modest improvement in consumption and continued support from exports is expected to offset a moderation in the pace of business investment. A key challenge remains to generate and sustain rising consumer prices, something that has been absent from Japan for a decade.

Economic growth in **China** has exceeded expectations since Budget, driven largely by a pick-up in investment and net exports. Growth for 2006 was also revised up from 10.7 per cent to 11.1 per cent. The Chinese economy is now forecast to grow by $11\frac{1}{4}$ per cent in 2007 and $10\frac{1}{2}$ per cent in 2008, upward revisions of $\frac{3}{4}$ and $\frac{1}{4}$ of a percentage point since Budget.

Strong GDP growth, along with a recent surge in consumer prices, has seen increasing concern about the sustainability of China's growth. However, economic fundamentals in China remain relatively favourable, with growth more broadly based than in earlier periods. Investment growth appears more sustainable, company profits are strong and domestic consumption is increasingly contributing to growth. In addition, core inflation remains subdued, with little evidence of wider price pressures.

Economic conditions in **India** have also been stronger than expected, with growth revised up to 9.6 per cent in 2006. The stronger growth has continued into 2007, driven by strong domestic demand, particularly from the service and industry sectors. The Indian economy is now forecast to grow by $9\frac{1}{4}$ per cent in 2007 and $8\frac{1}{2}$ per cent

in 2008, a little higher than expected at Budget. The expected mild slowing in 2008 reflects a moderation in domestic demand, partly due to a recent tightening of monetary conditions by the Reserve Bank of India.

Expectations for growth in the rest of **East Asia** have been revised up slightly since Budget, with the 2007 and 2008 forecasts both higher by $\frac{1}{4}$ of a percentage point to $5\frac{1}{4}$ per cent. Since Budget, growth has converged across the region due to stronger-than-expected consumption and investment in the NIEs. Growth in the rest of East Asia is now forecast to be supported by solid domestic demand in 2007 and a slight pick-up in exports in 2008.

Expectations for **euro area** growth in 2007 have improved modestly since Budget, with the 2007 forecast revised up by $\frac{1}{4}$ of a percentage point to $2\frac{3}{4}$ per cent. Although GDP growth fell below trend in the June quarter, it is expected to rebound over the remainder of 2007. In 2008, growth is expected to moderate to $2\frac{1}{4}$ per cent, reflecting the impact on domestic demand of previous monetary tightening and slightly slower export growth, reflecting the high euro exchange rate.

RISKS TO THE OUTLOOK

Recent financial market developments present a significant downside risk to the world and domestic economic outlooks. Further volatility in financial markets has the potential to result in slower growth in the United States and consequently dampen world growth more broadly through trade and financial market linkages.

In the Australian economy, higher borrowing costs would weigh on dwelling and business investment, as well as household consumption. A significant slowdown in world growth would also slow the demand for Australia's exports and could result in falls in commodity prices. Significant commodity price falls would lower growth in national income and activity.

Alternatively, should the recent financial market turbulence continue to be resolved in a relatively benign fashion, stronger outcomes for the domestic economy are possible. This is especially the case given the magnitude of investment projects in the pipeline. In this event, stronger growth in an economy that is close to full employment could add to wage and price pressures, although these pressures may be offset somewhat by a higher exchange rate. The Australian dollar has appreciated significantly recently and, were this appreciation to be sustained, it would have some dampening effect on economic activity and prices.

Dry weather conditions and low water storage levels continue to pose a downside risk to farm production. While timely rains provided for a good start to the 2007 winter cropping season, a lack of follow-up rains has adversely affected the winter crop. The forecasts take this and the current low water allocations in the Murray-Darling Basin

Part 3: Economic outlook

into account, but rely on the usual Budget assumption of average seasonal conditions for the remainder of the forecast period.

DOMESTIC ECONOMY FORECASTS

The domestic economy forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its average level of recent months – a trade weighted index of around 67.5 and a United States dollar exchange rate of around 85 US cents. Domestic interest rates are assumed to remain unchanged at current levels. World oil prices (West Texas Intermediate) are assumed to move in line with market expectations and remain around US\$75 per barrel on average over the forecast period. The farm sector forecasts are based on an assumption of average seasonal conditions in the future, but take into account weather outcomes experienced in the early part of 2007-08 and the current very low water storage levels.

The Australian economy is forecast to grow by 4¼ per cent in 2007-08 and 3½ per cent in 2008-09. The key domestic economy forecasts are summarised in Table 5.

Table 5: Domestic economy forecasts^(a)

	2006-07	2007-08	
	Outcomes(b)	Forecasts	
	Year average	Budget Year average	MYEFO Year average
Panel A - Demand and output(c)			
Household consumption	3.7	3 1/2	4 1/4
Private investment			
Dwellings	3.6	2 1/2	3
Total business investment(d)	7.1	7 1/2	9 1/2
Non-dwelling construction(d)	12.6	7	9
Machinery and equipment(d)	3.1	6 1/2	8
Private final demand(d)	4.2	4 1/4	5 1/4
Public final demand(d)	5.2	3 3/4	4 1/2
Total final demand	4.5	4	5
Change in inventories(e)			
Private non-farm	0.3	0	0
Farm and public authorities(f)	-0.2	1/4	0
Gross national expenditure	4.5	4 1/4	5
Exports of goods and services	3.9	5	4 1/2
Imports of goods and services	9.5	6 1/2	8 1/2
Net exports(e)	-1.4	- 1/2	-1
Gross domestic product	3.3	3 3/4	4 1/4
Non-farm product	3.9	3 1/2	4
Farm product	-19.2	18	14
Panel B - Other selected economic measures			
External accounts			
Terms of trade	7.3	-1 1/2	1 1/4
Current account balance			
\$billion	-59.2	-65 3/4	-71 1/4
Percentage of GDP	-5.7	-6	-6 1/4
Labour market			
Employment (labour force survey basis)	2.7	1 1/2	2 1/4
Unemployment rate (per cent)	4.5	5	4 1/2
Participation rate (per cent)	64.8	65	65 1/4
Prices and wages			
Consumer Price Index	2.9	2 1/2	2 3/4
Gross non-farm product deflator	4.9	2 1/2	2 3/4
Wage Price Index	4.0	4 1/4	4 1/4

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

(b) Calculated using original data.

(c) Chain volume measures.

(d) Excluding second-hand asset sales from the public sector to the private sector and including the impact of the privatisation of Telstra.

(e) Percentage point contribution to growth in GDP.

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

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

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Household consumption is expected to grow by 4¼ per cent in 2007-08, stronger than forecast at Budget, before moderating in 2008-09. The upward revision reflects a more positive outlook for household incomes, largely as a result of stronger anticipated employment growth. Household income growth is expected to outpace consumption growth and hence the household saving ratio is anticipated to rise. The recent interest rate rise, combined with the possible impact of increased credit market spreads on household borrowing costs, will have a moderating effect on consumption.

Dwelling investment is expected to continue its modest recovery in 2007-08, with forecast growth of 3 per cent. Dwelling approvals and housing finance data indicate a modest near-term outlook for dwelling investment, with the recent interest rate rise and uncertainty around the flow-on effects from the US sub-prime housing market likely to be weighing on the market. Further, there are also ongoing supply constraints on dwelling investment. However, the indicators of underlying housing demand remain strong, supported by strong population growth. As such, dwelling investment growth is expected to pick-up in 2008-09.

Business investment is expected to grow by 9½ per cent in 2007-08, with the outlook for both machinery and equipment, and engineering construction investment improving since Budget. The Australian Bureau of Statistics' *Survey of Private New Capital Expenditure and Expected Expenditure* suggests broad strength in plant and equipment investment in the period ahead. Strength in new engineering construction investment reflects planned new projects and a record amount of work under construction. Strong corporate balance sheets and profits will continue to support high levels of business investment. However, the recent global financial market volatility has put some upward pressure on financing costs. This is likely to result in slightly lower levels of investment than would have otherwise been the case.

Public final demand is expected to grow by 4½ per cent in 2007-08, stronger than expected at Budget. State and local government investment is expected to increase strongly, reflecting a large number of infrastructure projects. Public consumption growth is expected to remain solid.

Net exports are expected to subtract 1 percentage point from GDP growth in 2007-08, a larger subtraction than forecast at Budget. While a recovery in export volumes is expected, imports are forecast to grow more strongly, consistent with stronger consumption and higher investment. Significant growth in non-rural commodity exports is expected, while rural exports are anticipated to be constrained by the weakness in farm production. Elaborately transformed manufactures and services exports are expected to grow solidly, although the uncertainty around the world outlook poses some downside risk.

The **terms of trade** are expected to rise modestly by 1¼ per cent in 2007-08, rather than fall slightly as forecast at Budget. The upward revision largely reflects anticipated strength in Australia's bulk commodity export prices, with world demand expected to outpace supply in iron ore and coal markets. Falls in base metal prices are expected, in

line with increasing global supply in these markets. While world growth is expected to support increases in commodity prices, there is a risk that weaker-than-expected world demand could have a significant negative impact on prices.

The **current account deficit** (CAD) is forecast to widen to 6¼ per cent of GDP in 2007-08, reflecting expected higher investment and relatively unchanged national saving as a share of GDP. The net income deficit component of the CAD is expected to widen, reflecting growth in corporate profits and rising net interest payments from a higher stock of net foreign debt.

Employment growth is expected to be 2¼ per cent in 2007-08, consistent with strong GDP growth. The participation rate is expected to rise to 65¼ per cent, while the unemployment rate is forecast to rise modestly from current levels to 4½ per cent. The rise in the participation and unemployment rates partly reflects the new eligibility and participation requirements for Disability Support Pension and Parenting Payment recipients. Employment growth is expected to moderate in 2008-09, in line with a moderation in economic growth and higher near-term growth in labour costs.

Wages are expected to grow by 4¼ per cent in 2007-08 and 2008-09. Strong wage growth is expected to continue in the States and industries most directly affected by robust mining and construction activity. Wage growth is expected to ease over the forecast horizon to 4 per cent through the year to the June quarter 2009.

Inflation is forecast to be 2¾ per cent in 2007-08 and 2008-09. In through-the-year terms, inflation is forecast to ease to 2½ per cent in the June quarter 2009. There are some inflationary pressures, with low water allocations in the Murray-Darling Basin and ongoing dry weather, combined with one-off weather events such as frost, contributing to higher food prices. Underlying inflationary pressures are expected to ease over the forecast horizon in line with moderating domestic demand, increases in the economy's supply potential and lower growth in unit labour costs.

PART 4: FISCAL OUTLOOK

OVERVIEW

The Australian Government's underlying cash surplus for 2007-08 is estimated to be \$14.8 billion, \$4.2 billion higher than the 2007-08 Budget forecast. In accrual terms, a fiscal surplus of \$14.9 billion is estimated for 2007-08. The fiscal outlook is for continuing underlying cash and fiscal surpluses in the forward years.

Table 6: Australian Government general government sector budget aggregates^{(a)(b)}

	Estimates(c)			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	246.8	251.9	260.7	264.0
Per cent of GDP	22.5	22.5	22.8	22.1
Expenses (\$b)	235.6	235.4	247.5	248.6
Per cent of GDP	21.5	21.0	21.6	20.8
Net operating balance (\$b)	11.2	16.5	13.2	15.4
Net capital investment (\$b)	1.2	1.6	1.4	1.8
Fiscal balance (\$b)	10.0	14.9	11.9	13.6
Per cent of GDP	0.9	1.3	1.0	1.1
Underlying cash balance (\$b)(d)	10.6	14.8	12.7	14.4
Per cent of GDP	1.0	1.3	1.1	1.2
<i>Memorandum item:</i>				
Headline cash balance (\$b)	18.3	22.8	15.5	18.4
	Projections			
	2009-10		2010-11	
	Budget	MYEFO	Budget	MYEFO
Revenue (\$b)	274.6	278.7	287.3	287.5
Per cent of GDP	23.1	22.4	22.9	22.1
Expenses (\$b)	259.7	259.4	272.7	269.4
Per cent of GDP	21.8	20.8	21.8	20.8
Net operating balance (\$b)	15.0	19.4	14.6	18.1
Net capital investment (\$b)	0.9	1.0	0.9	1.0
Fiscal balance (\$b)	14.1	18.4	13.7	17.1
Per cent of GDP	1.2	1.5	1.1	1.3
Underlying cash balance (\$b)(d)	13.8	17.7	12.4	15.1
Per cent of GDP	1.2	1.4	1.0	1.2
<i>Memorandum item:</i>				
Headline cash balance (\$b)	14.8	19.1	13.3	16.4

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

(b) Budget estimates, including the per cent of GDP, are as published in Budget Paper No. 1, *Budget Strategy and Outlook 2007-08*.

(c) For the 2007-08 MYEFO, 2008-09 has moved from a projection to an estimates year.

(d) Excludes expected Future Fund earnings.

Part 4: Fiscal outlook

Table 7 provides a reconciliation of the fiscal balance estimates between the 2007-08 Budget and the *Mid-Year Economic and Fiscal Outlook 2007-08* (MYEFO).

Table 7: Reconciliation of general government fiscal balance estimates^(a)

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
2007-08 Budget fiscal balance	9,999	11,860	14,101	13,704
Per cent of GDP	0.9	1.0	1.2	1.1
Changes between 2007-08 Budget and MYEFO				
Effect of policy decisions(b)				
Revenue	-225	-6,659	-9,963	-14,604
Expenses	3,503	4,023	3,673	2,908
Net capital investment	181	84	112	324
Total policy decisions impact on fiscal balance	-3,909	-10,766	-13,748	-17,836
Effect of parameter and other variations				
Revenue	5,349	9,975	14,088	14,801
Expenses	-3,683	-2,874	-3,964	-6,144
Net capital investment	240	302	-10	-312
Total parameter and other variations impact on fiscal balance	8,792	12,548	18,062	21,256
2007-08 MYEFO fiscal balance	14,882	13,642	18,415	17,125
Per cent of GDP	1.3	1.1	1.5	1.3

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

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

REVENUE

Total accrual revenue in 2007-08 is expected to be \$5.1 billion higher than forecast at the 2007-08 Budget, comprising an increase of \$4.8 billion in tax revenue and additional non-tax revenue of \$322 million.

Estimates for taxes from individuals and companies have been increased, reflecting stronger growth in employment, profits and realised capital gains. It is forecast that there will be 100,000 more people employed in 2007-08 than forecast at Budget. Superannuation funds taxation estimates have also been revised upwards owing to stronger than expected contributions and fund earnings, especially realised capital gains on equities. In addition, the 2007-08 revenue estimates have been increased owing to the flow on effects of the higher than expected revenue outcome in 2006-07, especially for company tax and superannuation funds tax. Box 1 provides information on the revisions to the parameters underpinning the revenue estimates since the 2007-08 Budget.

Box 1: Parameter revisions to revenue estimates since Budget

Since the 2007-08 Budget, substantial parameter and other variations have led to upward revisions to revenue. These revisions mainly reflect revised forecasts of national income and realised gains on assets. They primarily affect tax revenue from individuals, companies and superannuation funds.

Tax revenue estimates are sensitive to the economic forecasts, especially the amount of national income generated in the economy. Upward revisions to the level of national income, which includes labour income and company profits, increase the expected tax base and hence revenue collections. If the rise in the level of national income persists, revenue will remain higher on an ongoing basis. Changes in economic activity generally affect company and other tax revenue with some lag.

The Australian economy grew strongly in the first half of 2007, and surpassed the Budget GDP forecast for 2006-07. The momentum within the economy is expected to continue. Nominal GDP grew 1¼ percentage points faster in 2006-07 than anticipated at the 2007-08 Budget and is now expected to grow by an additional ¾ percentage points in 2007-08. This upward revision reflects stronger than expected demand in both the private and public sectors. Strong private demand has been driven by robust business investment, which is associated with higher than anticipated company profits. The strong demand arising from the private and public sectors has also led to stronger than anticipated employment growth and labour income. As a result, estimated income tax revenue in 2007-08 from individuals, companies and superannuation funds has been revised up.

In addition, the MYEFO revenue estimates for 2008-09 are based on *forecasts* of the economy rather than *projections* as used at Budget. At Budget, 2008-09 (then the first projection year) incorporated the first stage of a technical assumption that key commodity prices decline to their long-run average level over the first two projection years. Commodity prices are now forecast to rise modestly in 2008-09 reflecting an assessment of the continuing tight demand and supply conditions in global commodity markets. The higher than projected commodity prices, and the increased momentum in the economy, are expected to provide a substantial boost to company profits and other incomes in 2008-09. Overall, growth in nominal GDP in 2008-09 is forecast to be 2½ percentage points higher than the Budget projection.

The timing and extent of any adjustment to commodity prices, as well as its effect on the broader economy, remains uncertain. In response to this uncertainty, the MYEFO estimates retain the technical assumption that key commodity prices return to their long-run average level over the first two projection years (now updated to 2009-10 and 2010-11).

Box 1: Parameter revisions to revenue estimates since Budget (continued)

As well as upward revisions to GDP, and consistent with the stronger economic outcomes and outlook, asset prices have risen more strongly than estimated at Budget and are assumed to remain at higher levels. As a result, estimated capital gains tax revenue (collected from individuals, companies and superannuation funds) has been revised up across the estimates period, given higher expected growth in realised gains from shares and investment property.

Policy decisions taken since the 2007-08 Budget (up to and including 9 October 2007) have reduced revenue by \$225 million in 2007-08. Major policy decisions affecting revenue over the four year forward estimates period 2007-08 to 2010-11 include:

- personal income tax cuts, with effect from 1 July 2008, reducing revenue by \$34 billion over the forward estimates period;
- an increase in Australian Taxation Office funding to allow it to deploy additional staff and enhance compliance activity, increasing revenue by \$2 billion over the forward estimates period; and
- the requirement for all future superannuation contributions and balances for temporary residents to be paid to the Australian Government, with effect from 1 July 2008, increasing revenue by \$925 million over the forward estimates period.

A full list of revenue measures announced since the 2007-08 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2007-08, compared with the estimates published in the 2007-08 Budget, are provided in Table 8. Detailed cash estimates are in Table 13.

Table 8: Australian Government general government sector revenue

	2007-08			
	Budget	MYEFO	Change on Budget	
	\$m	\$m	\$m	%
<i>Income taxation</i>				
Individuals and other withholding taxes(a)				
Gross income tax withholding	111,360	113,330	1,970	1.8
Gross other individuals	27,560	28,110	550	2.0
less: Refunds	19,360	19,790	430	2.2
Total individuals and other withholding taxation	119,560	121,650	2,090	1.7
Fringe benefits tax	4,110	3,970	-140	-3.4
Superannuation funds				
Contributions and earnings	8,210	10,050	1,840	22.4
Superannuation surcharge	90	80	-10	-11.1
Total superannuation taxation	8,300	10,130	1,830	22.0
Company tax	64,580	65,250	670	1.0
Petroleum resource rent tax	1,980	2,060	80	4.0
Income taxation revenue	198,530	203,060	4,530	2.3
<i>Excise and customs</i>				
Excise duty				
Petrol	7,070	7,110	40	0.6
Diesel	6,370	6,400	30	0.5
Other fuel products	980	980	0	0.0
Crude oil	310	340	30	9.7
Beer	1,880	1,890	10	0.5
Potable spirits	950	950	0	0.0
Tobacco	5,390	5,420	30	0.6
Total excise duty revenue	22,950	23,090	140	0.6
Customs duty				
Textiles, clothing and footwear	1,000	1,000	0	0.0
Passenger motor vehicles	1,340	1,360	20	1.5
Excise-like goods	2,270	2,340	70	3.1
Other imports	1,580	1,540	-40	-2.5
less: Refunds and drawbacks	230	230	0	0.0
Total customs duty revenue	5,960	6,010	50	0.8
Excise and customs revenue	28,910	29,100	190	0.7
<i>Other taxation</i>				
Wine equalisation tax	680	680	0	0.0
Luxury car tax	370	400	30	8.1
Agricultural levies	586	589	2	0.4
Other taxes	1,993	2,042	49	2.5
Other taxation revenue	3,629	3,710	81	2.2
Taxation revenue	231,069	235,871	4,802	2.1
<i>Non-taxation</i>				
Sales of goods and services	5,220	5,191	-29	-0.5
Dividends	2,966	2,707	-259	-8.7
Interest received	4,147	4,663	516	12.4
Other non-taxation revenue	3,357	3,451	94	2.8
Non-taxation revenue	15,691	16,013	322	2.1
Total revenue	246,761	251,885	5,124	2.1

(a) The MYEFO estimate includes Medicare levy revenue of \$7,820 million in 2007-08.

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The revenue estimates for 2007-08 are constructed using the revenue outcomes for 2006-07, information on revenue collections in the year to date and revised economic forecasts for 2007-08. As explained in Box 1, the estimates for 2008-09 are now based mainly on economic forecasts for that year whereas they were based on projections at the 2007-08 Budget. Revenue estimates for the current projection years – 2009-10 and 2010-11 – are based mainly on the level of economic activity at the end of the forecast period and underlying trends in economic activity (including the assumption of key commodity prices returning to their long run average level, in two equal steps over the two projection years).

Total taxation revenue for 2007-08 is expected to be \$4.8 billion higher than forecast at the 2007-08 Budget. The upward revision primarily stems from stronger growth in individuals' incomes, particularly from stronger employment, as well as higher company profits and earnings from superannuation funds.

Estimated total individuals and other withholding tax revenue has been increased by \$2.1 billion since the 2007-08 Budget.

Estimated gross income tax withholding revenue for 2007-08 has increased by \$2.0 billion since the 2007-08 Budget, in line with higher forecasts of labour income, particularly as a result of stronger employment growth. Estimated gross other individuals' tax has been revised up by \$550 million in 2007-08, primarily from upward revisions to forecast growth in property (rental and interest) income and higher realised capital gains. Individual refunds have been revised up by \$430 million, slightly offsetting the increase in tax paid by individuals. The increase in refunds reflects higher tax deductions (such as for personal superannuation contributions made by the self-employed) and the flow on effects of the stronger labour market outcomes in 2006-07 (which increase gross income tax withholding in 2006-07 and refunds in 2007-08).

Estimated superannuation tax revenue has been revised up by \$1.8 billion in 2007-08. This revision stems from the stronger than expected outcome in 2006-07, stronger growth in earnings expected by superannuation funds (especially realised capital gains) and higher contributions (including from the increased strength in the labour market and in response to the Better Super package).

Company tax revenue in 2007-08 is expected to be \$670 million higher than the 2007-08 Budget estimate, in line with higher company profit forecasts, higher expected realised capital gains from equities and the stronger than anticipated 2006-07 outcome.

The combined revenue from excise and customs duty in 2007-08 has been revised up by \$190 million in 2007-08, reflecting stronger expected consumption, including of imports, as well as higher CPI outcomes, which increase excise rates for alcohol and tobacco products.

Fringe benefits tax (FBT) revenue has been revised down by \$140 million in 2007-08 owing to lower than anticipated levels of salary packaging of items subject to FBT.

Expected revenue from other taxation in 2007-08 is estimated to be slightly higher than at the 2007-08 Budget.

Non-taxation revenue variations have increased revenue by \$322 million in 2007-08. This largely reflects an increase in interest received by the Australian Office of Financial Management on term deposits.

EXPENSES

Estimated accrual expenses in 2007-08 have decreased by \$180 million since the 2007-08 Budget. This reflects a net decrease of \$3.7 billion due to parameter and other variations, partially offset by new policy measures of \$3.5 billion in 2007-08.

Table 9: Reconciliation of general government sector expense estimates

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
2007-08 Budget expenses	235,590	247,489	259,652	272,669
Changes between 2007-08 Budget and MYEFO				
Effect of policy decisions(a)	3,503	4,023	3,673	2,908
Effect of economic parameter variations				
Unemployment benefits	-407	-281	-326	-265
Prices and wages	412	1,136	1,294	1,044
Interest and exchange rates	0	0	0	0
<i>Total economic parameter variations</i>	<i>5</i>	<i>856</i>	<i>968</i>	<i>779</i>
Public debt interest	32	36	35	27
Programme specific parameter variations	-1,667	-1,821	-2,055	-2,077
Slippage in 2007-08 Budget decisions	0	0	0	0
Other variations(b)	-2,053	-1,946	-2,912	-4,874
Total variations	-180	1,149	-291	-3,236
2007-08 MYEFO expenses	235,410	248,638	259,361	269,433

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

(b) The contingency reserve includes an allowance for the established tendency of existing government policy (particularly demand driven programmes) to be higher than estimated in the forward years. This allowance, known as the conservative bias allowance, is progressively reduced so that the budget year conservative bias is zero by the budget. As is standard practice, the conservative bias has been reduced at this MYEFO in the forward years from 2008-09 onwards. Following a review by Treasury and the Department of Finance and Administration, the allowance in the contingency reserve at this MYEFO is 0.5 per cent in 2008-09, 1.25 per cent in 2009-10 and 2 per cent in 2010-11.

Policy decisions taken since the 2007-08 Budget (up to and including 9 October 2007) have increased estimated expenses by \$3.5 billion in 2007-08 and include:

- \$794 million in 2007-08 (\$1.5 billion over four years from 2006-07) in funding for drought relief, including income support and interest rate subsidies to assist farmers and small businesses most affected by the drought;

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- \$499 million in 2007-08 (\$688 million over four years) for the Northern Territory Emergency Response to strengthen child protection services, increase the provision of family and children's services, enhance indigenous employment opportunities and improve educational opportunities for children in remote communities;
- \$223 million in 2007-08 (\$1.8 billion over five years to 2011-12) for the Government's new Disability Assistance Package to address unmet need in the provision of services for people with disabilities, their families and carers;
- \$142 million in 2007-08 (\$393 million over five years from 2006-07) for workplace relations reforms, including the establishment of the Office of the Workplace Ombudsman and the Workplace Authority;
- \$112 million in 2007-08 (\$711 million over four years) for the listing of Lucentis® and Visudyne® on the Pharmaceutical Benefits Scheme for the treatment of age-related macular degeneration;
- \$110 million in 2007-08 (\$393 million over four years) to increase the number of Work Skills Vouchers that provide Australians aged 25 years and over who do not have a Year 12 or equivalent qualification with a voucher up to the value of \$3,000 to help improve their qualifications; and
- \$101 million in 2007-08 (\$336 million over four years) for the Green Vouchers for Schools programme, which encourages improved energy and water efficiency through rebates for the installation of solar hot water systems and/or specified rainwater tanks.

A full list of expense measures announced since the 2007-08 Budget is provided at Appendix A.

Since the 2007-08 Budget, parameter and other variations have reduced estimated expenses by \$3.7 billion in 2007-08. This includes:

- a \$945 million reduction in estimated Newstart Allowance expenses as a result of lower average rates of payments to recipients due to higher reported incomes, and a larger than previously anticipated fall in the forecast number of unemployment benefit recipients, reflecting improved labour market conditions and the greater than expected impact of the Welfare to Work measures;
- a \$554 million reduction in estimated expenses due to a change in accounting that recognises education expenses when grants are due to be paid, rather than at the beginning of the calendar year. This accounting change has no impact on actual cash payments to schools (see Box 2 in Attachment E for further information);

- a \$486 million reduction in estimated Family Tax Benefit (FTB) expenses due to lower than expected numbers of customers receiving FTB and decreases in average rates of payments resulting from higher family incomes;
- a \$440 million reduction in estimated expenses due to reprogramming into future years of spending on a number of Defence acquisition projects;
- a \$268 million reduction in forecast Parenting Payment expenses due to lower than previously anticipated customer numbers resulting from stronger than expected labour market conditions and lower average rates received by recipients due to higher reported incomes;
- a \$197 million reduction in estimated expenses for the Age Pension as a result of lower than expected customer numbers and average payment rates;
- a \$105 million reduction in estimated expenses arising from a revised implementation timetable for the Access Card;
- an \$88 million reduction in estimated expenses for the Pharmaceutical Benefits Scheme, primarily due to a price reduction for the drug Simvastatin and the delisting of Prexige®;
- a \$48 million reduction in estimated expenses for the Community Development and Employment Programme due to lower than expected take-up of programme places; and
- a reduction in expense estimates following the inclusion of a provision for underspends in 2007-08. A provision is included each year at the MYEFO update to provide for the established tendency of agencies to underspend their budgets in the current financial year.

These reductions in expenses have been partially offset by:

- a \$106 million increase in estimated Medicare Services expenses primarily due to a higher than anticipated level of patient access to psychiatrists, psychologists and General Practitioners for mental health care services under the Medicare Benefits Schedule;
- a \$50 million increase in estimated Disability Support Pension expenses primarily due to higher than expected customer numbers; and
- a \$46 million increase in estimated Community Pharmacy and Pharmacy Awareness expenses as a result of a higher than forecast take-up by pharmacies of the Pharmaceutical Benefits Scheme Online claiming facility.

NET CAPITAL INVESTMENT

Estimated net capital investment in 2007-08 has increased by \$421 million since the 2007-08 Budget. This partially reflects new policy decisions of \$181 million, including:

- \$57 million in 2007-08 for the Northern Territory Emergency Response for short-term accommodation, computer and communications infrastructure and other capital investment;
- \$28 million in 2007-08 (\$86 million over four years) for the Standard Business Reporting programme, to cut the red tape confronting business when reporting to government; and
- \$27 million in 2007-08 to upgrade information technology systems to improve border security arrangements for travellers entering Australia.

Other variations have increased forecast net capital investment by \$240 million, primarily due to the implementation of a substantial capital programme by Defence Housing Australia to replace expiring leases (\$211 million).

Table 10: Reconciliation of general government sector net capital investment estimates^(a)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
2007-08 Budget net capital investment	1,171	1,377	861	939
Changes between 2007-08 Budget and MYEFO				
Effect of policy decisions(b)	181	84	112	324
Effect of parameter and other variations	240	302	-10	-312
Total variations	421	386	102	12
2007-08 MYEFO net capital investment	1,592	1,763	963	951

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

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

CASH FLOWS

In 2007-08, the underlying cash balance is expected to be a surplus of \$14.8 billion, compared to an estimate of \$10.6 billion at the 2007-08 Budget.

Table 11: Summary of Australian Government general government sector cash flows (\$b)^(a)

	Estimates			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts				
excluding Future Fund earnings	242.4	248.2	256.2	260.3
Future Fund earnings	3.0	3.4	2.8	3.1
Total operating receipts	245.4	251.5	259.0	263.3
Capital cash receipts(b)	0.3	0.3	0.2	0.3
Total cash receipts	245.6	251.8	259.2	263.6
Cash payments				
Operating cash payments	228.3	229.7	239.8	241.9
Capital cash payments(c)	3.7	3.9	3.4	3.7
Total cash payments	232.0	233.6	243.2	245.6
Finance leases and similar arrangements(d)	0.0	0.0	-0.5	-0.5
GFS cash surplus(+)/deficit(-)	13.6	18.2	15.5	17.5
Per cent of GDP	1.2	1.6	1.4	1.5
<i>less</i> Future Fund earnings	3.0	3.4	2.8	3.1
Underlying cash balance(e)	10.6	14.8	12.7	14.4
Per cent of GDP	1.0	1.3	1.1	1.2
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(f)	4.7	4.6	0.0	0.9
<i>plus</i> Future Fund earnings(g)	3.0	3.4	2.8	3.1
Headline cash balance	18.3	22.8	15.5	18.4
	Projections			
	2009-10		2010-11	
	Budget	MYEFO	Budget	MYEFO
Cash receipts				
Operating cash receipts				
excluding Future Fund earnings	269.9	274.6	282.7	283.2
Future Fund earnings	2.9	3.2	3.0	3.3
Total operating receipts	272.8	277.8	285.7	286.6
Capital cash receipts(b)	0.1	0.3	0.1	0.1
Total cash receipts	272.9	278.1	285.8	286.6
Cash payments				
Operating cash payments	252.9	253.6	267.2	264.9
Capital cash payments(c)	3.3	3.6	3.2	3.4
Total cash payments	256.2	257.1	270.4	268.2
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
GFS cash surplus(+)/deficit(-)	16.7	20.9	15.4	18.4
Per cent of GDP	1.4	1.7	1.2	1.4
<i>less</i> Future Fund earnings	2.9	3.2	3.0	3.3
Underlying cash balance(e)	13.8	17.7	12.4	15.1
Per cent of GDP	1.2	1.4	1.0	1.2
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes(f)	-1.9	-1.8	-2.1	-2.0
<i>plus</i> Future Fund earnings (g)	2.9	3.2	3.0	3.3
Headline cash balance	14.8	19.1	13.3	16.4

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

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

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

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

(e) Excludes Future Fund earnings.

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

(g) The earnings assume the second instalment of proceeds from Telstra 3 are transferred to the Future Fund. The Fund is assumed to earn a rate of return that exceeds the yield on term deposits held by the Government but reflects an incremental transition to the long term benchmark return specified in the Government's Future Fund investment mandate. The earnings exclude capital gains which are reflected in the statement of other economic flows.

Part 4: Fiscal outlook

The difference between the higher underlying cash balance of \$4.2 billion and the higher fiscal balance of \$4.9 billion is primarily due to the change in accounting for education expenses (\$554 million) which reduces accrual expenses but not cash, and an increase in earnings of the Future Fund due to the transfer of an additional \$7.0 billion from the 2006-07 surplus which are excluded from the underlying cash balance.

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

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

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
2007-08 Budget underlying cash balance(a)	10,637	12,712	13,812	12,447
Changes from 2007-08 Budget to MYEFO				
Effect of policy decisions(b)	-3,886	-10,840	-13,859	-17,996
Effect of parameter and other variations	8,083	12,525	17,776	20,638
Total variations	4,197	1,685	3,917	2,642
2007-08 MYEFO underlying cash balance(a)	14,834	14,396	17,729	15,089

(a) Excludes expected Future Fund earnings.

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

Total receipts in 2007-08 are expected to be \$5.8 billion (excluding Future Fund earnings) higher than forecast at the 2007-08 Budget, comprising \$5.0 billion in tax receipts and \$877 million in non-tax receipts. Similar to the revision to the revenue estimates, the revisions to tax receipts are driven by upward revisions to the forecasts of labour market outcomes and company profits, combined with expected stronger growth in realised capital gains and the flow on effects of the higher than expected outcome in 2006-07.

Table 13: Australian Government general government sector receipts

	2007-08			
	Budget \$m	MYEFO \$m	Change on Budget \$m	%
<i>Income taxation</i>				
Individuals and other withholding taxes(a)				
Gross income tax withholding	110,690	112,730	2,040	1.8
Gross other individuals	26,620	27,140	520	2.0
less: Refunds	19,360	19,790	430	2.2
Total individuals and other withholding taxation	117,950	120,080	2,130	1.8
Fringe benefits tax	4,050	3,880	-170	-4.2
Superannuation funds				
Contributions and earnings	8,160	10,000	1,840	22.5
Superannuation surcharge	120	120	0	0.0
Total superannuation taxation	8,280	10,120	1,840	22.2
Company tax	62,964	63,830	866	1.4
Petroleum resource rent tax	1,890	1,950	60	3.2
Income taxation receipts	195,134	199,860	4,726	2.4
<i>Excise and customs</i>				
Excise duty				
Petrol	7,060	7,070	10	0.1
Diesel	6,370	6,400	30	0.5
Other fuel products	980	980	0	0.0
Crude oil	310	340	30	9.7
Beer	1,880	1,890	10	0.5
Potable spirits	950	950	0	0.0
Tobacco	5,390	5,420	30	0.6
Total excise duty receipts	22,940	23,050	110	0.5
Customs duty				
Textiles, clothing and footwear	1,000	1,000	0	0.0
Passenger motor vehicles	940	960	20	2.1
Excise-like goods	2,270	2,340	70	3.1
Other imports	1,570	1,530	-40	-2.5
less: Refunds and drawbacks	370	370	0	0.0
Total customs duty receipts	5,410	5,460	50	0.9
Excise and customs receipts	28,350	28,510	160	0.6
<i>Other taxation</i>				
Wine equalisation tax	670	670	0	0.0
Luxury car tax	360	390	30	8.3
Agricultural levies	586	589	2	0.4
Other taxes	1,757	1,800	43	2.4
Other taxation receipts	3,373	3,448	75	2.2
Taxation receipts	226,857	231,818	4,961	2.2
<i>Non-taxation</i>				
Sales of goods and services	5,437	5,445	8	0.2
Dividends(b)	2,926	2,692	-234	-8.0
Interest received(b)	3,992	4,482	490	12.3
Other non-taxation receipts	6,399	7,402	1,004	15.7
Non-taxation receipts	18,754	20,022	1,268	6.8
Total receipts	245,611	251,840	6,229	2.5

(a) The MYEFO estimate includes Medicare levy receipts of \$7,820 million in 2007-08.

(b) Includes earnings of the Future Fund.

NET DEBT AND NET WORTH

Net debt was eliminated in 2005-06, falling from a peak of 18.5 per cent of GDP in 1995-96. Since Budget, the forecast level of net debt for 2007-08 has improved from -\$12.0 billion to -\$16.1 billion (-1.4 per cent of GDP). The improvement largely reflects the higher underlying cash surplus.

As a result of the elimination of net debt, the Government is expected to earn net interest receipts of \$0.8 billion in 2007-08. Prior to 2007-08 the Government made annual net interest payments, which peaked at \$8.4 billion in 1996-97.

Net worth measures the value of all government assets less liabilities. It therefore represents the government's contribution to national wealth. Net worth includes many items not included in net debt, such as the superannuation liability currently valued at around \$107 billion. As the broadest measure of the government's financial position, net worth is a key indicator of fiscal sustainability. A strong net worth position improves the government's ability to meet the fiscal consequences of an ageing population.

Net worth is expected to be \$17.2 billion (1.5 per cent of GDP) in 2007-08, compared with the Budget estimate of -\$0.6 billion. Over the forward estimates net worth is projected to improve further.

The improvement in net worth for 2007-08 since Budget reflects a stronger than anticipated improvement in the net operating surplus of \$5.3 billion. The net worth position for 2007-08 also includes an opening balance adjustment of \$8.3 billion due to a change in accounting for education expenses (see Box 2 in Attachment E for additional information). Historical net worth has also been revised, showing that net worth has been positive since 2006-07. Previously, net worth was projected to become positive in 2008-09.

Table 14: Australian Government general government sector net worth, net debt and net interest payments

	Estimates			
	2007-08		2008-09	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	166.6	175.8	184.9	195.9
Non-financial assets (\$b)	49.1	49.7	50.6	51.4
Total assets (\$b)	215.7	225.5	235.5	247.2
Total liabilities (\$b)	216.3	208.3	221.4	213.1
Net worth (\$b)	-0.6	17.2	14.1	34.1
Net debt (\$b)(a)(b)	-12.0	-16.1	-28.4	-34.5
Per cent of GDP	-1.1	-1.4	-2.5	-2.9
Net interest payments (\$b)	-0.4	-0.8	-0.2	-0.6
Per cent of GDP	0.0	-0.1	0.0	0.0
	Projections			
	2009-10		2010-11	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	202.8	217.6	214.0	231.6
Non-financial assets (\$b)	51.5	52.4	52.6	53.4
Total assets (\$b)	254.3	270.0	266.5	285.1
Total liabilities (\$b)	225.2	216.5	222.4	213.3
Net worth (\$b)	29.1	53.5	44.1	71.7
Net debt (\$b)(a)(b)	-43.9	-53.5	-59.2	-71.1
Per cent of GDP	-3.7	-4.3	-4.7	-5.5
Net interest payments (\$b)	-1.2	-1.8	-1.1	-1.8
Per cent of GDP	-0.1	-0.1	-0.1	-0.1

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

(b) Includes the impact of the sale of the Government's holding in Telstra. The net debt estimates in 2007-08 assumes that the Future Fund will increasingly be invested in equities, which are not included in the calculation of net debt.

REPORTING STANDARDS

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

The major external standards used for MYEFO reporting purposes are:

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

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

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted because excluding such provisions would overstate the value of Australian Government assets in the balance sheet (and would, therefore, be inconsistent with the market valuation principle).

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

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

liability and no revenue is recognised. The treatment of coins on issue is listed for clarification as part of the update of the statistical standard referred to above.

ABS GFS also requires defence weapons be treated as expenses. This treatment is currently adopted in the GFS financial statements; however the update of the statistical standard is expected to change the treatment of defence weapons to assets. The AAS financial statements record defence weapons as assets, which is consistent with AAS.

Defence weapons inventories acquired and disposed of during the estimates periods are recorded as capital investment rather than expenses until such inventories can be reliably identified and measured. Consistent with the *Final Budget Outcome 2006-07*, defence weapons inventories at 2006-07 have been removed from the balance sheet for budget reporting purposes.

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

BUDGET FINANCIAL STATEMENTS

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

Table 15: Australian Government general government sector operating statement

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Revenue				
Taxation revenue	235,871	246,766	260,071	267,266
Current grants and subsidies	0	0	0	0
Sales of goods and services	5,191	5,322	5,452	5,567
Interest income	4,663	4,467	5,601	6,537
Dividend income	2,707	4,017	4,003	4,384
Other	3,451	3,471	3,613	3,755
Total revenue	251,885	264,042	278,739	287,509
Expenses				
Gross operating expenses				
Depreciation	2,483	2,650	2,761	2,765
Superannuation	2,675	2,724	2,805	2,945
Salaries and wages	15,093	15,001	15,426	15,826
Payment for supply of goods and services	58,056	61,725	64,888	66,834
Other operating expenses	3,314	3,537	3,678	3,882
<i>Total gross operating expenses</i>	<i>81,620</i>	<i>85,638</i>	<i>89,558</i>	<i>92,253</i>
Nominal superannuation interest expense	6,276	6,319	6,470	6,723
Other interest expenses	3,992	3,911	3,886	3,737
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	44,889	47,866	49,400	50,543
Subsidy expenses	7,314	7,542	7,826	8,137
Personal benefit payments in cash	84,487	89,783	94,954	100,930
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>136,690</i>	<i>145,191</i>	<i>152,180</i>	<i>159,611</i>
Capital transfers	6,831	7,578	7,267	7,110
Total expenses	235,410	248,638	259,361	269,433
Net operating balance	16,474	15,405	19,378	18,076
Net acquisition of non-financial assets				
Purchases of non-financial assets	3,715	4,329	3,670	3,449
<i>less</i> Sales of non-financial assets	256	252	250	92
<i>less</i> Depreciation	2,483	2,650	2,761	2,765
<i>plus</i> Change in inventories	238	221	188	212
<i>plus</i> Other movements in non-financial assets	378	116	115	148
Total net acquisition of non-financial assets	1,592	1,763	963	951
Net lending/fiscal balance(a)	14,882	13,642	18,415	17,125

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

Table 16: Australian Government general government sector balance sheet

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Assets				
Financial assets				
Cash and deposits	1,043	1,135	1,018	1,420
Advances paid	25,013	26,132	27,062	28,197
Investments, loans and placements	57,039	74,542	91,902	100,089
Other non-equity assets	20,541	19,824	20,065	20,768
Equity(a)	72,191	74,229	77,567	81,154
<i>Total financial assets</i>	<i>175,828</i>	<i>195,861</i>	<i>217,614</i>	<i>231,627</i>
Non-financial assets				
Land	6,940	6,972	6,900	7,016
Buildings	16,981	18,258	19,122	20,062
Plant, equipment and infrastructure	10,931	11,084	11,049	10,784
Inventories	3,486	3,610	3,788	3,971
Heritage and cultural assets	8,245	8,258	8,280	8,294
Other non-financial assets	3,090	3,206	3,251	3,307
<i>Total non-financial assets</i>	<i>49,673</i>	<i>51,387</i>	<i>52,389</i>	<i>53,433</i>
Total assets	225,501	247,249	270,003	285,061
Liabilities				
Deposits held	263	263	263	263
Advances received	0	0	0	0
Government securities	59,288	59,469	58,917	50,947
Loans	7,085	6,801	6,556	6,610
Other borrowing	365	824	784	741
Superannuation liability	106,879	110,654	114,379	118,158
Other employee entitlements and provisions	8,479	8,829	9,204	9,645
Other non-equity liabilities	25,926	26,268	26,406	26,947
Total liabilities	208,284	213,108	216,508	213,311
Net worth(b)	17,217	34,141	53,494	71,750
Net debt(c)(d)	-16,094	-34,452	-53,463	-71,145

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

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

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

(d) Includes the impact of the sale of the Government's holding in Telstra. The net debt estimate in 2007-08 assumes that the Future Fund will increasingly be invested in equities, which are not included in the calculation of net debt.

Table 17: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Cash receipts from operating activities				
Taxes received	231,818	242,263	255,418	262,538
Receipts from sales of goods and services	5,445	5,593	5,701	5,813
Grants and subsidies received	0	0	0	0
Interest receipts	4,482	4,185	5,310	6,240
Dividends	2,692	4,017	3,983	4,434
GST input credits received by general government	3,951	3,921	3,888	3,881
Other receipts	3,150	3,356	3,509	3,654
Total operating receipts	251,540	263,336	277,808	286,558
Cash payments for operating activities				
Payments for goods and services	-62,065	-65,603	-68,729	-70,798
Grants and subsidies paid	-56,599	-59,408	-62,017	-63,553
Interest paid	-3,646	-3,594	-3,472	-4,472
Personal benefit payments	-83,983	-89,519	-94,799	-100,632
Salaries, wages and other entitlements	-20,044	-20,218	-20,884	-21,659
GST payments by general government to taxation authority	-74	-73	-73	-73
Other payments for operating activities	-3,272	-3,517	-3,577	-3,682
Total operating payments	-229,683	-241,932	-253,551	-264,868
Net cash flows from operating activities	21,857	21,404	24,257	21,690
Cash flows from investments in non-financial assets				
Sales of non-financial assets	301	258	254	88
Purchases of non-financial assets	-3,938	-3,698	-3,568	-3,371
Net cash flows from investments in non-financial assets	-3,637	-3,440	-3,313	-3,283
Net cash flows from investments in financial assets for policy purposes	4,550	891	-1,806	-2,008
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-24,884	-18,415	-18,010	-8,773
Net cash flows from investments in financial assets for liquidity purposes	-24,884	-18,415	-18,010	-8,773
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	2,542	167	-699	-6,995
Deposits received (net)	0	0	0	0
Other financing (net)	-540	-516	-546	-229
Net cash flows from financing activities	2,002	-349	-1,245	-7,224
Net increase/decrease in cash held	-112	92	-117	402

Table 17: Australian Government general government sector cash flow statement^(a) (continued)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Net cash from operating activities and investments in non-financial assets	18,220	17,964	20,944	18,407
Finance leases and similar arrangements(b)	-4	-502	-6	0
GFS cash surplus(+)/deficit(-)	18,216	17,463	20,938	18,406
less Future Fund earnings	3,382	3,066	3,210	3,317
Equals underlying cash balance(c)	14,834	14,396	17,729	15,089
plus net cash flows from investments in financial assets for policy purposes	4,550	891	-1,806	-2,008
plus Future Fund earnings	3,382	3,066	3,210	3,317
Equals headline cash balance	22,766	18,354	19,132	16,399

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

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

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

Table 18: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Opening net worth	-6,068	17,217	34,141	53,494
Opening net worth adjustments(a)	8,291	0	0	0
Adjusted opening net worth	2,223	17,217	34,141	53,494
Change in net worth from operating transactions	16,474	15,405	19,378	18,076
Change in net worth from other economic flows				
Revaluation of equity(b)	608	3,866	2,627	2,917
Net writedowns of assets (including bad and doubtful debts)	-2,020	-1,833	-2,060	-2,144
Assets recognised for the first time	7	4	19	12
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	0	0	0	0
Net swap interest received	-113	-127	-109	-99
Market valuation of debt	-381	152	117	125
Other economic revaluations(c)	419	-543	-619	-632
Total other economic flows	-1,480	1,519	-24	179
Closing net worth	17,217	34,141	53,494	71,750

(a) Adjustment to net worth arising mainly from a change in accounting policy for education grants.

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

(c) Largely reflects revaluation of assets and liabilities.

SENSITIVITY OF FISCAL EXPENSES AND REVENUE TO ECONOMIC DEVELOPMENTS

A guide to the sensitivity of the forward estimates of expenses and revenue due to variations in economic parameters in 2007-08 is provided in Table 19. It is important to note that the sensitivity analysis gives only a 'rule of thumb' indication of the impact on the budget of changes in prices, wages and other parameters. In each case, the analysis presents the estimated effects of a change in one economic variable only, and does not attempt to capture the linkages between economic variables that characterise changes in the economy more broadly.

Table 19: Sensitivity of fiscal expenses and revenue to changes in economic parameters

	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Expenses				
Prices	500	720	920	940
Wages	0	340	550	570
Federal Minimum Wage decision	0	100	170	270
Unemployment benefit recipients	120	250	270	270
Revenue				
Prices	20	150	160	170
Wages	1,010	2,080	2,100	2,240
Employment	970	1,980	2,000	2,130
Private final demand	130	300	310	320
Profits	180	780	870	880

EXPENSES

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

Prices

All price growth rates are assumed to change by one percentage point in the March quarter 2008 and to remain unchanged subsequently, with all wage and salary growth rates left unchanged through the budget and forward years.

- The effect of a change in prices is due to the indexation of Australian Government expenses (which impacts more in the forward years than the budget year) and a

one-off impact on military superannuation liabilities in 2007-08 (which in turn impacts on the defence superannuation interest expense).

Wages

All wage and salary growth rates are assumed to change by one percentage point in the March quarter 2008 and to remain unchanged subsequently, with all price growth rates left unchanged through the budget and forward years.

- The effect of a change in wage and salary growth rates is largely due to the Government's commitment to maintain selected pensions at a minimum of 25 per cent of Male Total Average Weekly Earnings. This effect on pensions is smaller in the budget year than in each of the forward years due to the timing of adjustments to pension rates. The wages effect in Table 19 above does not include changes to wage and salary payments in Australian Government departmental expenses.

The Federal Minimum Wage decision

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

- Around \$65 billion of expenses in 2007-08, comprising agency departmental expenses, other Australian Government Own Purpose Expenses and Specific Purpose Payments to the States of a departmental expense nature, are indexed to weighted averages of movements in the Consumer Price Index and the Federal Minimum Wage decision.

Unemployment Benefit Recipients (Newstart Allowance and Unemployed Youth Allowance recipients)

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

REVENUE

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

Prices

All price deflators and world oil prices are assumed to change by one percentage point at the start of the March quarter 2008, with no change in wage deflators.

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

Wages

All wage and salary growth rates are assumed to change by one percentage point from the beginning of the March quarter 2008, with no change in the price deflators.

- A change in wage and salary growth affects revenue through changes in gross income tax withholding, individuals' refunds, superannuation funds and fringe benefits tax revenue.

Employment

The level of employment is assumed to change by one percentage point from the beginning of the March quarter 2008, with no change in the composition of employment.

- A change in employment affects revenue primarily through changes in gross income tax withholding and superannuation fund revenue, and individuals' refunds.

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 2008, with no change in the composition of private final demand.

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

Profits

The level of profits is assumed to change by one percentage point from the beginning of the March quarter 2008.

- A change in the level of profits affects revenue through changes in taxes on companies and other individuals.

TAX EXPENDITURES

This attachment contains an overview of the cost of tax expenditures provided to taxpayers through the tax system.

Tax expenditures provide a benefit to a specified activity or class of taxpayer. They can be delivered as a tax exemption, tax deduction, tax offset, reduced tax rate or deferral of a tax liability. The Government can use tax expenditures to allocate resources to different activities or taxpayers in much the same way that it can use direct expenditure programmes. For this reason, and noting their direct impact on the fiscal balance, these concessions are generally called tax expenditures.

Table 20 contains estimates of aggregate tax expenditures for the period from 2003-04 to 2010-11. These estimates are consistent with tax expenditure data reported in the *2006 Tax Expenditures Statement*. Changes in GDP forecasts are reflected in the revised estimates of tax expenditures as a proportion of GDP.

Table 20: Aggregate tax expenditures 2003-04 to 2010-11

Year	Superannuation \$m	Other tax expenditures \$m	Net value of tax expenditures \$m	Tax expenditures as a proportion of GDP
				%
2003-04 (est)	13,540	20,015	33,555	4.0
2004-05 (est)	16,600	22,693	39,293	4.4
2005-06 (est)	18,080	24,064	42,144	4.4
2006-07 (proj)	17,255	24,064	41,319	3.9
2007-08 (proj)	20,250	26,420	46,670	4.2
2008-09 (proj)	22,230	27,692	49,922	4.2
2009-10 (proj)	23,940	28,756	52,696	4.2
2010-11 (prelim)	25,780	30,206	55,986	4.3

Updated tax expenditure estimates will be published in the *2007 Tax Expenditures Statement*, which will be released by 31 January 2008. Care needs to be taken when analysing tax expenditure data: see section 2.1 of the *2006 Tax Expenditures Statement* for a detailed discussion.

SUPPLEMENTARY EXPENSE AND CAPITAL TABLES AND THE CONTINGENCY RESERVE

Expenses

Table 21 shows estimates of Australian Government general government expenses by function and sub-function for 2007-08 and the forward years.

Box 2: Revised accounting treatment of education grants

The accounting treatment of education grants primarily to State and Territory governments has been changed in this MYEFO relative to the treatment applied at the 2007-08 Budget. This accounting change means that in accrual terms the expense is recorded to have occurred at a later time.

This is purely a change in accounting treatment. There is no effect on actual education payments.

The accounting change is a one-off adjustment which is required to meet the requirements of the Australian Bureau of Statistics (ABS). It also follows a recent view of the Australian National Audit Office (ANAO) to require a revised treatment under Australian Accounting Standards, compared to that adopted in previous years.

The accounting change relates to the time at which education grants are recognised as accrual expenses.

Previously, these expenses were recognised when a Ministerial determination was signed setting out the payments to be made by the Commonwealth to the States in the following year. However, the ANAO has recently advised that it considers that the grants should now be recognised when payments are due to be made to the States, usually each month. This is also consistent with the requirements of the GFS system applied by the ABS.

Because education grants grow each year, the Ministerial determination for the forthcoming year is always higher than the payments in the current year. This explains why delaying the time at which expenses are recognised in accounting terms (that is, until the payments are actually made) can have a negative impact on reported education expenses, even though there is no change in the amounts actually paid.

Box 2: Revised accounting treatment of education grants (continued)

The following table shows that, relative to the estimates published at the 2007-08 Budget, total education expenses measured on a consistent basis have increased across the forward estimates period reflecting the net result of policy decisions and parameter changes since the budget.

Table A: The impact of accounting change on estimated education expenses

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Education expenses at 2007-08 Budget	17,752	18,491	19,209	20,228
Impact of revised treatment	-554	-415	-443	-474
Revised education expenses at 2007-08 Budget	17,198	18,076	18,766	19,754
Variations since the 2007-08 Budget	188	204	176	60
Education expenses at 2007-08 MYEFO	17,386	18,280	18,942	19,814

An improvement in net worth results from the removal of the existing accrued liability for education grants because of the change in the timing for recognising accrual expenses. At 2007-08 Budget, the accrued liability was estimated to be \$8.3 billion, which represented payments expected to be made in the 2008 calendar year.

The effect of this change improves fiscal balance in 2007-08 by approximately \$550 million, with no impact on underlying cash.

Table 21: Estimates of Australian Government general government expenses by function and sub-function

	Estimates						Projections					
	2007-08			2008-09			2009-10			2010-11		
	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	%	
General public services	1,039	1,020	-2	854	823	-4	875	848	-3	1,031	1,015	-2
Legislative and executive affairs	5,244	5,219	0	5,527	5,585	1	5,621	5,778	3	5,872	5,724	-3
Financial and fiscal affairs	3,693	3,647	-1	4,275	4,197	-2	4,528	4,482	-1	5,197	5,009	-4
Foreign affairs and economic aid	2,599	2,512	-3	2,593	2,530	-2	2,647	2,590	-2	2,595	2,627	1
General research	706	756	7	649	682	5	642	671	5	669	674	1
Government superannuation benefits(a)	2,487	2,620	5	2,536	2,675	5	2,593	2,769	7	2,672	2,919	9
Defence	19,880	19,243	-3	21,133	20,724	-2	22,054	21,831	-1	23,018	22,505	-2
Public order and safety	3,670	3,772	3	3,741	3,799	2	3,780	3,808	1	3,762	3,823	2
Education	17,752	17,386	-2	18,491	18,280	-1	19,209	18,942	-1	20,228	19,814	-2
Health	42,964	43,357	1	44,520	45,045	1	46,240	46,788	1	48,120	48,500	1
Social security and welfare	96,450	95,132	-1	100,733	99,289	-1	104,751	103,219	-1	108,936	107,173	-2
Housing and community amenities(b)	3,011	3,345	11	2,982	3,284	11	2,919	3,293	13	2,460	3,007	22
Recreation and culture(b)	2,979	2,861	-4	2,932	2,799	-5	2,884	2,758	-4	2,933	2,700	-8
Fuel and energy(b)	5,360	5,310	-1	5,495	5,474	0	5,636	5,631	0	5,873	5,894	0
Agriculture, fisheries and forestry(b)	2,799	3,685	32	2,085	2,767	33	2,612	2,767	6	2,990	2,589	-13
Mining, manufacturing and construction	2,029	2,046	1	2,018	2,037	1	1,949	2,015	3	1,843	1,911	4
Transport and communication	4,516	4,484	-1	4,823	5,344	11	4,818	4,954	3	4,584	4,525	-1
Other economic affairs	197	193	-2	197	194	-2	196	197	1	198	200	1
Tourism and area promotion	4,350	4,748	9	4,364	4,682	7	4,463	4,739	6	4,586	4,804	5
Labour and employment affairs	1,069	1,182	11	1,073	1,155	8	1,059	1,134	7	1,110	1,142	3
Other economic affairs nec												

Table 21: Australian Government expenses by function and sub-function (continued)

	Estimates						Projections					
	2007-08			2008-09			2009-10			2010-11		
	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	3,485	3,517	1	3,370	3,407	1	3,353	3,388	1	3,219	3,246	1
Nominal superannuation interest	6,192	6,276	1	6,294	6,319	0	6,517	6,470	-1	6,706	6,723	0
General purpose inter-government transactions	2,625	2,715	3	2,739	2,751	0	2,842	2,858	1	2,892	2,916	1
Natural disaster relief	103	103	0	103	103	0	103	103	0	103	103	0
Contingency reserve	389	282	-28	3,979	4,693	18	7,360	7,326	0	11,073	9,887	-11
Total expenses	235,590	235,410	0	247,489	248,638	0	259,652	259,361	0	272,669	269,433	-1

(a) Government superannuation benefits estimates differ from superannuation expense estimates disclosed in the operating statement (Table 15 and Table B1) due to the revised treatment of the accumulated superannuation scheme whereby superannuation expenses are now allocated to the function of the agency concerned.

(b) The increase in expenses in the Housing and Community Amenities function is due to a reclassification of the Department of the Environment and Water Resources' departmental expenses, including greenhouse and water activities, to the Environmental Protection subfunction. The increase is offset by corresponding reductions in the Agriculture, Fisheries and Forestry, Fuel and Energy, and Recreation and Culture functions.

Contingency reserve

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

While the reserve ensures that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are removed from the reserve and allocated to specific agencies for appropriation and for outcome reporting closer to the time when they eventuate.

The contingency reserve makes allowance in 2007-08 and the forward years for anticipated events, including the following:

- an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years;
- an allowance for the tendency for the estimates of expenses for some specific agencies or functions to be overstated in the budget year;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programmes that are yet to be renegotiated with the States and Territories;
- decisions made too late for inclusion against individual agency estimates;
- the effect on the budget and forward estimates of economic parameter revisions received late in the process and hence not able to be allocated to individual agencies or functions; and
- provision for events and pressures that are reasonably expected to affect the budget estimates.

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

FEDERAL FINANCIAL RELATIONS

In 2007-08, the States and Territories (the States) will receive GST revenue of \$42.2 billion and other payments from the Australian Government of \$30.9 billion, totalling \$73.1 billion, as shown in Table 22. This is a 7.4 per cent increase in total payments, compared with the \$68.1 billion the States received in 2006-07.¹

Table 22: GST and Australian Government payments to the States, 2007-08

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) GST revenue to the States	11,928	9,245	8,517	3,963	3,904	1,655	843	2,174	42,230
(2) General revenue assistance	26	10	-	4	3	-	-	-	43
(3) Specific purpose payments	9,899	6,981	6,078	3,740	2,398	773	476	496	30,851
Payments to the States(a)	7,274	4,948	4,469	2,878	1,761	555	321	402	22,619
Payments through the States	1,894	1,494	1,136	573	476	134	117	54	5,879
Grants for local governments	558	415	345	205	122	58	37	25	1,766
Payments direct to local govt	173	123	129	84	39	26	..	14	588
(4) Australian Government payments to the States and local govt (2) + (3)	9,925	6,991	6,078	3,744	2,401	773	476	496	30,894
(5) GST and total payments (1) + (4)	21,853	16,236	14,596	7,707	6,306	2,428	1,318	2,670	73,124

(a) The total estimate for specific purpose payments to the States includes \$10 million that has not yet been allocated between the States.

GST revenue

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government administers the GST on behalf of the States and all GST revenue is paid to the States. This provides the States with a robust, secure and growing source of revenue to spend according to their own budget priorities.

Variations in GST revenue since the 2007-08 Budget

Table 23 is a reconciliation of the GST revenue estimates between the 2007-08 Budget and the *Mid-Year Economic and Fiscal Outlook 2007-08* (MYEFO). The reconciliation accounts for policy decisions and parameter and other variations.

¹ Payments made to the state government sector include payments made to the local government sector unless otherwise specified.

Table 23: Reconciliation of GST revenue estimates

\$million	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
2007-08 Budget	43,090	45,500	47,810	50,300
Changes between 2007-08 Budget and MYEFO				
Effect of policy decisions	-2	-3	-3	-3
Effect of parameter and other variations	442	1,153	1,183	1,323
Total variations	440	1,150	1,180	1,320
2007-08 MYEFO	43,530	46,650	48,990	51,620

GST revenue in 2007-08 is expected to be \$43.5 billion – \$440 million higher than forecast at the 2007-08 Budget, reflecting continued strength in consumption. Household consumption is expected to grow strongly in 2007-08, driven by strong growth in real after-tax incomes and supported by continued growth in household net wealth.

Policy decisions will have a small negative impact on GST revenue in 2007-08 and the forward years. The estimated revenue effect of each GST policy decision since the 2007-08 Budget is shown in Table 24.

Table 24: GST revenue policy decisions since 2007-08 Budget

\$million	2007-08	2008-09	2009-10	2010-11
Provision of GST free status to non-alcohol based wipes	-	..	..	..
Determination of business vehicle use fraction for decreasing adjustment of GST for compulsory third party scheme	-1.5	-1.6	-1.6	-1.7
Verification measures to support new arrangements concerning liquids, aerosols and gels and the sealed bag scheme - GST component	-	-1.0	-1.0	-1.0
Total GST revenue policy decisions	-1.5	-2.6	-2.6	-2.7

GST revenue to the States

Under the *Intergovernmental Agreement*, all GST revenue collected by the Australian Taxation Office is provided to the States. The Commissioner of Taxation estimates the level of GST receipts in June, prior to the end of each financial year, which forms the basis of GST revenue paid to the States for that financial year. A balancing adjustment is usually made in the following financial year to ensure that the States receive the full amount of GST receipts for a financial year. The calculation of GST revenue provided to the States is shown in Table 25.

Table 25: GST revenue to the States

\$million	Outcome	Estimates		Projections	
	2006-07	2007-08	2008-09	2009-10	2010-11
GST revenue	41,006	43,530	46,650	48,990	51,620
less change in GST receivables	1,446	1,280	1,380	1,320	1,490
GST receipts	39,560	42,250	45,270	47,670	50,130
plus variation from the estimate of receipts in the Commissioner's determination(a)	20				
plus prior year balancing adjustment	-28	-20			
GST revenue to the States	39,552	42,230	45,270	47,670	50,130

(a) The Commissioner's estimate of receipts for 2006-07 was \$20 million higher than the final outcome.

In 2007-08, the States will receive GST revenue totalling an estimated \$42.2 billion – \$380 million higher than estimated at the 2007-08 Budget. The upward revision reflects an increase of \$400 million in the estimate of GST receipts for 2007-08, offset by the recovery of a \$20 million overpayment in respect of 2006-07.

GST revenue to the States has grown strongly since its introduction, as shown in Table 26. The average annual increase since 2001-02² has been 8.0 per cent.

Table 26: GST revenue to the States, 2000-01 to 2007-08

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2000-01	7,258	5,099	4,658	2,375	2,279	988	473	1,226	24,355
2001-02	8,132	5,593	5,019	2,518	2,477	1,060	544	1,290	26,632
2002-03	9,080	6,365	5,888	2,910	2,859	1,247	616	1,515	30,479
2003-04	9,667	6,961	6,553	3,158	3,146	1,394	658	1,681	33,219
2004-05	9,884	7,346	7,329	3,624	3,293	1,435	680	1,730	35,323
2005-06	10,362	7,833	7,689	3,804	3,442	1,496	723	1,834	37,182
2006-07	10,938	8,588	8,092	3,968	3,605	1,568	778	2,015	39,552
2007-08(a)	11,928	9,245	8,517	3,963	3,904	1,655	843	2,174	42,230

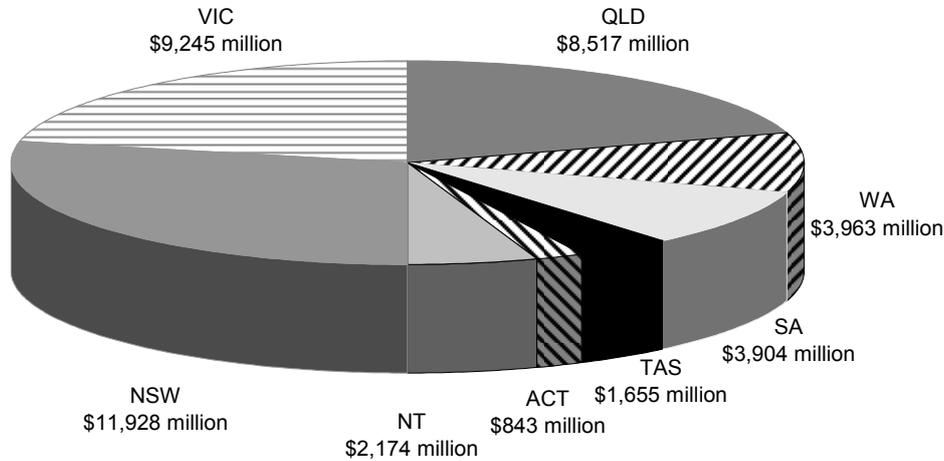
(a) Estimates.

Distribution of GST revenue among the States

As agreed by all States in the *Intergovernmental Agreement*, GST revenue is distributed among the States in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.

The state shares of GST revenue for 2007-08 (totalling \$42.2 billion) are shown in Chart 5.

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

Chart 5: State shares of GST revenue, 2007-08

General revenue assistance

General revenue assistance is a broad category of payments that are provided to the States to spend according to their own budget priorities. They include budget balancing assistance, compensation payments in respect of GST policy decisions and National Competition Policy payments. In 2007-08, only previously suspended National Competition Policy payments will be made.

Budget balancing assistance

In the *Intergovernmental Agreement*, the Australian Government guaranteed that the budgetary position of each individual State would be no worse than it would have been had the reforms in the agreement not been implemented. As part of the agreement with the States to abolish the majority of the state taxes listed for review under the *Intergovernmental Agreement*, the Australian Government has extended the transitional period to 30 June 2009.

The guaranteed minimum amount is an estimate of the revenue that each State would have received under the previous system of financial assistance grants and if their own inefficient state taxes had not been abolished as part of the reforms. During the transitional period, where any State's guaranteed minimum amount is higher than its GST revenue in that same year, the Australian Government provides that State with budget balancing assistance, to compensate for that difference. Where GST revenue exceeds the guaranteed minimum amount, no budget balancing assistance is payable.

For 2007-08, it is estimated that all States will receive more GST revenue than their guaranteed minimum amount and consequently no State will require budget balancing assistance. Indeed, the States will receive a total revenue gain from the Australian Government's reforms of around \$3.4 billion more than their guaranteed

minimum amount. These revenue gains are estimated to increase to around \$4.6 billion by 2010-11, as shown in Table 27.

Table 27: Revenue gains to the States as a result of reform^(a)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
(1) GMA	11,282	8,449	7,628	3,508	3,610	1,531	752	2,036	38,796
(2) GST revenue	11,928	9,245	8,517	3,963	3,904	1,655	843	2,174	42,230
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	646	796	890	455	294	124	91	139	3,434
2008-09									
(1) GMA	11,942	8,906	7,752	3,371	3,790	1,589	780	2,168	40,297
(2) GST revenue	13,125	10,122	8,904	3,971	4,199	1,740	896	2,313	45,270
(3) BBA (1) - (2)	0	0	0	0	0	0	0	0	0
(4) States' revenue gain (2) - (1)	1,183	1,216	1,153	600	409	151	116	145	4,973
2009-10									
(1) GMA(b)	13,268	9,591	8,330	3,480	4,074	1,659	824	2,302	43,528
(2) GST revenue	14,213	10,708	9,157	3,925	4,446	1,807	949	2,464	47,670
(3) States' revenue gain (2) - (1)	945	1,117	827	445	372	148	125	162	4,142
2010-11									
(1) GMA(c)	14,179	10,079	8,640	3,346	4,272	1,721	864	2,422	45,523
(2) GST revenue	15,250	11,354	9,521	3,809	4,693	1,885	1,001	2,618	50,130
(3) States' revenue gain (2) - (1)	1,071	1,274	881	462	421	164	138	195	4,607

(a) Estimates from 2007-08 will be affected by variations in GMA components and GST revenue. Estimates from 2008-09 will also be affected by recommendations by the Commonwealth Grants Commission on the distribution of GST provided to each of the States.

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

(c) As part of the agreement with the States to abolish the majority of the state taxes listed for review under the *Intergovernmental Agreement*, all States will have abolished stamp duties on unlisted marketable securities by 1 July 2010. The revenue foregone is included in the GMA from 2010-11.

Compensation payments for GST policy decisions

The Australian Government provides compensation to the States for the deferral of GST revenue resulting from its 2004 decision to allow small businesses and non-profit organisations which voluntarily registered for the GST, to report and pay GST on an annual, rather than monthly or quarterly, basis.

Due to an overpayment of this compensation to the States in previous years, the Australian Government agreed with the States to suspend future compensation payments until final tax return data for 2005-06, 2006-07 and 2007-08 is available, to ascertain the total compensation required.

National Competition Policy payments

Between 1997-98 and 2005-06, the Australian Government provided National Competition Policy payments to the States for implementing National Competition Policy and related reforms. Each State's payments were conditional on that State achieving satisfactory progress with the implementation of the reforms, including a

commitment to review legislation that restricts competition, applying competitive neutrality principles to government business activities and introducing specific reforms in the electricity, gas, water and road transport sectors.

The Australian Government suspended \$43.2 million in 2005-06 National Competition Policy payments, following recommendations provided by the National Water Commission. This included water reform suspensions for outstanding obligations relating to interstate trading in the southern Murray-Darling Basin, and for lack of progress and outstanding reforms with respect to water planning.

On 13 September 2007, the Australian Government lifted the suspensions following a recommendation by the National Water Commission that there has now been satisfactory progress by the States in implementing their water reform commitments.

Consequently, suspended payments of \$43.2 million were paid in 2007-08, as shown in Table 28. These payments are the final payments under the previous National Competition Policy arrangements.

Table 28: National Competition Policy payments

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08	26	10	-	4	3	-	-	-	43

Specific purpose payments

Specific purpose payments constitute a significant amount of Australian Government expenditure. In 2007-08, they are estimated to total \$30.9 billion, an increase of \$2.3 billion (8.1 per cent) over 2006-07. For the 2007-08 Budget year, total specific purpose payments will represent 13.1 per cent of total Australian Government expenditure.

The Australian Government provides specific purpose payments to pursue important national policy objectives in areas that are administered by the States. Typically the States need to fulfil specified conditions in order to receive these payments, which cover most functional areas of state and local government activity, including education, health, social security, housing and transport.

The broad categories of specific purpose payments, as shown in Chart 6 and Table 29, are:

- payments made to the States to help fund state government functions;
- payments made through the States, where state governments distribute the payments to other organisations, such as private schools;
 - this includes financial assistance grants to be distributed to local governments; and

- payments made by the Australian Government direct to local governments.

Chart 6: Specific purpose payments, 2007-08

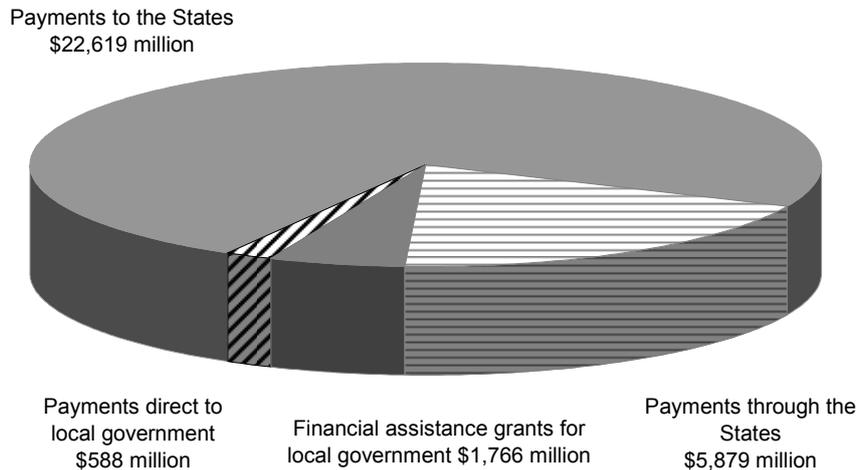


Table 29: Specific purpose payments

\$million	Outcome	Estimate
	2006-07	2007-08
Payments to the States	20,932	22,619
Payments through the States	5,548	5,879
Financial assistance grants through States to local government	1,689	1,766
Payments direct to local government	381	588
Total payments	28,549	30,851

Reform of state taxes

In return for receiving all GST revenue, the States agreed to abolish a number of inefficient state taxes that were impeding economic activity. The first tranche of inefficient state taxes were abolished by 1 July 2005. The value of the revenue foregone from the abolition of these inefficient taxes is estimated to be \$4.7 billion in 2007-08 (Table 30), growing to \$5.5 billion by 2010-11.

The remaining state taxes listed in the *Intergovernmental Agreement* were reviewed in 2005. The Australian Government and the States have agreed on a schedule for a second tranche of state tax reform. The value of revenue foregone from the second tranche of tax reform is estimated to be a further \$1.1 billion in 2007-08, growing to \$2.6 billion by 2010-11.

Table 30: State tax revenues foregone as a result of reform, 2007-08^(a)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Tranche 1</i>									
Financial institutions duty	847	501	na	172	154	37	22	23	1,757
Debits tax	361	280	412	129	62	28	20	9	1,300
Marketable securities duty	579	782	31	37	15	4	27	1	1,477
Accommodation taxes	114	na	na	na	na	na	na	11	125
Total - Tranche 1	1,901	1,563	443	337	231	69	70	45	4,659
<i>Tranche 2</i>									
Mortgage duty	138	271	70	84	46	17	na	na	627
Rental duty	73	73	74	38	5	4	3	5	275
Lease duty	30	55	32	16	4	1	0	2	139
Non-quotable marketable securities duty	0	31	17	10	0	1	0	1	60
Cheque duty	na	na	na	6	3	na	na	3	13
Non-real business assets duty	0	na	0	0	0	0	1	0	1
Total - Tranche 2	241	431	193	154	58	23	5	11	1,115
Total taxes abolished	2,142	1,993	636	492	289	92	74	55	5,774

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

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

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A1: Revenue measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	INDUSTRY, TOURISM AND RESOURCES				
	<i>Department of Industry, Tourism and Resources</i>				
81	Reform of the Tradex Scheme and termination of the Manufacturing in Bond Scheme	..	..	..	..
	Portfolio total	-	-	-	-
	TREASURY				
	<i>Australian Taxation Office</i>				
82	Australian Taxation Office – enhanced compliance activity	-	300.0	605.0	1,045.0
	Capital gains tax				
82	– changes to roll-over arrangements for replacement of statutory licences	*	*	*	*
83	– further improvements to the superannuation fund roll-over on marriage breakdown	..	..	..	..
83	Carbon sink forests – establishment costs deductible	-	1.3	-0.6	-1.4
84	Changes to the extension of the premium 175 per cent research and development tax concession to subsidiaries of multinational enterprises	..	..	..	..
162	Clinical training for enrolled nurses(b)	-	-	-	-
84	Consolidation – modification to the tax cost setting rules	*	*	*	*
145	Disability assistance – support for people with disabilities, their families and carers(b)	-	-	-	-
85	Effective life depreciation of buildings and structures	-	15.0	40.0	70.0
105	Equine influenza – assistance(b)	-	-	-	-
85	Farm Management Deposits – early withdrawal	-	-	-	-
86	Fringe benefits tax – depreciation rate for cars	-	4.0	8.0	9.0
86	Interest withholding tax – clarification of exemption	-	-	-	-
87	New international taxation arrangements – new foreign income tax offset rules	-	-	-15.0	-15.0
130	Northern Territory Emergency Response – employment and welfare reform(b)	0.5	3.0	4.6	5.0
	Personal income tax				
87	– tax exemption for scholarships under the Endeavour Awards	-0.8	-1.3	-1.4	-1.4
87	– tax exemption for the Prime Minister's Prize for Australian History and the Prime Minister's Prize for Science	..	..	..	..
88	– tax exemption of crisis, bereavement and related payments under the ABSTUDY scheme	-	-	-	-
88	Personal income tax cuts	-	-7,110.0	-10,940.0	-15,930.0
	Philanthropy				
89	– changes to prescribed private funds	-196.6	-35.5	-34.7	-36.1
90	– updating the list of deductible gift recipients	-0.5	-13.0	-11.2	-9.8
194	Screen media support package – further policy amendments(b)	-	-6.0	-	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A1: Revenue measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	TREASURY (continued)				
	Superannuation				
91	– additional exempt public sector superannuation scheme	..	..	..	..
91	– amendments to the definition of segregated current pension assets	4.0	5.0	5.0	6.0
92	– changes to the definition of a superannuation interest	-12.0	-12.0	-12.0	-12.0
92	– changes to the proportioning rule for members of the Military Superannuation and Benefits Scheme	-6.0	-6.0	-6.0	-6.0
93	– payment of tax free benefits to the terminally ill	-15.0	-25.0	-25.0	-25.0
93	– payment of temporary residents' superannuation to the Australian Government	-	220.0	415.0	290.0
94	– reducing the incidence of employers having to pay superannuation contributions twice for the same quarter	-	-0.1	0.1	0.3
95	Taxation of Financial Arrangements – implementation of tax timing and tax hedging rules	*	*	*	*
95	Taxation of option rights – deferral of taxing point	-	-	-	-
96	Thin capitalisation – application of accounting standards	-	*	*	*
96	Verification measures to support new arrangements concerning liquids, aerosols and gels and the sealed bag scheme	-0.9	-3.7	-4.6	-4.6
	Portfolio total	-227.3	-6,664.3	-9,972.8	-14,616.0
	Decisions taken but not yet announced	-	-	-	-
	Total impact of revenue measures(c)	-224.8	-6,658.7	-9,963.2	-14,603.7

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

(b) Details of these measures can be found in Appendix A under Expense Measures.

(c) Measures may not add due to rounding.

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	AGRICULTURE, FISHERIES AND FORESTRY				
	<i>Department of Agriculture, Fisheries and Forestry</i>				
97	Asia-Pacific forestry skills and capacity building	2.9	4.3	4.3	4.3
	Australian Quarantine and Inspection Service				
97	– additional funding for the international mail programme	3.6	3.6	-	-
98	– compliance and investigations enhancements	2.8	3.5	3.6	3.7
	Drought assistance				
98	– Country Women's Association	-	-	-	-
99	– Exceptional Circumstances assistance for primary producers	374.4	312.6	-	-
100	– Exceptional Circumstances assistance for small businesses	97.6	68.6	-	-
101	– interim income support for primary producers	133.7	38.9	-	-
101	– interim income support for small businesses	20.2	5.9	-	-
	Drought Package 2007				
102	– additional financial, social and emotional counselling	0.4	2.4	2.4	-
103	– additional professional advice and planning	13.6	17.7	-	-
103	– assistance to rural research and development corporations and companies	2.0	8.0	-	-
104	– communications	3.3	5.5	-	-
104	– re-establishment assistance	43.4	121.4	-	-
104	– support for irrigators in the Murray-Darling Basin	56.3	47.9	-	-
105	Equine influenza – assistance	71.2	-	-	-
106	Flemington Racecourse – funding for alternative water strategy	-	-	-	-
106	Integrated Forest Products timber mill – support	4.0	-	-	-
106	Jarrahdale Heritage Park – conservation	-	-	-	-
107	Tasmanian Community Forest Agreement – additional funding	12.3	4.5	-	-
107	Wheat Export Authority – additional funding	2.0	-	-	-
	Portfolio total	843.6	644.7	10.3	7.9
	ATTORNEY-GENERAL'S				
	<i>Administrative Appeals Tribunal</i>				
176	Health and Social Services Access Card – review mechanism	-	0.4	0.5	1.4
	<i>Attorney-General's Department</i>				
108	Equine influenza outbreak – Commission of Inquiry	9.0	-	-	-
108	Federal magistrates – death and disability cover	0.4	0.4	0.4	0.4
109	Legal Aid Commission of New South Wales – additional funding	-	-	-	-
109	National Community Crime Prevention Programme – additional funding	0.9	0.3	0.2	0.1
150	Northern Territory Emergency Response – promoting law and order	11.0	-	-	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	ATTORNEY-GENERAL'S (continued)				
	<i>Australian Crime Commission</i>				
150	Northern Territory Emergency Response – promoting law and order	4.0	-	-	-
	<i>Australian Customs Service</i>				
196	Standard Business Reporting	1.6	-	-	-
	<i>Australian Federal Police</i>				
116	NetAlert – Protecting Australian Families Online – additional resourcing	4.3	9.4	13.6	13.7
150	Northern Territory Emergency Response – promoting law and order	7.4	9.2	9.3	-
	<i>Australian Security Intelligence Organisation</i>				
179	Border Control System – upgrade	3.8	4.7	4.8	4.9
	<i>Family Court of Australia</i>				
108	Federal Magistrates Court of Australia – providing additional magistrates for family law	-1.1	-1.1	-1.1	-1.1
	<i>Federal Magistrates Court of Australia</i>				
108	Federal Magistrates Court of Australia – providing additional magistrates for family law	1.1	1.1	1.1	1.1
	<i>Office of the Director of Public Prosecutions</i>				
116	NetAlert – Protecting Australian Families Online – additional resourcing	1.4	2.8	2.8	2.8
	Portfolio total	43.8	27.1	31.5	23.3
	COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
	<i>Australia Council</i>				
113	Darwin Symphony Orchestra – additional funding	0.1	0.1	0.1	0.1
	<i>Australian Communications and Media Authority</i>				
	NetAlert				
116	– Protecting Australian Families Online – additional resourcing	2.2	-	-	-
117	– Protecting Australian Families Online – Outreach Programme	2.3	3.1	3.1	3.2
	<i>Australian Sports Anti-Doping Authority</i>				
114	Illicit drugs in sport	0.4	0.7	0.6	0.6
	<i>Australian Sports Commission</i>				
114	Football Federation Australia – contribution	4.0	4.0	4.0	4.0
118	Rugby League World Cup 2008 and celebration of the Centenary of Rugby League – contribution	2.0	0.6	-	-
	<i>Department of Communications, Information Technology and the Arts</i>				
110	Adelaide Crows and Port Adelaide Football Club – contribution to training and community facility redevelopment	5.0	-	-	-
	<i>Australia Connected</i>				
110	– additional funding for OPEL	-	132.0	226.0	-
111	– establishment of an Expert Taskforce	-	-	-	-
111	– establishment of BroadbandNow	-	-	-	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08	2008-09	2009-10	2010-11
		\$m	\$m	\$m	\$m
	COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued)				
112	Australian National Rugby Academy – contribution	5.0	10.0	10.0	-
112	Camden Aquatic Sports Centre – contribution	5.0	-	-	-
112	Campbelltown City Soccer Club – contribution	0.5	0.5	-	-
113	Community sporting facilities	-	-	-	-
113	Community Street Soccer Programme – contribution	1.2	1.1	0.7	-
114	Illicit drugs in sport	0.3	13.8	13.1	12.2
115	Macarthur Disability Service – contribution	-	-	-	-
115	National ICT Australia – additional funding	2.4	2.4	-	-
	NetAlert				
115	– Protecting Australian Families Online – additional funding for consumer information campaign	-	-	-	-
116	– Protecting Australian Families Online – additional resourcing	-	-	-	-
117	North Melbourne Football Club development – contribution	2.0	-	-	-
118	Rugby League Hall of Fame – contribution	3.0	7.0	-	-
118	Skilled Stadium redevelopment – contribution	4.0	10.0	-	-
119	South Pine Sports Complex upgrade – contribution	0.2	-	-	-
120	Townsville International Sports Centre	3.0	-	-	-
	<i>Special Broadcasting Service Corporation</i>				
119	Special Broadcasting Service – broadcasting of World Youth Day 2008	2.5	-	-	-
	Portfolio total	45.1	185.4	257.6	20.1
	CROSS PORTFOLIO				
	<i>Various Agencies</i>				
121	Efficiency dividend – increase in the rate from 1 per cent to 1.25 per cent	-	-61.0	-123.0	-187.0
	Portfolio total	-	-61.0	-123.0	-187.0
	DEFENCE				
	<i>Department of Defence</i>				
122	Amberley State School	-	-	-	-
122	Australian Army – additional infantry battalions – Stage 2	34.7	132.9	254.4	368.3
123	HMAS Sydney II – search operation	-	-	-	-
150	Northern Territory Emergency Response – promoting law and order	15.5	-	-	-
123	Operation CATALYST – enhanced surveillance capability	12.4	-	-	-
123	Operations CATALYST and SLIPPER – enhanced protective capability	69.7	-	-	-
123	Solomon Islands – continued presence by the Australian Defence Force	6.7	13.0	-	-
	Portfolio total	139.0	145.9	254.4	368.3

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	EDUCATION, SCIENCE AND TRAINING				
	<i>Australian Nuclear Science and Technology Organisation</i>				
	Australian Nuclear Science and Technology Organisation				
124	– decommissioning costs for the High Flux Australian Research Reactor	-	-	-	-
125	– nuclear collaborative research in universities	1.4	1.7	1.8	1.5
	<i>Commonwealth Scientific and Industrial Research Organisation</i>				
129	Research vessel Southern Surveyor – additional funding	-	3.0	-	-
	<i>Department of Education, Science and Training</i>				
124	Apprenticeship incentives for agriculture and horticulture	7.6	12.7	13.5	13.9
143	Centrelink – further call centre supplementation	0.5	-	-	-
144	Children with autism spectrum disorders – support for families and carers	3.5	5.7	5.5	5.6
162	Clinical training for enrolled nurses	0.9	4.3	4.9	5.4
	Drought assistance				
99	– Exceptional Circumstances assistance for primary producers	8.5	8.6	-	-
100	– Exceptional Circumstances assistance for small businesses	2.4	2.7	-	-
	Drought Package 2007				
125	– assistance for isolated children	6.3	9.1	-	-
126	– assistance for rural schools	23.5	23.5	-	-
126	Higher Education Endowment Fund – additional contributions and maintenance of real capital value	-	-	-	-
127	National School Chaplaincy Programme – additional funding	11.5	24.3	34.3	5.0
127	National Skills Needs List – establishment	8.0	14.3	17.0	18.2
	Northern Territory Emergency Response				
130	– employment and welfare reform	8.9	-0.6	-0.6	-
128	– enhancing education	24.4	-	-	-
129	Veterinary Science Programme at the University of Adelaide	15.0	-	-	-
182	Visas – cessation of the Trade Skills Training Visa	-2.2	-2.2	-2.3	-2.3
154	Welfare reform – Cape York trial	2.0	4.0	3.2	3.3
129	Work Skills Vouchers – extension	110.0	94.3	94.3	94.3
	Portfolio total	232.3	205.1	171.6	145.0
	EMPLOYMENT AND WORKPLACE RELATIONS				
	<i>Comcare</i>				
133	Workers' compensation – increasing death benefits	-	-	-	-
	<i>Department of Employment and Workplace Relations</i>				
143	Centrelink – further call centre supplementation	1.3	-	-	-
	Northern Territory Emergency Response				
148	– coordination	0.7	-	-	-
130	– employment and welfare reform	35.2	-40.2	-39.6	-
132	School attendance – enrolment data collection	27.8	-	-	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	EMPLOYMENT AND WORKPLACE RELATIONS (continued)				
197	Veterans' Disability Pension – changes to indexation and increases to the General and Extreme Disablement Adjustment Rates	-0.1	-0.3	-0.3	-0.4
80	Vocational Rehabilitation Services – recovery of costs(b)	1.0	0.7	0.7	0.7
154	Welfare reform – Cape York trial	2.3	2.1	-	-
132	Work for the Dole – increased access to full-time Work for the Dole	2.2	2.2	2.2	2.2
133	Workforce participation requirements – exemptions for carers who are relatives	0.2	0.4	0.4	0.4
	Workplace Relations Reform				
134	– communication campaign	61.0	-	-	-
135	– establishment of the Workplace Authority	1.7	1.0	-	-
	<i>Indigenous Business Australia</i>				
130	Northern Territory Emergency Response – employment and welfare reform	24.2	-	-	-
154	Welfare reform – Cape York trial	0.3	-	-	-
	<i>Office of the Workplace Ombudsman</i>				
	Workplace Relations Reform				
134	– communication campaign	-7.2	-3.0	-3.0	-
135	– establishment of the Office of the Workplace Ombudsman	14.5	14.9	15.0	15.3
	<i>Workplace Authority</i>				
135	Workplace Relations Reform – establishment of the Workplace Authority	72.3	67.6	71.9	72.8
	Portfolio total	237.4	45.4	47.2	91.0
	ENVIRONMENT AND WATER RESOURCES				
	<i>Department of the Environment and Water Resources</i>				
	Climate change				
137	– Green Vouchers for schools	101.5	149.1	51.3	34.3
138	– solar hot water systems – rebates for households	31.8	40.3	50.0	65.0
139	Glenelg to Adelaide Parklands Reuse Scheme – contribution	-	-	-	-
139	Murray Irrigation Limited – support	18.0	-	-	-
140	National greenhouse gas emissions and energy reporting system – establishment	-	-	-	-
	National Plan for Water Security				
193	– Australian Competition and Consumer Commission regulatory arrangements	-7.0	-6.8	-6.1	-6.1
140	– modernising irrigation in Australia	-	-	200.0	-300.0
141	Point Nepean – University of Melbourne rental guarantee	-	0.3	0.3	0.3
	<i>Office of the Renewable Energy Regulator</i>				
138	Climate change – national clean energy target	0.5	1.3	1.7	2.2
	Portfolio total	144.8	184.1	297.2	-204.2

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08	2008-09	2009-10	2010-11
		\$m	\$m	\$m	\$m
	FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS				
	<i>Department of Families, Community Services and Indigenous Affairs</i>				
142	Aboriginal Employment Strategy – reconciliation and youth activities	-	-	-	-
143	Centrelink – further call centre supplementation	3.3	-	-	-
143	Channel 7 Telethon Trust – contribution	0.5	-	-	-
144	Children with autism spectrum disorders – support for families and carers	5.7	29.4	37.0	36.4
145	Daughters of Charity – funding	2.5	-	-	-
145	Disability assistance – support for people with disabilities, their families and carers	222.8	281.5	345.1	425.5
146	Disaster relief funding – Hunter, Central Coast and Gippsland regions	24.7	0.2	-	-
	Drought Package 2007				
102	– additional financial, social and emotional counselling	3.2	7.4	-	-
147	– additional funding for the Emergency Relief Program	1.5	3.0	-	-
105	Equine influenza – assistance	21.3	-	-	-
147	Foodbank SA – financial assistance	0.1	0.1	-	-
	Northern Territory Emergency Response				
148	– coordination	71.5	-	-	-
130	– employment and welfare reform	85.8	75.9	75.9	-
149	– housing and land reform	49.2	-	-	-
150	– promoting law and order	25.6	-	-	-
151	– supporting families	32.8	-	-	-
132	School attendance – enrolment data collection	nfp	nfp	nfp	nfp
152	Scouting Australia – communications campaign	1.5	-	-	-
152	Seniors and eligible veterans – extended travel concessions	-	-	-	-
153	Social security agreement between Australia and Greece	-	-	-	-
153	Sydney Christmas Parade – contribution	-	-	-	-
154	Tuggeranong Office Park – transitional accommodation costs	-	-	-	-
197	Veterans' Disability Pension – changes to indexation and increases to the General and Extreme Disablement Adjustment Rates	-0.4	-1.6	-2.0	-2.5
154	Welfare reform – Cape York trial	3.9	6.5	6.1	5.2
155	Yamatji – native title representative body – additional funding for resolution of native title claim issues	5.5	-	-	-
	Portfolio total	560.9	402.5	462.1	464.6
	FINANCE AND ADMINISTRATION				
	<i>Commonwealth Superannuation Administration</i>				
156	Cornwell superannuation case – interim response	0.8	-	-	-
	<i>Department of Finance and Administration</i>				
156	Cornwell superannuation case – interim response	1.9	-	-	-
196	Standard Business Reporting	0.3	1.0	0.3	-
156	Sydney Airports Corporation Limited stamp duty dispute – funding	nfp	nfp	nfp	nfp
	Portfolio total	3.1	1.0	0.3	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	FOREIGN AFFAIRS AND TRADE				
	<i>AusAID</i>				
157	Afghanistan and Pakistan – assistance	-	66.3	-	-
158	Emergency and humanitarian relief – contributions	-	-	-	-
159	Global Fund – contribution	-	46.5	46.5	-
160	Humanitarian assistance to Darfur	-	-	-	-
160	International Development Association 15 replenishment – contribution	42.2	-	-	-
	<i>Department of Foreign Affairs and Trade</i>				
157	Asia-Pacific Economic Cooperation forum – supporting Australia's involvement	1.3	3.9	3.9	1.9
159	Fires in Greece – donation	3.0	-	-	-
161	Working with Australians overseas to promote Australia's interests	0.5	0.2	0.2	-
	Portfolio total	46.9	117.0	50.6	1.9
	HEALTH AND AGEING				
	<i>Department of Health and Ageing</i>				
157	Asia-Pacific Economic Cooperation forum – supporting Australia's involvement	-	-	-	-
162	Australian Red Cross Blood Service – Sydney headquarters relocation	-	-	-	6.7
144	Children with autism spectrum disorders – support for families and carers	0.6	5.9	5.6	3.7
162	Clinical training for enrolled nurses	15.5	43.6	30.9	29.2
163	Community Pharmacy Agreement amendment – increased dispensing fee	20.2	22.8	23.8	26.8
164	Dental Treatment – enhanced Medicare items for patients with chronic and complex conditions	4.9	3.0	-1.2	2.2
	Drought assistance				
99	– Exceptional Circumstances assistance for primary producers	1.6	2.5	..	-
100	– Exceptional Circumstances assistance for small businesses	0.5	0.6	-	-
164	Grafton Hospital – funding	18.0	-	-	-
165	Health and Medical Investment Fund	-	-	150.0	203.8
166	Human embryo and stem cell research – establishment of a regulatory framework	0.7	0.2	0.2	0.1
166	Kava – tightening of import arrangements	5.9	0.3	0.3	0.3
167	Lifeline – financial assistance	-	2.1	2.2	2.2
167	Magnetic Resonance Imaging – improved access	0.6	9.7	14.9	14.6
168	Medicare Benefits Schedule – new and revised listings	6.0	11.3	15.9	18.5
177	Medicare rebates – electronic claiming incentive package	12.7	23.3	16.4	-
168	Mersey Community Hospital Tasmania – funding	51.4	64.0	64.0	64.0
169	Northern Territory Emergency Response – improve child and family health and expand health service delivery	83.4	45.5	54.2	-

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	HEALTH AND AGEING (continued)				
	Pharmaceutical Benefits Scheme				
170	– extension to the listing of Taxotere® (docetaxel)	11.4	20.4	24.2	28.1
171	– extensions to the listing of Remicade® (infliximab)	15.3	17.7	12.0	8.5
172	– listing of Lucentis® (ranibizumab) and Visudyne® (verteporfin)	87.9	138.7	167.2	183.8
173	– minor new listings	-10.5	-28.6	-46.3	-64.8
	Pharmaceutical Benefits Scheme Reform				
174	– extension to the phasing of price reductions for F2T single brand drugs	-	17.9	46.2	39.5
174	– support for prescribing software vendors	-	-	-	-
175	Positron Emission Tomography – new and upgraded facilities	2.9	-	-	-
175	Tasmanian health services infrastructure	6.0	19.3	7.5	2.3
197	Veterans' Disability Pension – changes to indexation and increases to the General and Extreme Disablement Adjustment Rates	..	..	-0.1	-0.1
198	War Widows' Pension – increased payment and changes to indexation	-0.2	-0.7	-0.6	-0.5
	<i>National Health and Medical Research Council</i>				
166	Human embryo and stem cell research – establishment of a regulatory framework	0.9	0.5	0.4	0.3
	Portfolio total	335.8	419.9	587.5	569.4
	HUMAN SERVICES				
	<i>Centrelink</i>				
102	Drought Package 2007 – additional financial, social and emotional counselling	1.5	2.0	-	-
130	Northern Territory Emergency Response – employment and welfare reform	10.1	-	-	-
133	Workforce participation requirements – exemptions for carers who are relatives	-	-	-	-
	<i>Department of Human Services</i>				
176	Health and Social Services Access Card – review mechanism	-	0.9	1.1	4.0
	Northern Territory Emergency Response				
148	– coordination	0.4	-	-	-
130	– employment and welfare reform	8.2	-	-	-
154	Welfare reform – Cape York trial	0.1	..	-	-
	<i>Medicare Australia</i>				
144	Children with autism spectrum disorders – support for families and carers	0.2	0.2	0.3	0.2
180	Citizenship Test – administration	0.9	0.4	-	-
164	Dental Treatment – enhanced Medicare items for patients with chronic and complex conditions	2.6	2.4	2.1	2.1
167	Magnetic Resonance Imaging – improved access	..	..	..	..
168	Medicare Benefits Schedule – new and revised listings	0.2	0.1	0.2	0.2
177	Medicare rebates – electronic claiming incentive package	7.6	7.9	3.9	1.1
169	Northern Territory Emergency Response – improve child and family health and expand health service delivery	0.2	-	-	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	HUMAN SERVICES (continued)				
	Pharmaceutical Benefits Scheme				
170	– extension to the listing of Taxotere® (docetaxel)	..	..	..	..
171	– extensions to the listing of Remicade® (infliximab)	0.2	0.3	0.3	0.3
172	– listing of Lucentis® (ranibizumab) and Visudyne® (verteporfin)	1.0	1.1	1.2	1.3
	Portfolio total	33.1	15.3	9.1	9.2
	IMMIGRATION AND CITIZENSHIP				
	<i>Department of Immigration and Citizenship</i>				
178	Adult Migrant English Programme – 12 month contract extension	-	3.3	-	-
178	Baxter Immigration Detention Centre – closure	-10.9	-3.1	-3.1	-3.2
179	Border Control System – upgrade	16.2	9.1	9.0	9.2
	Citizenship Test				
180	– administration	4.1	11.0	-	-
181	– initiatives to support implementation	1.4	5.8	4.9	4.5
181	Migration and Humanitarian Programmes – integration criterion	1.6	1.4	1.1	1.2
93	Superannuation – payment of temporary residents' superannuation to the Australian Government(b)	2.0	2.0	2.0	2.0
182	Unaccompanied Humanitarian Minors – additional funding	nfp	nfp	nfp	nfp
	Visas				
182	– cessation of the Trade Skills Training Visa	-1.2	-1.1	-1.2	-1.2
183	– new work and holiday arrangements with the United States	1.2	1.5	1.9	1.9
	Portfolio total	14.3	29.9	14.7	14.4
	INDUSTRY, TOURISM AND RESOURCES				
	<i>Department of Industry, Tourism and Resources</i>				
157	Asia-Pacific Economic Cooperation forum – supporting Australia's involvement	-	-	-	-
184	Australian Energy Market Council – additional funding	1.5	-	-	-
	Climate change				
184	– Asia-Pacific Network for Energy Technology – establishment	1.9	3.1	-	-
185	– Asia-Pacific Partnership on Clean Development and Climate – extension	2.5	16.9	22.9	7.3
185	Ford Australia – assistance	-	-	10.0	-
186	FutureGen Alliance – membership	15.0	-	-	-
186	Geelong Investment and Innovation Fund	3.6	6.9	4.0	0.2
187	Innovation Ambassador Programme	-	-	-	-
196	Standard Business Reporting	0.6	2.0	2.0	0.5
187	World Youth Day – additional contribution	15.0	-	-	-
	Portfolio total	40.1	28.8	38.9	7.9

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	PRIME MINISTER AND CABINET				
	<i>Department of the Prime Minister and Cabinet</i>				
188	Asia-Pacific Economic Cooperation – additional funding for related activities	0.2	-	-	-
188	Canada-Australia public policy initiative – establishment	0.4	0.9	0.7	0.9
148	Northern Territory Emergency Response – coordination	0.6	-	-	-
	<i>National Water Commission</i>				
137	Achieving Sustainable Groundwater Entitlements – additional funding	25.0	-	-	-
	<i>Office of the Commonwealth Ombudsman</i>				
176	Health and Social Services Access Card – review mechanism	0.5	0.6	0.7	1.8
150	Northern Territory Emergency Response – promoting law and order	0.2	-	-	-
	Portfolio total	27.0	1.5	1.4	2.7
	TRANSPORT AND REGIONAL SERVICES				
	<i>Department of Transport and Regional Services</i>				
	<i>AusLink</i>				
189	– additional AusLink National Network funding in 2007-08 and 2008-09	20.0	80.0	-	-100.0
189	– inland rail	13.5	61.5	-75.0	-
190	– new funding for particular road projects	5.0	20.0	45.0	45.0
190	Australian Maritime College Marine research project – funding	3.0	-	-	-
190	Flood relief appeals – donations	-	-	-	-
191	Growing Regions Programme	2.5	30.0	40.0	75.0
191	Local government amalgamation – plebiscites in Queensland	*	*	*	*
192	Seat belts on regional school buses	10.0	10.0	10.0	10.0
192	Tasmanian freight subsidy arrangements – improved administration	1.8	0.7	0.7	0.8
192	Young District Medical Centre	0.1	-	-	-
	Portfolio total	56.0	202.2	20.7	30.8
	TREASURY				
	<i>Australian Bureau of Statistics</i>				
196	Standard Business Reporting	3.3	3.2	3.4	2.4
	<i>Australian Competition and Consumer Commission</i>				
193	National Plan for Water Security – Australian Competition and Consumer Commission regulatory arrangements	5.9	6.8	6.1	6.1
	<i>Australian Prudential Regulation Authority</i>				
196	Standard Business Reporting	0.7	1.6	4.0	1.9
	<i>Australian Securities and Investments Commission</i>				
196	Standard Business Reporting	1.7	1.4	1.6	0.8
	<i>Australian Taxation Office</i>				
82	Australian Taxation Office – enhanced compliance activity(b)	-	73.3	122.3	117.7
193	Regulations for private rulings requiring valuations	8.2	13.3	6.5	6.3
194	Screen media support package – further policy amendments	2.1	1.1	1.1	1.1

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A2: Expense measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	TREASURY (continued)				
195	Simplified Superannuation – additional funding for media coverage	17.6	-	-	-
196	Standard Business Reporting	14.2	15.8	12.8	7.8
93	Superannuation – payment of temporary residents' superannuation to the Australian Government(b)	10.0	10.0	10.0	10.0
	<i>Department of the Treasury</i>				
157	Asia-Pacific Economic Cooperation forum – supporting Australia's involvement	2.3	3.7	-	-
196	Standard Business Reporting	9.9	9.9	14.6	4.7
	<i>Royal Australian Mint</i>				
	Royal Australian Mint				
194	– information management system upgrade – Phase 2	2.7	2.2	1.0	1.0
204	– refurbishment(c)	-	0.1	0.2	0.2
	Portfolio total	78.6	142.4	183.6	159.9
	VETERANS' AFFAIRS				
	<i>Department of Veterans' Affairs</i>				
163	Community Pharmacy Agreement amendment – increased dispensing fee	1.7	1.7	1.7	1.6
197	Compensation – ex-gratia payment	-	-	-	-
168	Medicare Benefits Schedule – new and revised listings	0.9	1.5	1.6	1.8
	Pharmaceutical Benefits Scheme				
170	– extension to the listing of Taxotere® (docetaxel)	0.3	0.5	0.6	0.7
171	– extensions to the listing of Remicade® (infliximab)	0.3	0.3	0.1	0.1
172	– listing of Lucentis® (ranibizumab) and Visudyne® (verteporfin)	23.3	33.8	36.3	35.6
173	– minor new listings	0.1	-0.4	-0.8	-1.1
174	Pharmaceutical Benefits Scheme Reform – extension to the phasing of price reductions for F2T single brand drugs	-	1.2	3.1	2.6
132	School attendance – enrolment data collection	-	-	-	-
197	Veterans' Disability Pension – changes to indexation and increases to the General and Extreme Disablement Adjustment Rates	16.5	61.3	72.7	85.3
198	Vietnam Veteran Family Study	0.7	2.7	4.5	1.7
198	War Widows' Pension – increased payment and changes to indexation	8.5	31.8	34.7	37.4
	Portfolio total	52.2	134.4	154.6	165.6
	Decisions taken but not yet announced	549.6	1,131.8	1,175.9	1,186.2
	Depreciation expense	19.4	20.2	27.1	31.3
	Total impact of expense measures(d)	3,503.0	4,023.4	3,673.2	2,908.4

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

(b) Details of these measures can be found in Appendix A under Revenue Measures.

(c) Details of these measures can be found in Appendix A under Capital Measures.

(d) Measures may not add due to rounding.

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A3: Capital measures since the 2007-08 Budget^(a)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	ATTORNEY-GENERAL'S				
	<i>Australian Crime Commission</i>				
150	Northern Territory Emergency Response – promoting law and order(b)	0.7	-	-	-
	<i>Australian Federal Police</i>				
116	NetAlert – Protecting Australian Families Online – additional resourcing(b)	0.6	0.7	0.6	0.1
	<i>Australian Security Intelligence Organisation</i>				
179	Border Control System – upgrade(b)	9.0	-	-	-
	Portfolio total	10.3	0.7	0.6	0.1
	DEFENCE				
	<i>Department of Defence</i>				
122	Australian Army – additional infantry battalions – Stage 2(b)	0.2	39.0	97.6	352.4
	Portfolio total	0.2	39.0	97.6	352.4
	EDUCATION, SCIENCE AND TRAINING				
	<i>Australian Nuclear Science and Technology Organisation</i>				
125	Australian Nuclear Science and Technology Organisation – nuclear collaborative research in universities(b)	5.0	-	-	-
	<i>Department of Education, Science and Training</i>				
200	Department of Education, Science and Training central office fit-out	-	-	20.0	-
	Portfolio total	5.0	-	20.0	-
	EMPLOYMENT AND WORKPLACE RELATIONS				
	<i>Department of Employment and Workplace Relations</i>				
130	Northern Territory Emergency Response – employment and welfare reform(b)	3.7	-	-	-
80	Vocational Rehabilitation Services – recovery of costs(c)	0.2	-	-	-
	<i>Indigenous Business Australia</i>				
130	Northern Territory Emergency Response – employment and welfare reform(b)	4.2	-	-	-
154	Welfare reform – Cape York trial(b)	3.0	-	-	-
	<i>Office of the Workplace Ombudsman</i>				
135	Workplace Relations Reform – establishment of the Office of the Workplace Ombudsman(b)	4.0	0.4	0.1	0.1
	<i>Workplace Authority</i>				
135	Workplace Relations Reform – establishment of the Workplace Authority(b)	14.2	2.0	1.4	1.2
	Portfolio total	29.2	2.4	1.5	1.3

Table A3: Capital measures since the 2007-08 Budget^(a) (continued)

Page		2007-08	2008-09	2009-10	2010-11
		\$m	\$m	\$m	\$m
	ENVIRONMENT AND WATER RESOURCES				
	<i>Department of the Environment and Water Resources</i>				
140	National greenhouse gas emissions and energy reporting system – establishment(b)	-	-	-	-
	<i>Office of the Renewable Energy Regulator</i>				
138	Climate change – national clean energy target(b)	-	3.3	1.1	-
	Portfolio total	-	3.3	1.1	-
	FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS				
	<i>Department of Families, Community Services and Indigenous Affairs</i>				
145	Disability assistance – support for people with disabilities, their families and carers(b)	2.5	-	-	0.4
	Northern Territory Emergency Response				
148	– coordination(b)	4.5	-	-	-
149	– housing and land reform(b)	29.9	-	-	-
	Portfolio total	36.9	-	-	0.4
	FINANCE AND ADMINISTRATION				
	<i>Department of Finance and Administration</i>				
201	Intra-government Communications Network – capital funding	-	-	-	-
204	Royal Australian Mint – refurbishment	8.2	0.5	-	-
	Portfolio total	8.2	0.5	-	-
	HEALTH AND AGEING				
	<i>Department of Health and Ageing</i>				
166	Kava – tightening of import arrangements(b)	0.2	-	-	-
202	National Medical Stockpile – replenishment	-	-	-	-
	<i>National Health and Medical Research Council</i>				
166	Human embryo and stem cell research – establishment of a regulatory framework(b)	0.1	-	-	-
	Portfolio total	0.3	-	-	-
	HUMAN SERVICES				
	<i>Centrelink</i>				
180	Citizenship Test – administration(b)	0.1	-	-	-
145	Disability assistance – support for people with disabilities, their families and carers(b)	0.1	-	-	-
130	Northern Territory Emergency Response – employment and welfare reform(b)	14.3	-	-	-
132	School attendance – enrolment data collection(b)	14.4	-	-	-
	<i>Medicare Australia</i>				
164	Dental Treatment – enhanced Medicare items for patients with chronic and complex conditions(b)	..	-	-	-
177	Medicare rebates – electronic claiming incentive package(b)	0.6	-	-	-
	Portfolio total	29.6	-	-	-

Table A3: Capital measures since the 2007-08 Budget^(a) (continued)

Page		2007-08	2008-09	2009-10	2010-11
		\$m	\$m	\$m	\$m
	IMMIGRATION AND CITIZENSHIP				
	<i>Department of Immigration and Citizenship</i>				
179	Border Control System – upgrade(b)	17.7	-	-	-
	Citizenship Test				
180	– administration(b)	10.6	0.2	-	-
181	– initiatives to support implementation(b)	0.4	-	-	-
181	Migration and Humanitarian Programmes – integration criterion(b)	0.5	0.2	-	-
183	Visas – new work and holiday arrangements with the United States(b)	1.1	-	-	-
	Portfolio total	30.2	0.3	-	-
	INDUSTRY, TOURISM AND RESOURCES				
	<i>Department of Industry, Tourism and Resources</i>				
185	Climate change – Asia-Pacific Partnership on Clean Development and Climate – extension(b)	0.2	-	-	-
196	Standard Business Reporting(b)	2.1	1.3	1.1	-
	Portfolio total	2.3	1.3	1.1	-
	PRIME MINISTER AND CABINET				
	<i>Office of the Commonwealth Ombudsman</i>				
176	Health and Social Services Access Card – review mechanism(b)	0.1	-	-	-
150	Northern Territory Emergency Response – promoting law and order(b)	0.1	-	-	-
	Portfolio total	0.2	-	-	-
	TRANSPORT AND REGIONAL SERVICES				
	<i>Department of Transport and Regional Services</i>				
203	Christmas Island Immigration Reception and Processing Centre – replacement of power cables	5.0	-	-	-
	<i>National Capital Authority</i>				
203	Acquisition of land for a future embassy site	3.0	-	-	-
	Portfolio total	8.0	-	-	-
	TREASURY				
	<i>Australian Bureau of Statistics</i>				
196	Standard Business Reporting(b)	5.9	4.8	3.8	0.9
	<i>Australian Competition and Consumer Commission</i>				
193	National Plan for Water Security – Australian Competition and Consumer Commission regulatory arrangements(b)	1.1	-	-	-
	<i>Australian Prudential Regulation Authority</i>				
196	Standard Business Reporting(b)	-	1.9	1.0	-
	<i>Australian Securities and Investments Commission</i>				
196	Standard Business Reporting(b)	1.5	3.2	1.0	-
	<i>Australian Taxation Office</i>				
82	Australian Taxation Office – enhanced compliance activity(c)	-	8.6	-	-
196	Standard Business Reporting(b)	9.6	19.4	3.5	-

Appendix A: Policy decisions taken since the 2007-08 Budget

Table A3: Capital measures since the 2007-08 Budget^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
	TREASURY (continued)				
	<i>Department of the Treasury</i>				
196	Standard Business Reporting(b)	8.8	9.3	7.2	-
	<i>Royal Australian Mint</i>				
	Royal Australian Mint				
194	– information management system upgrade – Phase 2(b)	4.2	1.8	0.2	-
204	– refurbishment	8.5	8.0	-	-
	Portfolio total	39.6	56.9	16.8	0.9
	VETERANS' AFFAIRS				
	<i>Department of Veterans' Affairs</i>				
132	School attendance – enrolment data collection(b)	-	-	-	-
197	Veterans' Disability Pension – changes to indexation and increases to the General and Extreme Disablement Adjustment Rates(b)	0.1	-	-	-
198	Vietnam Veteran Family Study(b)	0.3	-	-	-
	Portfolio total	0.4	-	-	-
	Decisions taken but not yet announced	-	-	-	-
	Depreciation expense	-19.4	-20.2	-27.1	-31.3
	Total capital measures(d)	181.0	84.3	111.5	323.7

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

(b) Details of these measures can be found in Appendix A under Expense Measures.

(c) Details of these measures can be found in Appendix A under Revenue Measures.

(d) Measures may not add due to rounding.

REVENUE MEASURES

EDUCATION, SCIENCE AND TRAINING

VET FEE-HELP — extension to Vocational Graduate Certificates and Diploma courses

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	0.4	1.3	2.8	4.5

The Government will extend FEE-HELP to full-fee paying students in Graduate Certificate and Graduate Diploma courses that are accredited as Vocational Education and Training (VET) qualifications. This will help promote student pathways to higher education.

FEE-HELP is already available to full-fee paying students in diploma and advanced diploma VET qualifications, where significant credit towards a university degree is guaranteed.

Amounts loaned under the Higher Education Loan Programme (HELP) are treated as financial assets and therefore do not impact on the fiscal balance. Payments by students of the indexation and loan fee components of their HELP loan are treated as interest revenue. The additional public debt interest incurred by the Government in financing the loans is separately accounted for in the Mid-Year Economic and Fiscal Outlook.

EMPLOYMENT AND WORKPLACE RELATIONS

Vocational Rehabilitation Services — recovery of costs

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Employment and Workplace Relations	1.8	2.5	3.1	4.0
<i>Related expense (\$m)</i>				
<i>Department of Employment and Workplace Relations</i>	1.0	0.7	0.7	0.7
<i>Related capital (\$m)</i>				
<i>Department of Employment and Workplace Relations</i>	0.2	-	-	-

The Government will provide \$3.4 million over four years to put in place new arrangements to manage repayments from clients who have received government-funded vocational rehabilitation services pending finalisation of their compensation actions. This measure is expected to lead to revenue of \$11.3 million over four years.

Recent changes that have broadened the range of vocational rehabilitation providers required revised arrangements to recover the costs of rehabilitation from those who are successful in obtaining a settlement or compensation payment for the disability requiring the rehabilitation.

This measure includes \$0.2 million in capital funding in 2007-08 for computer system enhancements.

INDUSTRY, TOURISM AND RESOURCES

Reform of the Tradex Scheme and termination of the Manufacturing in Bond Scheme

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources

The Government will make changes to its up-front Customs duty exemption programmes to:

- decouple the Tradex Scheme from the customs duty drawback regulations;
- improve the administration of the Tradex Scheme; and
- terminate the Manufacturing in Bond (MiB) scheme.

The changes to the Tradex Scheme will have effect from the date of proclamation of the enabling legislation (or six months after the date of Royal Assent of the enabling legislation). MiB will be terminated from the date of registration of the amending regulation.

TREASURY

Australian Taxation Office — enhanced compliance activity

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	300.0	605.0	1,045.0
<i>Related expense (\$m)</i>				
Australian Taxation Office	-	73.3	122.3	117.7
<i>Related capital (\$m)</i>				
Australian Taxation Office	-	8.6	-	-

The Government will provide \$446 million over four years from 2008-09 to the Australian Taxation Office (ATO) to allow it to deploy additional staff and enhance compliance activities across all segments of the taxation system. This increased investment in ATO activities is expected to increase revenue by \$3.7 billion over four years (including \$1.8 billion in 2011-12).

The increased resources will allow the ATO to provide taxpayers with better and more targeted help and education products to assist with more accurate self assessment, allow a greater focus on prevention of non-compliance by early detection and advice on obligations, improve intelligence and early risk detection (including through data mining and strategic risk research) and allow for increased and more targeted enforcement activity.

Capital gains tax — changes to roll-over arrangements for replacement of statutory licences

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	*	*	*	*

The Government has provided a partial capital gains tax (CGT) roll-over where one or more statutory licences end and the licensee receives non-licence capital proceeds, such as money, in addition to the replacement licence(s). This measure applies to CGT events that occur in the 2006-07 income year or later income years.

The impact of this measure was reported in the 2007-08 Budget as a decision taken but not yet announced with an impact of \$20 million in 2006-07 and \$90 million in 2007-08.

The Government has also extended the existing statutory licence CGT roll-over so that it applies where one or more statutory licences end and the licensee is issued one or more new licences that authorise substantially similar activity to the original statutory licence(s). The Government has also made minor changes to the partial statutory licence CGT roll-over so that it applies more effectively.

Appendix A: Policy decisions taken since the 2007-08 Budget

These changes increase the flexibility of the existing roll-over and ensure that CGT need not be an impediment to adjustment programmes where part of the entitlement of a statutory licence is removed.

Further information can be found in the press release of 8 June 2007 issued by the Minister for Revenue and Assistant Treasurer.

Capital gains tax — further improvements to the superannuation fund roll-over on marriage breakdown

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government has clarified and improved the capital gains tax (CGT) marriage breakdown roll-over for small superannuation funds, with effect from 1 July 2007.

This measure enables one spouse, including a de facto spouse, to transfer their personal superannuation interest to another complying superannuation fund regardless of whether there has been a payment split. This change enhances the CGT roll-over on marriage breakdown for small superannuation funds announced in the 2007-08 Budget. It extends the availability of the roll-over and further facilitates the complete separation of superannuation assets for spouses following a marriage breakdown.

Carbon sink forests — establishment costs deductible

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	1.3	-0.6	-1.4

The Government will make a number of changes to the arrangements allowing taxpayers to claim a tax deduction for the cost of establishing trees in a carbon sink forest, with effect from 1 July 2007.

These changes include:

- removing the requirement that taxpayers must be a member of the Australian Government's Greenhouse Challenge programme;
- bringing forward the time when a deduction can be claimed; and
- allowing the costs of regenerating a forest as establishment costs.

This measure builds on the 2007-08 Budget measure *Carbon sink forests – establishment costs deductible*.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the Treasurer's press release of 13 September 2007.

Changes to the extension of the premium 175 per cent research and development tax concession to subsidiaries of multinational enterprises

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government has removed the requirement for companies to have a three-year history of research and development (R&D) expenditure in order to claim the 175 per cent premium R&D tax concession in certain circumstances, with effect from 1 July 2007.

This builds on the measure announced in the 2007-08 Budget which allowed Australian subsidiaries of multinational enterprises to claim deductions under the 175 per cent premium R&D tax concession.

As a transitional arrangement, eligibility for the extended 175 per cent premium R&D tax concession for companies with a presence in Australia will be determined by reference to a deemed three-year history based on expenditure in the 2007-08 year. Under the ongoing arrangements, companies establishing a presence in Australia for the first time will be given immediate access to the concession.

The Government has also decided to allow multinational enterprises to claim this concession where the parent company is based in Australia.

Consolidation — modification to the tax cost setting rules

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	*	*	*	*

The Government will not allow an uplift in the costs of assets for tax purposes for an entity that joins a consolidated group following a capital gains tax (CGT) roll-over affecting the membership interests of the joining entity, with effect from 13 October 2007.

When an entity joins a consolidated group, the cost setting rules apply to reset the tax cost of the entity's assets. This ensures that the costs of the entity's assets reflect the cost to the group of acquiring the entity. This measure will prevent a significant deferral of tax by ensuring that the cost setting rules do not apply to uplift the costs of a joining entity's assets following a scrip-for-scrip roll-over, or another CGT roll-over affecting the membership interests of the joining entity.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 12 October 2007 issued by the Minister for Revenue and Assistant Treasurer.

Effective life depreciation of buildings and structures

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	15.0	40.0	70.0

The Government has decided that it will not proceed with bringing the write-off for capital expenditure on buildings and structures into the Uniform Capital Allowance regime.

The Government previously indicated that it accepted in principle a recommendation of the Review of Business Taxation that new buildings and structures should be included in the Uniform Capital Allowance regime.

The income tax law currently provides a separate write-off regime for buildings and structures where taxpayers can claim an annual 2.5 per cent or 4.0 per cent deduction for the value of construction of their buildings and structural improvements (not land) where the property is used for income producing purposes.

Implementing the recommendation would raise a number of complex issues, including separating land value from that of buildings and structures, and defining the asset unit. Furthermore, implementing the recommendation may create uncertainty in the housing sector.

Farm Management Deposits — early withdrawal

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government will align the early withdrawal requirements for the Farm Management Deposits scheme with the exceptional circumstances guidelines, with effect from 1 July 2002.

Generally, a farm management deposit must be held for 12 months in order to retain the tax deduction. Early withdrawal of a farm management deposit is allowed for primary producers who conduct their primary production business wholly or partly in exceptional circumstance areas and the deposit was made prior to the exceptional circumstance declaration.

Appendix A: Policy decisions taken since the 2007-08 Budget

The measure will remove an inconsistency where an eligible primary producer is denied the tax benefits as a consequence of withdrawing their farm management deposit early when they are in an area that has previously been declared in exceptional circumstances, even though the exceptional circumstances declaration did not apply to them because of their producer class.

Fringe benefits tax — depreciation rate for cars

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	4.0	8.0	9.0

The Government has changed the formula for calculating the fringe benefits tax (FBT) depreciation rate for cars, with effect from the 2008-09 FBT year.

This measure updates the formula for cars acquired on or after 10 May 2006 to reflect the increase in the diminishing value rate for determining depreciation deductions under the operating cost method of calculating the FBT for cars. The change increases the diminishing value rate used in the calculation from 150 per cent to 200 per cent, to align it with the diminishing value rate under the Uniform Capital Allowance regime announced in the 2006-07 Budget.

Interest withholding tax — clarification of exemption

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government has more closely specified which debt interests are eligible for exemption from interest withholding tax (IWT), with effect from 7 December 2006.

This measure confirms that the exemption applies to non-debenture debt interests that are non-equity shares, syndicated loans and other financial instruments prescribed by regulation.

This measure corrects an unintentional widening of the scope of the IWT exemption which resulted from IWT amendments in 2005. This restores the Government's original policy intent.

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

Appendix A: Policy decisions taken since the 2007-08 Budget

New international taxation arrangements — new foreign income tax offset rules

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-15.0	-15.0

The Government has enacted new foreign income tax offset rules to alleviate international double taxation, with effect to income years beginning on or after 1 July 2008.

The new foreign income tax offset rules provide an offset for foreign income tax paid by taxpayers on their assessable income up to the Australian tax payable on that income. These rules build on the 2005-06 Budget measure abolishing foreign loss and foreign tax credit quarantining, and streamlining the remaining foreign tax credit rules. The additional cost of this measure is largely owing to the new foreign tax offset cap (which includes a \$1,000 threshold for taxpayers with small offset claims) and the transitional rules (for the treatment of existing quarantined foreign losses and credits) developed in consultation with the business community.

These rules will reduce compliance costs for taxpayers that conduct foreign business or earn foreign income.

Personal income tax — tax exemption for scholarships under the Endeavour Awards

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.8	-1.3	-1.4	-1.4

The Government has exempted the Endeavour Research Fellowships and the Endeavour Executive Awards from income tax, with effect from 1 July 2007.

Personal income tax — tax exemption for the Prime Minister's Prize for Australian History and the Prime Minister's Prize for Science

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government has exempted the Prime Minister's Prize for Australian History and the Prime Minister's Prize for Science from income tax to the extent that the prizes would otherwise be assessable income, with effect from 1 July 2006.

Appendix A: Policy decisions taken since the 2007-08 Budget

Personal income tax — tax exemption of crisis, bereavement and related payments under the ABSTUDY scheme

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government will allow crisis and bereavement payments under the ABSTUDY scheme to be exempt from income tax, in line with the tax treatment of similar payments under the *Social Security Act 1991*, with effect from 1 January 2008.

The extension of crisis and bereavement payments to ABSTUDY recipients was announced in the 2007-08 Budget.

Personal income tax cuts

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-7,110.0	-10,940.0	-15,930.0

The Government will reduce taxes by \$34 billion over the forward estimates period, with effect from 1 July 2008.

The 30 per cent threshold will increase from \$30,001 to \$34,001 from 1 July 2008. In addition, from 1 July 2009 the 30 per cent threshold will increase to \$35,001. The 40 per cent and 45 per cent tax rates will be reduced to 38 per cent and 43 per cent. From 1 July 2010, the 30 per cent threshold will increase to \$37,001 and the top marginal tax rates will be cut to 37 per cent and 42 per cent.

Current		From 1 July 2008		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 34,000	15	6,001 - 35,000	15	6,001 - 37,000	15
30,001 - 75,000	30	34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	40	80,001 - 180,000	38	80,001 - 180,000	37
150,001 +	45	180,001 +	45	180,001 +	43	180,001 +	42

The tax cuts will enhance incentives to work, invest and save and provide a significant reduction in taxes for all Australians. They continue the focus on encouraging workforce participation that has been a feature of this Government's tax reform and will further enhance Australia's international competitiveness.

Low income tax offset

From 1 July 2008, the LITO will increase from \$750 to \$1,200. It will continue to be withdrawn from the income level of \$30,000. Those eligible for the full LITO will have an effective tax free threshold of \$14,000 (up from the current level of \$11,000). Further increases in the LITO, to \$1,350 from 1 July 2009 and to \$1,500 from 1 July 2010, will mean that the effective tax free threshold will increase further to \$15,000 in 2009-10 and \$16,000 in 2010-11.

Given the large increase in the amount of the offset, new withholding schedules will be created so that low and average income earners will receive half of the benefits of the LITO through their regular pay, rather than receiving the total as a lump sum when their income tax returns are assessed. This will allow people to realise sooner the benefits of working more.

Senior Australians

Senior Australians eligible for the senior Australians tax offset and the LITO currently do not pay tax until they reach an annual income of \$25,867 for singles and \$21,680 for each member of a couple. From 1 July 2008, these income levels will be lifted to \$28,867 for singles and \$24,680 for each member of a couple. From 1 July 2009, these incomes levels will be lifted to \$29,867 for singles and \$25,680 for each member of a couple. By 2010-11, the income levels will be \$30,685 for singles and \$26,680 for each member of a couple.

The Medicare levy threshold that applies to senior Australians will be increased to ensure that senior Australians do not pay the Medicare levy until they begin to incur an income tax liability.

Fringe benefits tax

The fringe benefits tax rate will also be reduced in line with the reductions in the top marginal tax rate (including the Medicare levy), decreasing to 44.5 per cent from 1 April 2009 and to 43.5 per cent from 1 April 2010.

Philanthropy — changes to prescribed private funds

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-196.6	-35.5	-34.7	-36.1

Since the 2007-08 Budget, 146 funds have been approved for prescription as prescribed private funds (PPFs), and two funds have been declared no longer to be PPFs.

Appendix A: Policy decisions taken since the 2007-08 Budget

PPFs allow businesses, families and individuals to establish and donate to a philanthropic trust of their own, for the purposes of disbursing funds to a range of deductible gift recipients.

Philanthropy — updating the list of deductible gift recipients

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.5	-13.0	-11.2	-9.8

Since the 2007-08 Budget, the Government has announced that qualifying gifts of \$2 or more to the following organisations have been made tax deductible:

- Amy Gillett Foundation;
- The Council for Jewish Community Security;
- All state and territory bodies of Kidsafe;
- Social Ventures Australia Limited;
- Spirit of Australia Foundation;
- The Bathurst War Memorial Carillon Public Fund Trust, granting gift deductibility status until 2 August 2009;
- Memorial(s) Development Committee Limited, granting gift deductibility status until 30 June 2010;
- World Youth Day 2008 Trust, granting gift deductibility status until 30 June 2009;
- Wheelchairs For Kids Inc, granting gift deductibility status for a period of two years;
- Australia for UNHCR, extending gift deductibility status until 27 June 2012;
- Shrine of Remembrance Restoration and Development Trust, extending gift deductibility status until 30 June 2009; and
- Xanana Vocational Education Trust, extending gift deductibility status until 20 July 2009.

In addition, since the 2007-08 Budget there have been:

- 18 admissions to, and one removal from, the Register of Environmental Organisations;

Appendix A: Policy decisions taken since the 2007-08 Budget

- 24 admissions to, and 7 removals from, the Register of Cultural Organisations;
- 3 admissions to the Register of Harm Prevention Charitable Institutions; and
- 1 admission to the Overseas Aid Gift Deduction Scheme.

The Register of Environmental Organisations can be found on the Department of the Environment and Water Resources website at www.environment.gov.au. The Register for Cultural Organisations can be found on the Department of Communications, Information Technology and the Arts website at www.dcita.gov.au. The Register of Harm Prevention Charitable Institutions can be found on the Department of Families, Community Services and Indigenous Affairs website at www.facsia.gov.au. The list of overseas aid relief funds can be found on the AusAid website at www.ausaid.gov.au.

Superannuation — additional exempt public sector superannuation scheme

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government has allowed former members of the Australian Capital Territory (ACT) judiciary, aged 60 and over who are recipients of superannuation income streams paid in accordance with the *Supreme Court Act 1933* (ACT), to access the 10 per cent tax offset introduced under Better Super. This measure had effect from 29 September 2007.

Superannuation — amendments to the definition of segregated current pension assets

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	4.0	5.0	5.0	6.0

The Government has clarified that for account-based pensions, only assets included in the income stream account balance are eligible for the tax concessions available to segregated current pension assets, with effect from 1 July 2007.

Income derived from the assets supporting a pension is exempt from tax. In return for this concessional tax treatment, pensions are subject to rules designed to ensure that the capital in the pension is drawn down over time. In the case of account-based pensions the rules require that a payment of at least a minimum proportion of the pension account balance be made each year.

This measure ensures that the payment rules for account-based pensions operate in a manner consistent with the Government's policy intent.

Appendix A: Policy decisions taken since the 2007-08 Budget

Superannuation — changes to the definition of a superannuation interest

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-12.0	-12.0	-12.0	-12.0

The Government has amended the definition of a superannuation interest so that every amount, benefit or entitlement of a member within a single superannuation fund (other than a self-managed superannuation fund) is no longer explicitly aggregated to form a single interest, with effect from 1 July 2007.

Previously, all amounts, benefits or entitlements held by a superannuation provider on behalf of a member comprised one superannuation interest for the purposes of determining the tax free and taxable components.

This measure removes the need for large superannuation providers to identify all member accounts within a fund and aggregate these accounts for taxation purposes. This will provide flexibility in circumstances where it would have been difficult and costly for a superannuation provider to comply with the original requirements.

Superannuation — changes to the proportioning rule for members of the Military Superannuation and Benefits Scheme

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-6.0	-6.0	-6.0	-6.0

The Government has changed the superannuation proportioning rule to allow members of the Military Superannuation and Benefits Scheme (MSBS) to choose the taxable and tax free components of their benefit if they take non-preserved amounts before reaching preservation age. This applies to all benefits taken on or after 1 July 2007.

The proportioning rule requires that superannuation benefit payments made to members comprise a tax free component and a taxable component in the same proportion as in the member's underlying superannuation interest.

This measure ensures MSBS members can continue to choose the components of pre-1 July 1999 non-preserved benefits they receive prior to preservation age, as they were able to do before 1 July 2007, without being forced by the proportioning rule to pay tax.

Superannuation — payment of tax free benefits to the terminally ill

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-15.0	-25.0	-25.0	-25.0

The Government will make lump sum superannuation benefits paid to individuals with a terminal illness tax free, with effect from 12 September 2007. The Government will also create a new condition of release for superannuation so that individuals in this situation have full access to their benefits, irrespective of their age.

Currently, individuals under the age of 55 who access a lump sum superannuation benefit from a taxed superannuation fund are subject to a maximum tax rate of 21.5 per cent (inclusive of the Medicare levy). This tax is generally withheld by the superannuation fund when it makes the lump sum payment. The Commissioner of Taxation has varied the withholding rate for people in this situation so that no withholding is required when these payments are made.

Further details of this measure will be determined in consultation with the superannuation industry, the medical profession and support groups.

Further information is contained in the Minister for Revenue and Assistant Treasurer's press release of 11 September 2007.

Superannuation — payment of temporary residents' superannuation to the Australian Government

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	220.0	415.0	290.0
<i>Related expense (\$m)</i>				
Australian Taxation Office	10.0	10.0	10.0	10.0
Department of Immigration and Citizenship	2.0	2.0	2.0	2.0
<i>Total</i>	12.0	12.0	12.0	12.0

The Government will require all future superannuation contributions and balances for temporary residents to be paid to the Australian Government, with effect from 1 July 2008.

Under this measure, employers will still be required to pay Superannuation Guarantee contributions for temporary residents but will have the choice of continuing to make payments into a superannuation fund or paying contributions directly to the Australian Government. Superannuation providers will be required to transfer annually the balances (including existing balances) of superannuation accounts held by temporary residents to the Australian Taxation Office (ATO). The measure will not apply to superannuation contributions or balances of New Zealand citizens.

Appendix A: Policy decisions taken since the 2007-08 Budget

Temporary residents who permanently depart Australia will be able to claim back their superannuation within five years of permanent departure (subject to existing withholding tax arrangements). Temporary residents who become permanent residents will be able to have their superannuation transferred back from the Government into a superannuation fund (with interest).

Currently, the superannuation balances of temporary residents remain in their superannuation fund unless they request payment after permanently departing.

The measure will enable the Government to establish a register of temporary residents' superannuation, making it easier for those people to locate and claim their superannuation. It will also ameliorate the problem of small balances becoming lost in the superannuation system and potentially being eroded by fees and charges.

The costs for the ATO and the Department of Immigration and Citizenship to administer this measure have not yet been finalised, however, a provision for these costs has been made.

Superannuation — reducing the incidence of employers having to pay superannuation contributions twice for the same quarter

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-0.1	0.1	0.3

The Government will allow late superannuation guarantee (SG) contributions made for an employee by an employer to be used to offset any part of an SG charge liability that relates to that employee.

Currently, these contributions cannot be used to reduce an SG charge liability for a previous quarter unless the contributions were made on or after 1 January 2006 and within a period of 30 days after the due date. Consequently, where the contribution is made more than 30 days after the due date, the employer may effectively pay twice for an employee in respect of the same period.

This measure will reduce the incidence of disproportionately harsh penalties being incurred by some employers who attempt to do the right thing by their employees and incorrectly pay contributions to a superannuation provider rather than paying the SG charge to the Australian Taxation Office.

The measure will apply in respect of employers who elect to use the offset after the date of Royal Assent. Employers who have been assessed with the SG charge before this date can use the offset, provided the SG charge has not already been paid.

Taxation of Financial Arrangements — implementation of tax timing and tax hedging rules

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	*	*	*	*

The Government will defer new rules for the taxation of gains and losses from financial arrangements until 1 July 2009. Taxpayers may elect to have the new rules apply from 1 July 2008.

The Government has also decided not to include specific integrity rules addressing synthetic arrangements. It will consider the need for such rules following further consultation.

Further information can be found in the press release of 20 September 2007 issued by the Minister for Revenue and Assistant Treasurer.

Taxation of option rights — deferral of taxing point

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government will allow taxpayers to defer the taxing point for option rights so that a tax liability does not arise at the time the rights are issued, with effect from the 2001-02 income year.

The High Court recently determined that the market value of an option right issued to a shareholder is taxable as ordinary income at the time of issue. Any subsequent increase in the value of these rights is generally taxed as a capital gain or through the trading stock provisions.

This measure will restore the long-standing taxation treatment of rights issues by ensuring that shareholders will not derive assessable income at the time an option right is issued but are taxed wholly through the capital gains tax regime or through the trading stock rules.

Further information can be found in the press release of 26 June 2007 issued by the Minister for Revenue and Assistant Treasurer.

Appendix A: Policy decisions taken since the 2007-08 Budget

Thin capitalisation — application of accounting standards

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	*	*	*

The Government will allow taxpayers to elect to use a valuation methodology other than the current accounting standard for certain intangible assets and to exclude certain other assets and liabilities for thin capitalisation reporting purposes. This measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Under the thin capitalisation rules, entities are required to use accounting standards to value assets, liabilities and equity capital. Differences between the Australian equivalents to International Financial Reporting Standards adopted in 2005 and the previous accounting standards have produced substantially different thin capitalisation positions for some entities.

This measure will enable recognition of the economic value of certain assets and provide greater certainty for thin capitalisation reporting entities in relation to future investment activity.

Further information can be found in the press release of 12 September 2007 issued by the Minister for Revenue and Assistant Treasurer.

Verification measures to support new arrangements concerning liquids, aerosols and gels and the sealed bag scheme

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Customs Service	-0.1	-0.3	-0.4	-0.4
Australian Taxation Office	-0.9	-3.7	-4.6	-4.6
Total	-1.0	-4.0	-5.0	-5.0

The Government will introduce new regulatory arrangements to allow for the verification of export of liquids, aerosols and gels (LAGs) sold through the sealed bag scheme, to take account of changes in airport security arrangements.

Since 31 March 2007, travellers have been unable to carry LAGs items greater than 100 millilitres in carry-on luggage. As a result, it is no longer possible to verify that LAGs items have been exported by a physical check of items at the Customs barrier.

This measure will confirm the interim arrangements for export verification by allowing travellers to pack LAGs items in their checked luggage. Travellers will provide proof of export by way of a declaration on the goods dockets that will be handed to collection agents after the Customs barrier.

As this measure also affects goods and services tax revenue, it is subject to the unanimous agreement of the States and Territories.

EXPENSE MEASURES

AGRICULTURE, FISHERIES AND FORESTRY

Asia-Pacific forestry skills and capacity building

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	2.9	4.3	4.3	4.3

The Government will provide \$15.7 million over four years to improve sustainable forest management and the carbon sequestration performance of forests in the Asia-Pacific region.

This measure will fund a combination of training, technology transfer and research activities to improve the skills of forest managers and the capacity of countries in the Asia-Pacific to monitor forestry activity. These activities will be implemented in cooperation with governments, tertiary institutions, forest agencies and research centres within Australia and the region.

Further information can be found in the press release of 2 September 2007 issued by the Prime Minister.

Australian Quarantine and Inspection Service — additional funding for the international mail programme

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	3.6	3.6	-	-

The Government will provide \$7.2 million over two years to enable the Australian Quarantine and Inspection Service to respond to an increase in the volume of high quarantine risk mail entering Australia.

Appendix A: Policy decisions taken since the 2007-08 Budget

Australian Quarantine and Inspection Service — compliance and investigations enhancements

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	2.8	3.5	3.6	3.7

The Government will provide \$13.6 million over four years to implement the Government's response to the Senate Rural and Regional Affairs and Transport Legislation Committee's report into the citrus canker outbreak in the Emerald region of Queensland.

This measure will enable the Australian Quarantine and Inspection Service (AQIS) to begin investigations within three working days of receiving allegations of illegally imported infected goods; strengthen the administrative procedures for investigations and compliance activity; and implement a regular review of AQIS's investigations by the Commonwealth Ombudsman.

Drought assistance — Country Women's Association

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	-	-	-	-

The Government provided \$8.0 million in 2006-07 to the Country Women's Association (CWA) to provide emergency family and community aid grants. This funding was in addition to the \$4.0 million provided to the CWA in 2006-07, through the Drought Package 2006, for such grants.

The cost of this measure was met from within the existing resourcing of the Department of Agriculture, Fisheries and Forestry.

Further information can be found in the press release of 25 May 2007 issued by the Prime Minister.

Drought assistance — Exceptional Circumstances assistance for primary producers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	374.4	312.6	-	-
Department of Education, Science and Training	8.5	8.6	-	-
Department of Health and Ageing	1.6	2.5	..	-
Total	384.6	323.7	0.0	-

The Government will provide \$709.9 million over four years (including \$1.7 million in 2006-07) to continue support for primary producers in regions that have been declared eligible for Exceptional Circumstances assistance.

As part of the Drought Package 2007 announced on 25 September 2007, the eligibility criteria for Exceptional Circumstances assistance were changed as follows:

- the annual off-farm income exemption for access to Exceptional Circumstances assistance for primary producers was increased from \$10,000 to \$20,000 (at an estimated cost of \$34.1 million over two years); and
- the limit on the net value of off-farm assets was increased from \$473,000 to \$750,000 (at an estimated cost of \$138.7 million over two years).

The changes in the eligibility criteria will enable assistance to be provided to a wider range of primary producers in areas declared eligible for Exceptional Circumstances assistance.

This assistance takes overall expected Exceptional Circumstances assistance for primary producers to \$1.3 billion in 2007-08 and 2008-09.

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

Appendix A: Policy decisions taken since the 2007-08 Budget

Drought assistance — Exceptional Circumstances assistance for small businesses

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	97.6	68.6	-	-
Department of Education, Science and Training	2.4	2.7	-	-
Department of Health and Ageing	0.5	0.6	-	-
Total	100.5	71.9	-	-

The Government will provide \$172.6 million over three years (including \$0.2 million in 2006-07) to continue support for small businesses with up to 100 employees that are dependent on business from farmers in regions declared eligible for Exceptional Circumstances assistance.

As part of the Drought Package 2007 announced on 25 September 2007, the eligibility criteria for Exceptional Circumstances assistance were changed as follows:

- the limit on the net value of non-business assets was increased from \$473,000 to \$750,000 (at an estimated cost of \$7.6 million over two years for small businesses); and
- assistance was extended to all small businesses in towns with a population of 10,000 or less, located in Exceptional Circumstances declared areas, that can demonstrate a significant downturn in income as a result of their dependence on farmers as clients (\$99.5 million over two years). In larger towns and cities the assistance continues to be available to farm-dependent small businesses deriving at least 70 per cent of their income from farmers in Exceptional Circumstances declared regions.

This assistance takes overall expected Exceptional Circumstances assistance for small businesses to \$319.9 million in 2007-08 and 2008-09.

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

Drought assistance — interim income support for primary producers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	133.7	38.9	-	-

The Government will provide \$172.6 million over three years (including \$20,000 in 2006-07) to support primary producers in drought-affected regions that have been declared eligible for interim income support.

Once a fully completed application for a region has been received by the Australian Government and has been deemed to show a prima facie case for an Exceptional Circumstances declaration, interim income support is made available to eligible primary producers on conditions equivalent to the Exceptional Circumstances Relief Payment.

As part of the Drought Package 2007 announced on 25 September 2007, the eligibility criteria for Exceptional Circumstances assistance were changed as follows:

- the annual off-farm income exemption for access to interim income support was increased from \$10,000 to \$20,000; and
- the limit on the net value of off-farm assets was increased from \$473,000 to \$750,000.

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

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

Drought assistance — interim income support for small businesses

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	20.2	5.9	-	-

The Government will provide \$26.1 million over two years to continue support for small businesses with up to 100 employees that are dependent on business from farmers in regions declared eligible for interim income support.

Appendix A: Policy decisions taken since the 2007-08 Budget

Once a fully completed application for a region has been received by the Australian Government and has been deemed to show a prima facie case for an Exceptional Circumstances declaration, interim income support is made available to eligible small businesses on conditions equivalent to the Exceptional Circumstances Relief Payment.

As part of the Drought Package 2007 announced on 25 September 2007, assistance was extended to all small businesses in towns with a population of 10,000 or less, located in regions eligible for interim income support, that can demonstrate a significant downturn in income as a result of their dependence on farmers as clients. In larger towns and cities, the assistance continues to be available to farm-dependent small businesses deriving at least 70 per cent of their income from farmers in regions declared eligible for interim income support.

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

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

Drought Package 2007 — additional financial, social and emotional counselling

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	3.2	7.4	-	-
Centrelink	1.5	2.0	-	-
Department of Agriculture, Fisheries and Forestry	0.4	2.4	2.4	-
Total	5.1	11.8	2.4	-

The Government will provide \$19.3 million over three years to enhance financial, social and emotional counselling services and support to drought-affected rural communities.

This assistance includes:

- \$5.2 million for the Rural Financial Counselling Service to employ three additional financial counsellors in 2007-08 and a further thirteen counsellors in 2008-09 and 2009-10;
- \$3.5 million for Centrelink to employ up to ten additional Rural Support Officers and five social workers in 2007-08 and 2008-09; and

Appendix A: Policy decisions taken since the 2007-08 Budget

- \$10.6 million over 2007-08 and 2008-09 for the Department of Families, Community Services and Indigenous Affairs to provide additional social and emotional counselling services, as part of the Family Relationship Services Programme, through 25 new Family Support Drought Response Teams.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Drought Package 2007 — additional professional advice and planning

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	13.6	17.7	-	-

The Government will provide \$31.2 million over two years to extend professional business and financial planning advice grants to eligible farmers in all Exceptional Circumstances declared areas, irrespective of the length of the declaration. Previously, the grants were available only in areas that had been Exceptional Circumstances declared for more than three years.

The programme provides taxable grants of up to \$5,500 to eligible farmers to obtain professional business and financial planning advice. Under the announced changes, the grants can be available for up to 12 months after an Exceptional Circumstances declaration expires, and may be used to undertake a farm-business viability assessment and to obtain financial and agronomic advice on changes that may be necessary to ensure the farm business recovers from the drought. The grants will be delivered by Centrelink.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Drought Package 2007 — assistance to rural research and development corporations and companies

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	2.0	8.0	-	-

The Government has made provision for \$10.0 million over two years as a contingency to ensure that rural research and development corporations and companies have sufficient funds available to continue their research programmes during periods of unprecedented low levy collections caused by the drought.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Drought Package 2007 — communications

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	3.3	5.5	-	-

The Government will provide \$8.8 million over two years for conducting communications and media advertising as part of the Drought Package 2007.

The drought communications strategy will raise awareness of, and provide information about, the Government's drought support measures.

Drought Package 2007 — re-establishment assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	43.4	121.4	-	-

The Government will provide \$164.8 million over two years to assist primary producers in severe financial difficulty who have decided to leave their farms.

The assistance includes taxable, one-off exit grants of up to \$150,000. The net assets limit applying in determining eligibility for the full exit grant will be \$350,000. The assistance also includes grants of up to \$10,000 for advice and retraining, as well as up to \$10,000 to assist farming families to relocate. This assistance will be delivered by Centrelink.

The assistance is not dependent on primary producers being eligible for the Exceptional Circumstances relief payment or income support.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Drought Package 2007 — support for irrigators in the Murray-Darling Basin

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	56.3	47.9	-	-

The Government will provide \$104.2 million over two years to assist irrigators to address the impacts of reduced water allocations in the Murray-Darling Basin.

Appendix A: Policy decisions taken since the 2007-08 Budget

Taxable grants of up to \$20,000 will be provided to assist irrigators to implement water management strategies. Technical information sessions will also be provided to help irrigators manage their farms with reduced water allocations. The grants will be delivered by Centrelink.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Equine influenza — assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	71.2	-	-	-
Department of Families, Community Services and Indigenous Affairs	21.3	-	-	-
Total	92.5	-	-	-
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-	-	-	-

The Government will provide \$92.5 million in 2007-08 to assist those suffering additional costs and financial hardship as a result of the equine influenza outbreak and associated quarantine measures. This includes funding for Centrelink of \$5.5 million in 2007-08.

The assistance includes:

- a hardship fund to provide emergency grants of up to \$1,500 to eligible individuals and businesses (a total of \$4.0 million);
- a wage supplement, eligible for the beneficiary tax offset, to low-paid workers and sole traders who have lost their jobs or the majority of their income (a total of \$18.0 million);
- taxable grants of up to \$5,000 to support eligible businesses that derive the majority of their income from the commercial horse industry and that have been significantly affected by the outbreak (a total of \$31.5 million);
- a commercial horse assistance payment for the welfare and ongoing training of horses to ensure they remain fit and healthy (a total of \$32.4 million); and
- grants of up to \$200,000 for non-government, not-for-profit equestrian organisations that have provided assistance and services over and above their normal activities during the outbreak (a total of \$1.0 million).

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press releases of 30 August 2007 and 9 September 2007 issued by the Minister for Agriculture, Fisheries and Forestry.

Flemington Racecourse — funding for alternative water strategy

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	-	-	-	-

The Government will provide \$5.0 million in 2007-08 as a one-off grant to assist the Victorian Racing Club to implement a plan to use non-potable water at Flemington Racecourse.

The cost of this measure will be met from within the existing resourcing of the Department of Agriculture, Fisheries and Forestry.

Integrated Forest Products timber mill — support

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	4.0	-	-	-

The Government will provide \$4.0 million in 2007-08 to the Integrated Forest Products timber mill at Hume, in the Australian Capital Territory. The funding will assist the mill to continue to operate, with the objective of enabling the receiver to sell the business as a going concern. The funding is conditional on the New South Wales Government granting a wood supply agreement to the mill over the three financial years from 2007-08.

Jarrahdale Heritage Park — conservation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	-	-	-	-

The Government provided \$380,000 in 2006-07 to the National Trust of Australia (Western Australia) to assist with the restoration of the Jarrahdale Heritage Park historic sawmill.

The cost of this measure was met from within the existing resourcing of the Department of Agriculture, Fisheries and Forestry.

Appendix A: Policy decisions taken since the 2007-08 Budget

The Jarrahdale Heritage Park is an important part of the history of the timber industry in the south-west region of Western Australia. This funding will assist the historic sawmill to remain operational and protect the heritage values of the site against further deterioration.

Tasmanian Community Forest Agreement — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	12.3	4.5	-	-

The Government will provide \$16.8 million over two years to increase grant payments under the Tasmanian Community Forest Agreement by 30 per cent in order to assist recipients to meet their taxation liabilities on the grant payments.

The Agreement is a joint commitment of the Australian and Tasmanian Governments for enhanced protection of Tasmania's forest environment and growth in the Tasmanian forest industry and forestry jobs.

Wheat Export Authority — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Agriculture, Fisheries and Forestry	2.0	-	-	-

The Government will provide a grant of \$2.0 million in 2007-08 to the Wheat Export Authority to meet operational expenses. The grant will partly offset a reduction in levy collections associated with lower wheat exports due to the drought.

ATTORNEY-GENERAL'S

Equine influenza outbreak — Commission of Inquiry

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Attorney-General's Department	9.0	-	-	-

The Government will provide up to \$9.0 million in 2007-08 to establish a Commission of Inquiry into the circumstances surrounding the entry of equine influenza into Australia.

See also the related expense measure titled *Equine influenza – assistance* in the Agriculture, Fisheries and Forestry portfolio.

Further information can be found in the press release of 2 September 2007 issued by the Minister for Agriculture, Fisheries and Forestry.

Federal magistrates — death and disability cover

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Attorney-General's Department	0.4	0.4	0.4	0.4

The Government will provide \$1.4 million over four years to meet any liability arising from the provision of statutory disability cover and death benefits for federal magistrates. Previous arrangements for federal magistrates provided no specific entitlements in the event of retirement on the grounds of disability, or death.

Federal Magistrates Court of Australia — providing additional magistrates for family law

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Federal Magistrates Court of Australia	1.1	1.1	1.1	1.1
Family Court of Australia	-1.1	-1.1	-1.1	-1.1
Total	-	-	-	-

The Government will provide \$4.4 million over four years to appoint two additional federal magistrates to deal with increased family law workloads in the Federal Magistrates Court of Australia (FMCA).

Appendix A: Policy decisions taken since the 2007-08 Budget

The cost of this measure will be met from within the existing resourcing of the Family Court of Australia, as new judges will not be appointed to fill recent vacancies as less complex family law matters can be more efficiently considered by the FMCA.

Further information can be found in the press releases of 30 March 2007 and 8 June 2007 issued by the Attorney-General.

Legal Aid Commission of New South Wales — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Attorney-General's Department	-	-	-	-

The Government provided \$3.0 million in 2006-07 to the Legal Aid Commission of New South Wales (NSW) in order to address demand pressures being experienced by the Commission. The additional funding will ensure that disadvantaged groups in NSW have access to services that are equivalent to their counterparts in other jurisdictions.

The cost of this measure was met from within the existing resourcing of the Attorney-General's Department.

National Community Crime Prevention Programme — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Attorney-General's Department	0.9	0.3	0.2	0.1

The Government will provide \$1.5 million over four years to fund additional projects involving local crime prevention and safety initiatives under the National Community Crime Prevention Programme.

The National Community Crime Prevention Programme provides funding for grass roots projects designed to enhance community safety and prevention by: preventing or reducing crime and anti-social behaviour; improving community safety and security; and reducing the fear of crime.

COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Adelaide Crows and Port Adelaide Football Club — contribution to training and community facility redevelopment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	5.0	-	-	-

The Government will provide \$2.5 million each to the Adelaide Crows and the Port Adelaide Football Club in 2007-08 to improve access to their training and community facilities at Alberton Oval and AAMI Stadium.

Further information can be found in the press release of 27 September 2007 issued by the Minister for Finance and Administration.

Australia Connected — additional funding for OPEL

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	132.0	226.0	-

The Government will provide \$958.0 million over three years from 2007-08 to OPEL, a joint venture between Optus and Elders, to build a high speed wholesale broadband network and expand broadband access to 99 per cent of the population by June 2009. OPEL has agreed to make its own commercial contribution of over \$900 million to this new network.

This measure includes funding of \$600.0 million over two years from 2007-08 under the Broadband Connect Infrastructure Programme, which forms part of the Connect Australia package, announced in the *Mid-Year Economic and Fiscal Outlook 2005-06*. Provision for this funding has already been included in the forward estimates.

See also the related expense measures titled *Australia Connected* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press release of 18 June 2007 and 9 September 2007 issued by the Minister for Communications, Information Technology and the Arts.

Australia Connected — establishment of an Expert Taskforce

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	-	-	-

The Government will provide \$2.4 million to establish and support an Expert Taskforce to develop and manage a process for assessing proposals to roll-out a new commercial, open access high speed broadband network in capital cities and major regional centres.

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

See also the related expense measures titled *Australia Connected* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press releases of 18 June 2007 and 6 July 2007 issued by the Minister for Communications, Information Technology and the Arts.

Australia Connected — establishment of BroadbandNow

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	-	-	-

The Government will provide \$2.4 million to establish BroadbandNow (commencing in 2007-08), a one-stop consumer help centre offering information for consumers on broadband issues, such as how to obtain access to broadband; the various broadband technologies available; and whether individual consumers are eligible for government assistance programmes such as the Australian Broadband Guarantee. National and integrated information on broadband for telecommunications consumers and the telecommunications industry will also be developed.

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

See also the related expense measures titled *Australia Connected* in the Communications, Information Technology and the Arts portfolio.

Further information can be found in the press releases of 18 June 2007 and 2 July 2007 issued by the Minister for Communications, Information Technology and the Arts.

Appendix A: Policy decisions taken since the 2007-08 Budget

Australian National Rugby Academy — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	5.0	10.0	10.0	-

The Government will provide \$25.0 million in 2007-08 to the Australian Rugby Union as a contribution towards the establishment of the Australian National Rugby Academy at Ballymore in Queensland. The fiscal impact over three years from 2007-08 reflects the funds being fully expensed as project milestones are completed.

The Academy will centralise training facilities for up-and-coming future stars of Australian rugby through on-field skills training, gymnasiums, pools and supporting infrastructure such as medical and conference facilities.

Further information can be found in the press release of 30 June 2007 issued by the Prime Minister.

Camden Aquatic Sports Centre — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	5.0	-	-	-

The Government will provide \$5.0 million in 2007-08 to the Camden Council in New South Wales to assist in the development of the new Camden Aquatic Sports Centre, which will replace the Camden Memorial Pool.

Campbelltown City Soccer Club — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	0.5	0.5	-	-

The Government will provide \$1.0 million in 2007-08 as a contribution towards the construction of a new multi-purpose facility for junior clubrooms at the Campbelltown City Soccer Club's home ground at the Newton Village Sports Complex. The fiscal impact over two years reflects the funds being fully expensed as project milestones are completed.

Appendix A: Policy decisions taken since the 2007-08 Budget

Community sporting facilities

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	-	-	-

The Government provided \$0.9 million in 2006-07 to contribute to community sporting and recreation facilities in New South Wales. The funding comprises:

- \$0.7 million to assist in the development of an indoor heated pool facility in Lithgow;
- \$0.2 million to fund lighting for the Bathurst rugby fields; and
- \$5,000 for the redevelopment of Tom Hunter Park at Faulconbridge.

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

Further information can be found in the announcement of 25 May 2007 made by the Prime Minister and the Member for Macquarie and the press release of 16 May 2007 issued by the Member for Macquarie.

Community Street Soccer Programme — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	1.2	1.1	0.7	-

The Government will provide \$3.0 million over three years from 2007-08 as a contribution to the Community Street Soccer Programme, which aims to assist homeless, recently homeless and unemployed people to reconnect with the community and regain self-esteem and independence through participating in sports. This funding comprises \$1.2 million to build 30 Community Street Soccer sites and \$1.8 million for the operation of the sites.

Darwin Symphony Orchestra — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australia Council	0.1	0.1	0.1	0.1

The Government will provide additional ongoing funding of \$0.1 million per annum from 2007-08 to the Darwin Symphony Orchestra to enhance its artistic programme.

Appendix A: Policy decisions taken since the 2007-08 Budget

Football Federation Australia — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Sports Commission	4.0	4.0	4.0	4.0

The Government will provide \$16.0 million over four years to Football Federation Australia to contribute to the costs of the women's (national under-17 years and under-20 years), men's (Olympic under-17 years and under-20 years), futsal and paralympic (cerebral palsy) Australian teams.

Further information can be found in the press release of 11 September 2007 issued by the Minister for the Arts and Sport.

Illicit drugs in sport

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Sports Anti-Doping Authority	0.4	0.7	0.6	0.6
Department of Communications, Information Technology and the Arts	0.3	13.8	13.1	12.2
Total	0.7	14.5	13.7	12.8

The Government will provide \$41.8 million over four years to implement a national illicit drugs in sport policy, comprising minimum standards for testing, management of positive results and education for high-profile, high-risk and professional sports people.

Relevant national sporting organisations, which adopt the national illicit drugs policy, will be provided with funding for these activities.

The future funding requirements for this programme will be determined after consultation with the relevant National Sporting Organisations. The programme is expected to begin development in October 2007 and be fully implemented from July 2008.

Further information can be found in the press release of 6 October 2007 issued by the Minister for the Arts and Sport and the Minister for Health and Ageing.

Appendix A: Policy decisions taken since the 2007-08 Budget

Macarthur Disability Service — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	-	-	-

The Government will provide \$60,000 in 2007-08 to the Macarthur Disability Service in south-west Sydney for the purchase of wheelchairs to facilitate participation in a Macarthur Wheelchair Basketball Competition and to implement a 'Fit to Play' programme.

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

National ICT Australia — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	2.4	2.4	-	-

The Government will provide \$4.8 million over two years to National ICT Australia to enable the engagement of a team of researchers to work on advanced semi-conductor design. This will include the development of state-of-the-art personal broadband wireless chips that will enable the transfer of large multi-media files faster than current technology.

NetAlert — Protecting Australian Families Online — additional funding for consumer information campaign

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	-	-	-	-

The Government will provide an additional \$3.8 million in 2007-08 for the Protecting Australian Families Online information campaign. This additional funding will bring the total of Government funding for the campaign to \$22.0 million.

The additional funding will support an intensive advertising campaign to raise awareness of the Government's internet safety initiatives, and will include media announcements and the distribution of information to households.

Appendix A: Policy decisions taken since the 2007-08 Budget

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

Further information can be found in the press release of 10 August 2007 issued by the Minister for Communications, Information Technology and the Arts.

NetAlert — Protecting Australian Families Online — additional resourcing

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Federal Police	4.3	9.4	13.6	13.7
Australian Communications and Media Authority	2.2	-	-	-
Office of the Director of Public Prosecutions	1.4	2.8	2.8	2.8
Department of Communications, Information Technology and the Arts	-	-	-	-
Total	7.9	12.1	16.4	16.5
<i>Related capital (\$m)</i>				
Australian Federal Police	0.6	0.7	0.6	0.1

The Government will provide an additional \$55.5 million over four years for the Protecting Australian Families Online initiative. This additional support will bring total Government funding for the programme to \$188.7 million over four years from 2007-08.

The Australian Communications and Media Authority will receive \$2.2 million in 2007-08 to respond to increased complaints about internet content and requests for internet safety advice, with ongoing funding to be reviewed in the 2008-09 Budget.

The Online Child Sex Exploitation Team of the Australian Federal Police will receive \$43.5 million over four years to investigate complaints relating to online child pornography and sexual predators. This includes \$2.0 million in capital funding over four years for IT equipment and software.

The Commonwealth Director of Public Prosecutions will receive \$9.8 million over four years to undertake the additional prosecutions of online offenders that are expected as a result of this initiative.

The Government will also provide an additional \$0.5 million in 2007-08 to enable relevant agencies to initiate work in the OECD and UN-based Internet Government Forums, and a further \$0.8 million to the National Filter Scheme to support the family support helpline and website. These components of the measure will be met from within the existing resourcing of the Department of Communications, Information Technology and the Arts.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 10 August 2007 issued by the Minister for Communications, Information Technology and the Arts.

NetAlert — Protecting Australian Families Online — Outreach Programme

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Communications and Media Authority	2.3	3.1	3.1	3.2

The Government will provide \$11.7 million over four years for the Protecting Australian Families Online initiative to expand the NetAlert Outreach Programme, providing information and first hand support for parents, teachers and community groups on internet safety.

Further information can be found in the press release of 10 August 2007 issued by the Minister for Communications, Information Technology and the Arts.

North Melbourne Football Club development — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	2.0	-	-	-

The Government will provide a one-off contribution of \$2.0 million in 2007-08 to the North Melbourne Football Club for the development of a new club and community recreation facility at the Arden Street North Melbourne Recreation Reserve.

Further information can be found in the press release of 6 July 2007 issued by the Minister for the Arts and Sport.

Appendix A: Policy decisions taken since the 2007-08 Budget

Rugby League Hall of Fame — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	3.0	7.0	-	-

The Government will provide \$10.0 million in 2007-08 to the Australian Rugby League to establish the Rugby League Hall of Fame, which will have a major facility in Sydney and a satellite facility in Brisbane. These multifunction facilities will establish a permanent home for Rugby League's historic memorabilia and include interactive displays tailored to school curricula and fitness education. The facilities will also cater for media conferences, seminars, and receptions. The fiscal impact over two years reflects the funds being fully expensed as project milestones are completed.

Further information can be found in the press release of 30 September 2007 issued by the Prime Minister.

Rugby League World Cup 2008 and celebration of the Centenary of Rugby League — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Sports Commission	2.0	0.6	-	-

The Government will provide \$2.6 million over two years to the Australian Rugby League as a contribution towards the staging of the 2008 World Cup in Australia and the celebration of the 2008 Centenary of Rugby League.

Further information can be found in the press release of 30 September 2007 issued by the Prime Minister.

Skilled Stadium redevelopment — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	4.0	10.0	-	-

The Government will provide a one-off contribution of \$14.0 million in 2007-08 to the Geelong Football Club to contribute towards the redevelopment of Skilled Stadium (Kardinia Park) to: increase ground capacity with a new Ross Drew stand; expand the high performance gymnasium; provide additional facilities for spectators with a disability; and develop new and expanded corporate entertaining and administrative facilities. The fiscal impact over two years reflects the funds being fully expensed as project milestones are completed.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 21 September 2007 issued by the Treasurer.

South Pine Sports Complex upgrade — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	0.2	-	-	-

The Government will provide \$0.2 million in 2007-08 as a contribution to the upgrade and redevelopment of the South Pine Sports Complex, in Albany Creek, Queensland, including the replacement of goalposts at two of its sports fields (Brendale and Wolter Park).

Special Broadcasting Service — broadcasting of World Youth Day 2008

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Special Broadcasting Service Corporation	2.5	-	-	-

The Government will provide \$2.5 million to the Special Broadcasting Service Corporation (SBS) in 2007-08 to contribute to SBS's coverage of the World Youth Day 2008.

This measure will provide financial support to SBS's broadcasting and online services for the World Youth Day 2008, including live programming across television and radio, a comprehensive online focus and 'live' sites in all the capital cities in Australia.

Further information can be found in the press release of 15 September 2007 issued by the Minister for Communications, Information Technology and the Arts.

Appendix A: Policy decisions taken since the 2007-08 Budget

Townsville International Sports Centre

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Communications, Information Technology and the Arts	3.0	-	-	-

The Government will provide \$6.4 million over two years for the Townsville International Sports Centre, also known as the Murray Sports Complex. This will provide the Townsville region with a high standard sport and recreational facility which will be capable of attracting international and national sporting events to the region. Funding of \$3.4 million for the first stage of the project was provided through a Regional Partnerships Programme grant in 2006-07.

Further information can be found in the press release of 18 May 2007 issued by the Prime Minister.

CROSS PORTFOLIO

Efficiency dividend — increase in the rate from 1 per cent to 1.25 per cent

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Various Agencies	-	-61.0	-123.0	-187.0

The Government will increase the rate of the efficiency dividend from 1 per cent per annum to 1.25 per cent per annum from 2008-09 to 2010-11. This is consistent with the rate applied over the three years from 2005-06 to 2007-08. This will result in savings of \$371.0 million over three years.

The efficiency dividend applies to the operational costs of most Australian Government agencies and certain programmes, and reduces the level of funding provided each year to ensure efficiencies are returned to the Budget.

DEFENCE

Amberley State School

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	-	-	-	-

The Government will provide up to \$26.8 million in 2007-08 for a new school to replace the current Amberley State School in Queensland. The new school will accommodate 330 students and provide out-of-school care for 60 students. The expansion of the RAAF Base Amberley into the land area occupied by the existing school has led to the need for the new school in a new location.

The cost of this measure will be met from within the existing resourcing of the Department of Defence.

Further information can be found in the press release of 27 June 2007 issued by the Prime Minister.

Australian Army — additional infantry battalions — Stage 2

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	34.7	132.9	254.4	368.3
<i>Related capital (\$m)</i>				
<i>Department of Defence</i>	<i>0.2</i>	<i>39.0</i>	<i>97.6</i>	<i>352.4</i>

The Government will provide \$4.4 billion over 10 years (including \$3.1 billion over six years from 2011-12) to implement Stage 2 of the Enhanced Land Force initiative. This will increase the size of the Army by a second additional infantry battalion, following on from the announcement in August 2006 of Stage 1, the first additional battalion. The second battalion will be raised in 2008, achieve an operational capability by 2010 and be fully deployable by 2011.

This measure builds on the *Mid-Year Economic and Fiscal Outlook 2006-07* measure, *Australian Army – additional infantry battalion*.

Provision of \$1.3 billion over four years was included in the Contingency Reserve in the *Mid-Year Economic and Fiscal Outlook 2006-07*.

Further information can be found in the press release of 2 October 2007 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2007-08 Budget

HMAS Sydney II — search operation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	-	-	-	-

The Government will provide \$2.9 million to the Sydney Search Group in 2007-08 to assist in the search for the HMAS Sydney II. This is in addition to an earlier commitment by the Government of \$1.3 million, bringing the total contribution to \$4.2 million.

The cost of this measure will be met from within the existing resourcing of the Department of Defence.

Further information can be found in the press release of 24 August 2007 issued by the Minister Assisting the Minister for Defence.

Operation CATALYST — enhanced surveillance capability

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	12.4	-	-	-

The Government will provide \$12.4 million in 2007-08 to enhance the surveillance capability of the Australian Defence Force in support of operations in Iraq.

Operations CATALYST and SLIPPER — enhanced protective capability

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	69.7	-	-	-

The Government will provide \$69.7 million in 2007-08 to enhance the protective capability of Infantry Mobility Vehicles used in support of operations in Iraq and Afghanistan.

Solomon Islands — continued presence by the Australian Defence Force

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Defence	6.7	13.0	-	-

The Government will provide \$19.7 million over two years to extend Operation Anode, the Australian Defence Force's support to the Regional Assistance Mission to the Solomon Islands, from March 2008 to December 2008.

EDUCATION, SCIENCE AND TRAINING

Apprenticeship incentives for agriculture and horticulture

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	7.6	12.7	13.5	13.9

The Government will provide \$47.7 million over four years to extend the eligibility for the \$500 Fee Assistance Training Voucher and the Tools For Your Trade initiative. All first and second year Australian Apprentices undertaking a Certificate level II, III or IV qualification in agriculture, and those in rural and regional areas who are undertaking a Certificate level II, III or IV qualification in horticulture, will now be eligible for the assistance.

Australian Nuclear Science and Technology Organisation — decommissioning costs for the High Flux Australian Research Reactor

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Nuclear Science and Technology Organisation	-	-	-	-

The Government will provide \$13.2 million over two years from 2007-08 to fund the estimated expenses associated with decommissioning and site restoration of the High Flux Australian Research Reactor and associated assets.

This measure involves funding of \$1.1 million in 2007-08 and \$12.1 million in 2008-09. Provision for this funding has already been included in the forward estimates.

Australian Nuclear Science and Technology Organisation — nuclear collaborative research in universities

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Nuclear Science and Technology Organisation	1.4	1.7	1.8	1.5
<i>Related capital (\$m)</i>				
<i>Australian Nuclear Science and Technology Organisation</i>	5.0	-	-	-

The Government will provide \$12.5 million over five years (including \$1.2 million in 2011-12) to fund a collaborative research programme between the Australian Nuclear Science and Technology Organisation and Australian universities to build nuclear research capability and expertise within Australia through academic posts, research grants and scholarships focused on various aspects of future nuclear power technologies.

This measure includes \$5.0 million in capital funding in 2007-08 for common use research infrastructure, including facilities to test radioactive specimens and installation of x-ray and electron microscopes.

Further information can be found in the transcript of the address to the Melbourne Press Club on 17 July 2007 by the Prime Minister.

Drought Package 2007 — assistance for isolated children

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	6.3	9.1	-	-

The Government will provide \$15.4 million over two years for an additional \$1,000 grant per annum per eligible student to assist those isolated families whose children attend boarding schools or undertake distance education and who are in receipt of Assistance for Isolated Children Additional Boarding Allowance, Assistance for Isolated Children Distance Education Allowance or ABSTUDY Additional Boarding Allowance.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2007-08 Budget

Drought Package 2007 — assistance for rural schools

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	23.5	23.5	-	-

The Government has made provision for a grant of up to \$10,000 per school per annum to assist the operation of government and non-government schools in Exceptional Circumstances declared areas.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Higher Education Endowment Fund — additional contributions and maintenance of real capital value

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	-	-	-	-

The Government will provide an extra \$1.0 billion to the Higher Education Endowment Fund (HEEF) in 2007-08 from the 2006-07 surplus. This will build on the initial \$5.0 billion allocated in the 2007-08 Budget. The additional contribution will increase the nominal earnings of the HEEF relative to the estimates at the 2007-08 Budget.

At the time of the 2007-08 Budget, it was assumed that the capital value of the HEEF would be maintained in nominal terms. The Government has now determined that the capital value of the fund should be preserved in real terms. This will help ensure that the purchasing power of payments made from the HEEF will be maintained in the future. However, because of the need to re-invest a proportion of the earnings to achieve this, lower payments from the HEEF when compared to the 2007-08 Budget estimates could result.

To avoid this and ensure that estimated disbursements to the university sector can be maintained at the levels anticipated in the 2007-08 Budget, the Government will supplement fund payments. This supplementation will total an estimated \$298.0 million, comprising \$184.0 million for 2008-09, \$60.0 million for 2009-10 and \$54.0 million for 2010-11. A higher amount of supplementation is necessary for 2008-09 to compensate for the interest forgone in the previous year as a result of the initial capital transfers to the HEEF being made after 1 July 2007. With this supplementation, estimated payments will be equivalent to those outlined in the 2007-08 Budget (\$304.0 million per annum).

Appendix A: Policy decisions taken since the 2007-08 Budget

Apart from this initial supplementation for the reason explained, actual payments to the university sector from the HEEF will depend on the fund's realised investment earnings.

Further information can be found in the press release of 21 August 2007 issued by the Treasurer.

National School Chaplaincy Programme — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	11.5	24.3	34.3	5.0

The Government will provide \$75.0 million over four years under the National School Chaplaincy Programme to meet the higher-than-expected demand for chaplaincy services in schools, and to provide additional support for chaplaincy service providers.

The National School Chaplaincy Programme aims to support schools and their communities that wish to establish school chaplaincy services, or to enhance existing chaplaincy services, by providing up to \$20,000 per annum, or up to a maximum of \$60,000 over the life of the programme.

This funding is in addition to \$107.5 million over four years announced in the *Mid-Year Economic and Fiscal Outlook 2006-07* measure *National School Chaplaincy Programme*.

Further information can be found in the press releases of 27 June 2007 and 11 October 2007 issued by the Prime Minister.

National Skills Needs List — establishment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	8.0	14.3	17.0	18.2

The Government will provide \$57.5 million over four years for the establishment of a new National Skills Needs List (NSNL) to determine the eligibility of employers and their apprentices for Australian Government incentives targeted at trade occupations which are in skills shortage. The NSNL replaced the Migration Occupations in Demand List effective 1 July 2007. The NSNL has been developed to take into consideration cyclical fluctuations and will better reflect the long-term needs of the Australian labour market.

Appendix A: Policy decisions taken since the 2007-08 Budget

Trade occupations are eligible for inclusion in the NSNL if the occupation has been in a national skills shortage category for three of the past five years, including one of the last two years. Under this new criteria, 17 new trade occupations were included in the skills shortage category on the commencement of the NSNL.

Further information can be found in the press release of 4 September 2007 issued by the Minister for Vocational and Further Education.

Northern Territory Emergency Response — enhancing education

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	24.4	-	-	-

The Government will provide \$24.4 million in 2007-08 to improve educational opportunities for children in remote Indigenous communities as part of the initial stabilisation phase of the Northern Territory Emergency Response.

This includes funding to:

- support education initiatives at pre-schools, primary and secondary schools (both government and non-government), provide 24 additional classrooms to accommodate anticipated increased demand at schools, and strengthen curriculum offerings to ensure that children are engaged productively on returning to school and are gaining skills in literacy and numeracy;
- deliver a breakfast and lunch programme to school-aged children in schools in the prescribed communities in the Northern Territory with parents to be required to contribute to the cost of the meals through deductions from their income support; and
- establish an implementation team to assist in the delivery of the new initiatives.

Provision has been made in the Contingency Reserve for the continuation of this measure beyond 2007-08.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Research vessel Southern Surveyor — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Commonwealth Scientific and Industrial Research Organisation	-	3.0	-	-

The Government will provide \$3.0 million in 2008-09 to support the operations of the research vessel Southern Surveyor, a Marine National Facility.

The additional funding will allow scientists to spend around 180 research days at sea and maintain the current level of research beyond Australian coastal waters. The Southern Surveyor focuses on deep sea research, gathering data for use in areas such as climate change, oil and gas exploration, and sustainable use of fisheries.

Veterinary Science Programme at the University of Adelaide

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	15.0	-	-	-

The Government will provide a one-off contribution of \$15.0 million in 2007-08 towards the capital costs of a new Veterinary Science Programme at the University of Adelaide. This measure will support 40 new places for the pre-veterinary undergraduate course commencing in 2008 and 50 new places for the Masters of Veterinary Science course commencing in 2011.

Further information can be found in the press release of 11 September 2007 issued by the Minister for Education, Science and Training.

Work Skills Vouchers — extension

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	110.0	94.3	94.3	94.3

The Government will provide \$393.0 million over four years to increase the number of Work Skills Vouchers that are available to eligible Australians. The programme was previously capped at 30,000 vouchers per annum, but will now be uncapped.

The Work Skills Vouchers programme provides to Australians, aged 25 years and over who do not have a Year 12 or equivalent qualification, a voucher up to the value of \$3,000 to help improve their qualifications.

EMPLOYMENT AND WORKPLACE RELATIONS

Northern Territory Emergency Response — employment and welfare reform

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	85.8	75.9	75.9	-
Department of Employment and Workplace Relations	35.2	-40.2	-39.6	-
Indigenous Business Australia	24.2	-	-	-
Centrelink	10.1	-	-	-
Department of Education, Science and Training	8.9	-0.6	-0.6	-
Department of Human Services	8.2	-	-	-
Total	172.3	35.0	35.6	-
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	<i>0.5</i>	<i>3.0</i>	<i>4.6</i>	<i>5.0</i>
<i>Indigenous Business Australia</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
Total	0.7	3.1	4.7	5.1
<i>Related capital (\$m)</i>				
<i>Centrelink</i>	<i>14.3</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Indigenous Business Australia</i>	<i>4.2</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Department of Employment and Workplace Relations</i>	<i>3.7</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total	22.2	-	-	-

The Government will provide \$265.2 million over three years (partially offset by revenue of \$13.7 million over four years) to expand the delivery of government services and enhance Indigenous employment opportunities in the Northern Territory.

The measure provides for the phased closure of Community Development Employment Projects (CDEP), with access to a range of income support and employment-related services to help people into ongoing employment. In addition, approximately 1,670 Indigenous Australians will be given real employment opportunities in services funded by the Australian Government through the conversion of current CDEP positions. The Australian Government will also negotiate with the Northern Territory Government to share the cost of up to 800 positions to be converted from CDEP placements to formal employment in the Northern Territory Government and local government.

Appendix A: Policy decisions taken since the 2007-08 Budget

The measure also provides for transition payments to former CDEP participants, with those payments eligible for the beneficiary tax offset. The conversion of some CDEP positions and transition to mainstream income support of other CDEP participants will mean that the overall amount of beneficiary tax offset claimed will be reduced. The combined impact of these changes will be a saving to revenue of \$13.1 million over four years for the Australian Taxation Office.

Further, the measure provides for the accelerated removal of exemptions from participation requirements for income support recipients in remote areas in the Northern Territory. This will ensure job seekers participate in employment programmes, such as Structured Training and Employment Projects and Work for the Dole.

The Australian Government is also changing the way welfare is administered to ensure money meant for children's welfare is used for that purpose. The measure will affect all people in prescribed communities who receive income support payments. For an initial period of twelve months, half of all income support and family assistance payments will be managed by Centrelink, so that money is spent on priority items such as food and rent in those communities.

Community stores in prescribed communities will be subject to a licensing system to ensure the stocking of affordable nutritious food, allow income-managed funds to be used to make purchases, ensure an appropriate level of service and to help prevent price exploitation.

This measure will provide funding for Centrelink of \$66.0 million (including \$14.3 million in capital funding) in 2007-08 to help implement these arrangements.

The measure includes \$22.2 million in capital, primarily for office fit outs and enhancement of information and communication technology infrastructure. Separately, \$13.5 million in capital will be provided to Indigenous Business Australia for new business loans, asset leases for small Indigenous businesses and interest-free loans to outback community stores. Business loans for small businesses totalling \$2.5 million will generate \$0.6 million over four years in interest revenue. The additional interest revenue is offset by the public debt interest costs incurred by the Australian Government in financing loans, which are accounted for separately. The provision of loans affects only the composition of the Australian Government's financial assets and as such, the loan capital component of the measure has no impact on the fiscal balance.

Provision has been made in the Contingency Reserve for the continuation of various elements of this measure beyond 2007-08.

Further information can be found in the press release of 18 September 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

School attendance — enrolment data collection

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Employment and Workplace Relations	27.8	-	-	-
Department of Veterans' Affairs	-	-	-	-
Department of Families, Community Services and Indigenous Affairs	nfp	nfp	nfp	nfp
Total	27.8	-	-	-
<i>Related capital (\$m)</i>				
Centrelink	14.4	-	-	-
Department of Veterans' Affairs	-	-	-	-
Total	14.4	-	-	-

The Government has made provision for \$42.2 million in 2007-08 to implement the initial stage of welfare reforms which place an obligation on parents receiving welfare to provide appropriate care for their children and to ensure that they attend school.

This measure involves funding for the collection of comprehensive data from Australian schools on their student enrolments. The data collected will be used to ensure all school-aged children of welfare recipients are enrolled, and will be used to facilitate regular school attendance.

This measure is expected to include capital funding for Centrelink and the Department of Veterans' Affairs for computer system enhancements.

Further information can be found in the press release of 14 July 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Work for the Dole — increased access to full-time Work for the Dole

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Employment and Workplace Relations	2.2	2.2	2.2	2.2

The Government will expand the eligibility criteria for full-time Work for the Dole at an estimated cost of \$8.7 million over four years.

This measure builds on the 2005-06 Budget measure, *Welfare to Work – increasing participation of the very long term unemployed*, by expanding access to all job seekers who remain unemployed after completing a second round of Intensive Support customised assistance and who would benefit from a referral to full-time Work for the Dole.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 17 June 2007 issued by the Minister for Workforce Participation.

Workers' compensation — increasing death benefits

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Comcare	-	-	-	-

The Government will amend the *Safety, Rehabilitation and Compensation Act 1988* to increase the amount of death benefits payable under the Australian Government's Workers' Compensation Scheme.

One-off lump sum death benefits will increase from \$219,024 to \$400,000 and weekly periodic payments for dependent children will increase from \$72.98 to \$110.00. Both payments will be indexed by the wage price index issued by the Australian Bureau of Statistics.

The estimated increase in death benefits of \$6.1 million over four years will be met from Comcare's existing premium pool. As agencies continue to improve their occupational health and safety practices, it is expected that there will be no net impact on the fiscal balance.

Workforce participation requirements — exemptions for carers who are relatives

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Employment and Workplace Relations	0.2	0.4	0.4	0.4
Centrelink	-	-	-	-
Total	0.2	0.4	0.4	0.4

The Government will provide an exemption from workforce participation requirements for principal carers responsible for related children, who are not their own children, under a Family Court parenting order, at an estimated cost of \$2.1 million over four years.

A relative will be defined as a person related to a child by blood, adoption or marriage or related to the child under Aboriginal or Torres Strait Islander kinship rules or kinship ties.

This exemption provides relatives who have a child living with them under a Family Court order the same participation exemptions as granted to grandparents and active foster carers in similar circumstances.

Appendix A: Policy decisions taken since the 2007-08 Budget

Part of the cost of this measure (\$0.5 million in 2007-08 and \$0.1 million per annum over the following three years) will be met from within the existing resourcing of Centrelink.

Workplace Relations Reform — communication campaign

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Employment and Workplace Relations	61.0	-	-	-
Office of the Workplace Ombudsman	-7.2	-3.0	-3.0	-
Total	53.8	-3.0	-3.0	-

The Government will provide \$66.0 million (including \$5.0 million in 2006-07) to raise public awareness of the Fairness Test and the services provided by the Workplace Authority and the Office of the Workplace Ombudsman.

The communication campaign will educate the public about the Fairness Test and will outline the workplace relations protections available to employees and how to access additional information and assistance.

The cost of this measure is partially offset by savings of \$20.4 million over four years (including \$7.2 million in 2006-07) from funding previously allocated to raise public awareness of the services of the former Office of Workplace Services and the former Office of the Employment Advocate, which were abolished on 1 July 2007.

See also the related expense measures titled *Workplace Relations Reform* in the Employment and Workplace Relations portfolio.

Further information can be found in the press releases of 19 May 2007 and 24 September 2007 issued by the Minister for Employment and Workplace Relations.

Workplace Relations Reform — establishment of the Office of the Workplace Ombudsman

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Office of the Workplace Ombudsman	14.5	14.9	15.0	15.3
<i>Related capital (\$m)</i>				
Office of the Workplace Ombudsman	4.0	0.4	0.1	0.1

The Government will provide \$64.1 million over four years to establish the Office of the Workplace Ombudsman. This Office will perform the role formerly undertaken by the Office of Workplace Services and will have an expanded role due to the introduction of the Fairness Test for workplace agreements.

Staff will undertake additional investigations in relation to the Fairness Test and will also investigate claims that an employer has applied duress on employees when negotiating Australian Workplace Agreements and certain certified agreements.

This measure includes \$4.5 million in capital funding over four years for office fit-outs and an IT system upgrade to manage new claims and infringements.

See also the related expense measures titled *Workplace Relations Reform* in the Employment and Workplace Relations portfolio.

Further information can be found in the press release of 4 May 2007 issued by the Prime Minister.

Workplace Relations Reform — establishment of the Workplace Authority

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Workplace Authority	72.3	67.6	71.9	72.8
Department of Employment and Workplace Relations	1.7	1.0	-	-
Total	74.0	68.7	71.9	72.8
<i>Related capital (\$m)</i>				
Workplace Authority	14.2	2.0	1.4	1.2

The Government will provide \$306.2 million over four years to establish the Workplace Authority. The Workplace Authority will perform the role formerly undertaken by the Office of the Employment Advocate and will apply the new Fairness Test for workplace agreements.

Appendix A: Policy decisions taken since the 2007-08 Budget

In addition to administering the Fairness Test, the Workplace Authority will undertake pre-lodgement assessments of both Australian Workplace Agreements and Collective Agreements and provide a comprehensive information and education service about pay and conditions to help employers and employees better understand the workplace relations system.

This measure includes \$18.9 million in capital funding over four years for office fit-outs and IT system upgrades to manage the administration of the Fairness Test. The funding also includes \$2.7 million over two years for the Department of Employment and Workplace Relations to provide implementation support in relation to the Fairness Test.

See also the related expense measures titled *Workplace Relations Reform* in the Employment and Workplace Relations Portfolio.

Further information can be found in the press release of 4 May 2007 issued by the Prime Minister.

ENVIRONMENT AND WATER RESOURCES

Achieving Sustainable Groundwater Entitlements — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
National Water Commission	25.0	-	-	-

The Government will provide an additional \$25.0 million in 2007-08 to assist groundwater licence holders in New South Wales to adjust to reductions in their water access entitlements.

This measure builds on the Government's initial \$55 million contribution to the *Achieving Sustainable Groundwater Entitlements* package, which was announced by the Prime Minister on 9 June 2005.

Further information can be found in the joint press release of 8 June 2007 issued by the Deputy Prime Minister and the Minister for the Environment and Water Resources.

Climate change — Green Vouchers for schools

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	101.5	149.1	51.3	34.3

The Government will provide \$336.1 million over four years for rebates to encourage improved energy and water efficiency in schools.

All Australian primary and secondary schools will be eligible to receive funding of up to \$50,000 to install a solar hot water system and/or a rainwater tank of greater than 10,000 litres capacity.

Schools that have previously received Australian Government funding to install a rainwater tank will have that amount deducted from the \$50,000 grant.

Further information can be found in the press release of 17 July 2007 issued by the Minister for the Environment and Water Resources.

Appendix A: Policy decisions taken since the 2007-08 Budget

Climate change — national clean energy target

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Office of the Renewable Energy Regulator	0.5	1.3	1.7	2.2
<i>Related capital (\$m)</i>				
Office of the Renewable Energy Regulator	-	3.3	1.1	-

The Government has made provision for \$12.3 million over five years (including \$2.2 million in 2011-12) for the Office of the Renewable Energy Regulator to administer the national clean energy target of 30,000 gigawatt hours of electricity each year to be generated from low emissions sources by 2020. The target is in addition to a baseline level of renewable energy generation estimated to be around 16,000 gigawatt hours annually.

The provision includes \$4.4 million in capital funding to modify and expand the capacity of the renewable energy certificate online register.

The final costs of administering the target will be determined once the details of the scheme are settled, in consultation with state and territory governments and industry.

The clean energy target is expected to come into effect no later than 1 January 2010.

Further information can be found in the press release of 23 September 2007 issued by the Prime Minister.

Climate change — solar hot water systems — rebates for households

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	31.8	40.3	50.0	65.0

The Government will provide \$252.2 million over five years (including \$65.1 million in 2011-12) to provide rebates to households to encourage improved energy efficiency in homes.

Up to 225,000 eligible households will be able to access rebates of \$1,000 for solar and heat pump hot water systems installed on or after 18 July 2007 that replace electric storage hot water systems in established homes.

To be eligible for a rebate, the applicant's taxable income must be less than \$100,000, and the solar hot water system must be installed in the principal place of residence.

Further information can be found in the press release of 17 July 2007 issued by the Minister for the Environment and Water Resources.

Glenelg to Adelaide Parklands Reuse Scheme — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	-	-	-	-

The Government will provide \$30.2 million for the Glenelg to Adelaide Parklands Reuse Scheme, which aims to irrigate Adelaide's parklands using recycled water from the Glenelg Waste Water Treatment Plant.

This funding is conditional on the South Australian Government approving a fully-costed concept design and confirming its matching funding contribution for the project. The funding profile for this measure will be finalised once these conditions have been met.

The cost of this measure will be met from within the existing resourcing of the Department of the Environment and Water Resources.

This measure was announced on 29 September 2004 as part of the Government's 2004 election commitment titled *South Australia – A More Sustainable Future*. The South Australian Government did not fulfil the requirements of this election commitment until September 2007.

Murray Irrigation Limited — support

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	18.0	-	-	-

The Government has made provision for a one-off grant of approximately \$18.0 million in 2007-08 to Murray Irrigation Limited to offset taxation liabilities arising from regional landcare works undertaken prior to 1 July 2004.

Appendix A: Policy decisions taken since the 2007-08 Budget

National greenhouse gas emissions and energy reporting system — establishment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	-	-	-	-
<i>Related capital (\$m)</i>				
<i>Department of the Environment and Water Resources</i>	-	-	-	-

The Government will provide \$24.4 million over five years to establish a single, streamlined system to report easily accessible, nationally consistent data at the company level to investors and the general public on greenhouse gas emissions and energy use by Australia's major companies. The system is expected to be in place by July 2008.

This measure includes expense funding of \$2.7 million in 2007-08, \$3.7 million in 2008-09, \$4.5 million in 2009-10, \$5.2 million in 2010-11 and \$5.1 million in 2011-12. It also includes capital funding of \$2.0 million in 2007-08, \$1.0 million in 2008-09, \$0.1 million in 2009-10 and \$0.1 million in 2010-11 for the development of an online reporting tool.

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

Further information can be found in the press release of 17 July 2007 issued by the Minister for the Environment and Water Resources.

National Plan for Water Security — modernising irrigation in Australia

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	-	-	200.0	-300.0

The Government has decided to bring forward \$200.0 million of funding from 2010-11 to 2009-10, under the \$5.9 billion *Modernising Irrigation in Australia* component of the \$10 billion *National Plan for Water Security*, to accelerate expenditure on works to improve water use efficiency.

In addition, the Government has decided to defer funding of \$100.0 million from 2010-11 to beyond 2010-11 to provide for contingencies expected later in the programme.

Appendix A: Policy decisions taken since the 2007-08 Budget

Point Nepean — University of Melbourne rental guarantee

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Environment and Water Resources	-	0.3	0.3	0.3

The Government will provide \$2.4 million over seven years from 2008-09 (including \$0.3 million in 2011-12 and \$0.4 million per annum over the following three years) to the University of Melbourne as a guaranteed annual contribution towards its rental commitment at Point Nepean, Victoria. The funding is intended to facilitate the establishment of a National Centre for Coasts and Climate at Point Nepean by the University.

FAMILIES, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS

Aboriginal Employment Strategy — reconciliation and youth activities

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	-	-	-	-

The Government will provide \$5.5 million over three years to fund additional activities to be undertaken by Aboriginal Employment Strategy Ltd. Aboriginal Employment Strategy Ltd is a not-for-profit organisation that works to encourage the private sector to engage with Aboriginal people. The funding will support three main elements:

- Practical Reconciliation – fostering engagement between Aboriginal and non-Aboriginal people in partnership with the private sector, including through cultural education for employees, Aboriginal volunteering placements and practical reconciliation events;
- The Aboriginal Youth Entrepreneurial Programme – encouraging Aboriginal youth to be introduced to the working economy through work placements and traineeships; and
- The Ambassador Programme – addressing anti-social behaviour and alcohol-related crime and violence including through the employment of respected individuals to work with children and youth in the streets to minimise anti-social behaviour after school hours and at night.

The cost of this measure will be met from within the existing resourcing of the Department of Families, Community Services and Indigenous Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Centrelink — further call centre supplementation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	3.3	-	-	-
Department of Employment and Workplace Relations	1.3	-	-	-
Department of Education, Science and Training	0.5	-	-	-
Total	5.0	-	-	-

The Government will provide an additional \$5.0 million in 2007-08 to ensure Centrelink is able to better meet peaks in demand arising from clients making increased use of call centres and a trend towards longer and more complex calls.

Funding under this measure will be provided through policy departments for call centre services to be delivered by Centrelink, with the majority of funding provided to the Department of Families, Community Services and Indigenous Affairs to improve the Government's capacity to efficiently and effectively offer telephone-based services to families.

The measure continues the 2004-05 Budget measure *Centrelink - call centre supplementation*, which provided funding of \$67.4 million over three years and was expanded in the 2006-07 Budget with an additional \$115.0 million over two years.

Channel 7 Telethon Trust — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	0.5	-	-	-

The Government will provide \$0.5 million in 2007-08 to the Channel 7 Telethon Trust in Western Australia to contribute to capital works projects of the Telethon Speech and Hearing Centre and the Teen Challenge Charity. The funding will assist children with speech, language or hearing impairments and people aged 16 years and over with drug and alcohol dependence problems.

Appendix A: Policy decisions taken since the 2007-08 Budget

Children with autism spectrum disorders — support for families and carers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	5.7	29.4	37.0	36.4
Department of Education, Science and Training	3.5	5.7	5.5	5.6
Department of Health and Ageing	0.6	5.9	5.6	3.7
Medicare Australia	0.2	0.2	0.3	0.2
Total	9.9	41.2	48.3	45.9

The Government will provide \$145.4 million over four years to provide support to children with autism spectrum disorders (ASD) and their families and carers.

This includes funding of \$85.9 million over four years to support up to 15,000 families with children aged 0-6 years with ASD to access early intervention services. This will include funding for playgroups, group programmes and individual assistance, with the intensity of support tailored to the needs of each child. Autism advisors will also be funded to assist parents to find appropriate services for the particular needs of their child.

This measure includes funding of \$22.5 million over four years for service providers to develop and deliver education, training and support to families of children with ASD in the post-diagnosis stages. It also includes funding of \$20.3 million over four years to provide professional development for teachers and workshops and information sessions for parents and carers who support school-aged children with ASD.

This measure will also provide \$16.6 million over four years to introduce new Medicare Benefits Schedule (MBS) items for diagnosis and treatment options for children. These items will allow paediatricians or psychiatrists to assess needs and develop intensive treatment programmes accordingly. Access to up to 20 new MBS services from a range of allied health professionals will also be available.

Further information can be found in the press releases of 3 October 2007 issued by the Prime Minister and Minister for Families, Community Services and Indigenous Affairs.

Daughters of Charity — funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	2.5	-	-	-

The Government will provide \$2.5 million in 2007-08 to the Daughters of Charity appeal for the establishment of a new building in Fitzroy, Victoria, and associated costs. The Daughters of Charity undertake work in support of vulnerable members of the community, including through drug and alcohol counselling, assistance for homeless women and psychiatric disability rehabilitation services.

Disability assistance — support for people with disabilities, their families and carers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	222.8	281.5	345.1	425.5
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-	-	-	-
<i>Related capital (\$m)</i>				
<i>Department of Families, Community Services and Indigenous Affairs</i>	2.5	-	-	0.4
<i>Centrelink</i>	0.1	-	-	-
<i>Total</i>	2.6	-	-	0.4

The Government will provide \$1.8 billion over five years (including \$548.6 million in 2011-12) to assist people with disabilities, their families and carers.

The package of assistance includes funding of:

- \$721.2 million over five years to provide carers with an annual tax-free payment of \$1,000 for each child under the age of 16 with a disability for whom the carer is receiving Carer Allowance (Child), to assist with the purchase of items that improve the quality of life of children with a disability, their families and carers;
- \$948.2 million over five years to fund accommodation support services to assist parent carers aged 65 or more, including: a new Australian Government-supported accommodation service (\$562.6 million over five years); additional in-home and centre-based respite services (\$270.3 million over five years); and a new in-home support service for people with a disability (\$115.3 million over five years);

Appendix A: Policy decisions taken since the 2007-08 Budget

- \$23.6 million over five years for specialist services for children with a disability targeted at areas of high need; and
- \$13.8 million over five years to help older carers and their adult children to plan their future care needs.

To address longer-term needs, the Government will provide \$1.5 million to establish an inquiry to explore ways to provide greater choice and flexibility in the delivery of supported accommodation.

In addition, the Government will provide \$113.3 million over five years to ensure support is available to people in disability business services. This includes increasing the base funding for disability business services (\$26.9 million over five years) and providing 750 additional supported employment places (\$33.7 million over five years); temporary assistance to disability business services that suffer short-term financial difficulties in rural and regional areas (\$21.8 million over five years); and continuing support for people participating in non-vocational activities (\$30.9 million over five years).

This measure includes funding for Centrelink of \$9.4 million in 2007-08, \$2.9 million in 2008-09, \$2.7 million in 2009-10, and \$2.6 million per annum from 2010-11 to 2011-12.

This measure also includes capital funding of \$2.6 million in 2007-08 and \$0.4 million in 2010-11 for office fit-out.

Further information can be found in the press release of 28 June 2007 issued by the Prime Minister.

Disaster relief funding — Hunter, Central Coast and Gippsland regions

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	24.7	0.2	-	-

The Government will provide \$36.3 million over three years (including \$11.4 million in 2006-07) under the Australian Government Disaster Recovery Payment programme to assist people affected by the June 2007 floods in the Central Coast and Hunter regions of New South Wales and the Gippsland region of Victoria. This measure involves funding for Centrelink of \$5.7 million in 2007-08 and \$0.2 million in 2008-09.

Payments of \$1,000 per eligible adult and \$400 per eligible child will be made available to people who, as a direct result of the flooding, were seriously injured and required hospitalisation for at least 48 hours or whose principal place of residence was destroyed or rendered uninhabitable for a period of 48 hours or more.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press releases of 10 June, 14 June and 29 June 2007 issued by the Prime Minister.

Drought Package 2007 — additional funding for the Emergency Relief Program

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	1.5	3.0	-	-

The Government will provide additional funding of \$4.5 million over two years for the Emergency Relief Program to assist community and charitable organisations to deliver additional assistance to individuals, rural families and communities in areas affected by the drought. Assistance may include: vouchers for food, pharmaceuticals and petrol; assistance with rent or accommodation; part payment of utility accounts; and assistance such as food parcels or clothing.

Further information can be found in the press release of 25 September 2007 issued by the Prime Minister.

Foodbank SA — financial assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	0.1	0.1	-	-

The Government will provide \$0.2 million over two years to Foodbank SA to provide food to a network of welfare agencies in both metropolitan and rural South Australia. Foodbank SA sources donations from the food and grocery industry and supplies this food to welfare agencies for use in their food relief programmes.

Appendix A: Policy decisions taken since the 2007-08 Budget

Northern Territory Emergency Response — coordination

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	71.5	-	-	-
Department of Employment and Workplace Relations	0.7	-	-	-
Department of the Prime Minister and Cabinet	0.6	-	-	-
Department of Human Services	0.4	-	-	-
Total	73.2	-	-	-
<i>Related capital (\$m)</i>				
<i>Department of Families, Community Services and Indigenous Affairs</i>	4.5	-	-	-

The Government will provide \$77.7 million in 2007-08 for the management and coordination of the Northern Territory Emergency Response. This measure includes funding for:

- the Northern Territory Emergency Response Taskforce, which will provide oversight and guidance of the Emergency Response;
- the Operations Centre that will be responsible for the roll-out of the Emergency Response, including coordinating the deployment of individual measures in communities;
- Government Business Managers, who will be based in communities and manage government programmes and government-funded assets in order to ensure government services are effectively coordinated and delivered;
- a strategy to engage local communities and individuals; and
- support for volunteers to assist in the response.

This measure also includes capital funding of \$4.5 million in 2007-08 for computing and communication equipment.

Provision has been made in the Contingency Reserve for the continuation of this measure beyond 2007-08.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Northern Territory Emergency Response — housing and land reform

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	49.2	-	-	-
<i>Related capital (\$m)</i>				
<i>Department of Families, Community Services and Indigenous Affairs</i>	29.9	-	-	-

The Government will provide \$79.1 million in 2007-08 to address housing, land and infrastructure issues in 73 Indigenous communities in the Northern Territory.

This will include: providing new serviced blocks for housing associated with the Northern Territory Emergency Response; upgrading essential infrastructure systems, such as power, water and sewerage; and the provision of basic short-term accommodation for staff for the first 12 months of the Emergency Response.

The Government will also acquire townships prescribed by the Australian Government through five-year leases. A provision for funding of compensation for this acquisition has been included in the Contingency Reserve as these amounts are yet to be negotiated and are not included in the funding shown above.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Northern Territory Emergency Response — promoting law and order

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	25.6	-	-	-
Department of Defence	15.5	-	-	-
Attorney-General's Department	11.0	-	-	-
Australian Federal Police	7.4	9.2	9.3	-
Australian Crime Commission	4.0	-	-	-
Office of the Commonwealth Ombudsman	0.2	-	-	-
Total	63.8	9.2	9.3	-
<i>Related capital (\$m)</i>				
<i>Australian Crime Commission</i>	<i>0.7</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Office of the Commonwealth Ombudsman</i>	<i>0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total	0.9	-	-	-

The Government will provide \$83.1 million over three years to implement a range of law and order activities as part of the Northern Territory Emergency Response.

This measure includes funding:

- to provide additional police stations and police housing; support for activities associated with changes to the alcohol and pornography laws in the Northern Territory, including licensing, non-police enforcement, computer review and education costs; and Aboriginal Community Liaison Officers to act as links between police forces and the local Indigenous communities;
- to expand existing Northern Territory night patrol activities to improve safety and assist people at risk; for additional Aboriginal Interpreter Services to meet an expected increase in demand resulting from the response; and for additional legal practitioners and support staff for a number of legal aid programmes which provide assistance to Indigenous Australians;
- for the deployment of 66 police personnel to the Northern Territory in 2007-08 sourced from the Australian Federal Police and State police forces. For 2008-09 and 2009-10 the 66 police personnel will be sourced from the Australian Federal Police;
- for the collection of intelligence that identifies incidences of child sexual abuse, and offenders, in order to assist police investigations across Australia;
- for logistical support services including vehicular and airborne transport, communications, temporary accommodation and contracting support; and

Appendix A: Policy decisions taken since the 2007-08 Budget

- to develop and support complaint-handling procedures for Commonwealth agencies delivering Emergency Response services.

This measure also includes \$0.9 million in capital funding in 2007-08 for computer and communications equipment.

Provision has been made in the Contingency Reserve for the continuation of various elements of this measure beyond 2007-08.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Northern Territory Emergency Response — supporting families

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	32.8	-	-	-

The Government will provide \$32.8 million in 2007-08 as part of the Northern Territory Emergency Response to increase the provision of family and children's services within Indigenous communities.

This funding will establish 'safe places' (emergency and transitional accommodation) within Indigenous communities and major towns in the Northern Territory to provide immediate assistance to families suffering family violence. Funding will also be provided to employ additional child protection and community liaison workers to address the safety needs of children within Indigenous communities.

In addition, this measure will support Indigenous children and their families by providing funding to:

- expand existing child care services in major towns;
- expand existing government-funded early childhood services;
- upgrade existing and establish further creches; and
- expand Indigenous playgroups.

Funding will also be provided to establish three outreach-based services offering a range of alcohol diversionary activities for young people in remote communities.

Provision has been made in the Contingency Reserve for the continuation of this measure beyond 2007-08.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Scouting Australia — communications campaign

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	1.5	-	-	-

The Government will provide \$1.5 million in 2007-08 to Scouting Australia to support a communications campaign as part of the forthcoming 2008 Year of the Scout. The campaign will help to build awareness in the community of scouting and the Year of the Scout celebrations and encourage young people and families to be involved in the scouting movement.

Further information can be found in the press release of 31 July 2007 issued by the Minister for Community Services.

Seniors and eligible veterans — extended travel concessions

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	-	-	-	-

The Government will provide pensioners and eligible veterans with access to concessional fares for travel on The Ghan on the Alice Springs to Darwin sector. This extends the concessions funded by the Government on a number of rail lines that were previously part of the Australian National Railway, including the Adelaide to Alice Springs sector of The Ghan. Funding for this extension will be provided to Great Southern Rail through a variation to the existing contractual arrangements.

This measure is estimated to involve funding of \$0.9 million in 2007-08, \$1.6 million in 2008-09, \$1.7 million in 2009-10 and \$1.9 million in 2010-11. The cost of this measure will be met from within the existing resourcing of the Department of Families, Community Services and Indigenous Affairs.

Further information can be found in the press release of 29 August 2007 issued by the Prime Minister.

Social security agreement between Australia and Greece

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	-	-	-	-

The Government will provide \$165.2 million over four years to extend the current network of reciprocal social security agreements to include Greece. Upon taking effect, the agreement will enable former Australian residents living in Greece and Greek Australians living in Australia to claim their entitlement to a pension from either or both countries when they meet relevant eligibility requirements. Australia and Greece will share responsibility and costs for the social security coverage of eligible age pensioners according to their period of residence in Australia and/or their period of insurance in Greece. It is expected that the agreement will take effect during 2008 following completion of the necessary treaty, administrative and legislative processes in both countries.

This measure includes funding for Centrelink of \$1.0 million in 2007-08, \$7.5 million in 2008-09, \$6.7 million in 2009-10 and \$5.7 million in 2010-11 to process additional claims and implement system changes.

This measure involves funding of \$1.1 million in 2007-08, \$34.9 million in 2008-09, \$63.9 million in 2009-10 and \$65.3 million in 2010-11. Provision for this funding has already been included in the forward estimates.

Further information can be found in the press release of 23 May 2007 issued by the Prime Minister.

Sydney Christmas Parade — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	-	-	-	-

The Government will provide \$1.0 million in 2007-08 to the Sydney Christmas Parade Trust to support the inaugural Sydney Christmas Parade 2007. The parade aims to strengthen the sense of community by bringing people together to celebrate the holiday season.

The cost of this measure will be met from within the existing resourcing of the Department of Families, Community Services and Indigenous Affairs.

Further information can be found in the press release of 30 September 2007 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2007-08 Budget

Tuggeranong Office Park — transitional accommodation costs

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	-	-	-	-

The Government will provide \$19.1 million over two years for the transitional costs associated with the Department of Families, Community Services and Indigenous Affairs (FaCSIA) continuing to occupy Tuggeranong Office Park following the transfer of Centrelink to new accommodation from late 2007. These costs include rent commitments, utilities, and building management costs for Tuggeranong Office Park. Ongoing accommodation and office fit-out arrangements for parts of FaCSIA are contingent on the results of a sale process for the building. This process is currently under way and is expected to be completed by 30 June 2008.

This measure involves funding of \$7.5 million in 2007-08 and \$11.6 million in 2008-09. Provision for this funding has already been included in the forward estimates.

Welfare reform — Cape York trial

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	3.9	6.5	6.1	5.2
Department of Employment and Workplace Relations	2.3	2.1	-	-
Department of Education, Science and Training	2.0	4.0	3.2	3.3
Indigenous Business Australia	0.3	-	-	-
Department of Human Services	0.1	..	-	-
Total	8.6	12.7	9.3	8.5
<i>Related revenue (\$m)</i>				
<i>Indigenous Business Australia</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
<i>Related capital (\$m)</i>				
<i>Indigenous Business Australia</i>	<i>3.0</i>	<i>-</i>	<i>-</i>	<i>-</i>

The Government will provide \$45.8 million over five years (including \$3.9 million in 2011-12) to implement the trial of a new approach to welfare in four Cape York Indigenous communities, with the aim of promoting engagement in the real economy, reducing passive welfare and rebuilding social norms. This is in response to the Cape York Institute for Policy and Leadership's report *From Hand Out to Hand Up*.

Appendix A: Policy decisions taken since the 2007-08 Budget

The funding will be used to support a range of initiatives, including income and case management of welfare recipients not meeting defined obligations in relation to their children and other agreed community obligations; associated support services; investment in education, including extending opportunities for children to study away from home; and business development to support self-employment and small business activities.

Funding is also included for reforms to housing management with incentives for people to contribute to and maintain improvements in housing, and to meet rent and other tenancy obligations. In addition, funding of up to \$2.3 million will be made available for 40 Australian Government jobs in service delivery that will be created by converting existing Community Development Employment Projects Programme positions into ongoing jobs.

This measure includes \$3.0 million in capital funding to establish a business precinct.

The revenue to be received by Indigenous Business Australia results from interest on loans to support businesses and is largely offset by the public debt interest costs incurred by the Australian Government in financing the loans, which are separately accounted for in the Mid-Year Economic and Fiscal Outlook.

This measure includes funding for Centrelink of \$1.2 million in 2007-08, \$0.5 million in 2008-09, \$0.4 million in 2009-10, \$0.4 million in 2010-11 and \$0.2 million in 2011-12.

Further information can be found in the press release of 18 July 2007 issued by the Minister for Families, Community Services and Indigenous Affairs.

Yamatji — native title representative body — additional funding for resolution of native title claim issues

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Families, Community Services and Indigenous Affairs	5.5	-	-	-

The Government will provide \$5.5 million in 2007-08 through the Native Title and Land Rights Program to Yamatji Marlpa Baba Maaja Aboriginal Corporation (Yamatji), a native title representative body. Funding will be provided to expedite resolution of outstanding issues relating to some existing native title land claims in the Pilbara region of Western Australia. Early resolution of these issues will enable negotiations to proceed between Rio Tinto Iron Ore and affected native title claimant groups in respect of mining access arrangements on affected land.

FINANCE AND ADMINISTRATION

Cornwell superannuation case — interim response

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Finance and Administration	1.9	-	-	-
Commonwealth Superannuation Administration	0.8	-	-	-
Total	2.7	-	-	-

The Government will provide \$2.7 million in 2007-08 for interim arrangements to manage the Australian Government's response to the Cornwell superannuation case. This will allow processing and assessment of further claims against the Commonwealth for alleged negligent advice about superannuation eligibility.

This measure includes funding for ComSuper of \$0.8 million to assist in managing claims.

Sydney Airports Corporation Limited stamp duty dispute — funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Finance and Administration	nfp	nfp	nfp	nfp

The Government will provide funding to the Department of Finance and Administration for the legal and other costs related to the dispute with the New South Wales Government over the imposition of land-rich stamp duty on the sale of Australian Government shares in the Sydney Airports Corporation Limited.

Provision for this funding has been included in the forward estimates and is not for publication as the costs involve the engagement of specialist advisers, including lawyers. Consequently, the estimates are commercial-in-confidence.

FOREIGN AFFAIRS AND TRADE

Afghanistan and Pakistan — assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
AusAID	-	66.3	-	-

The Government will provide \$114.9 million over two years for new and expanded assistance programmes in Afghanistan and Pakistan.

The funding will improve the delivery of essential services such as health and education, strengthen agricultural production and help build security and stability in Afghanistan and adjoining areas of Pakistan by strengthening the capacity of both national and provincial governments.

Funding of \$48.6 million in 2007-08 will be met from within the existing resourcing of AusAID.

Further information can be found in the press release of 23 August 2007 issued by the Minister for Foreign Affairs.

Asia-Pacific Economic Cooperation forum — supporting Australia's involvement

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Foreign Affairs and Trade	1.3	3.9	3.9	1.9
Department of the Treasury	2.3	3.7	-	-
Department of Health and Ageing	-	-	-	-
Department of Industry, Tourism and Resources	-	-	-	-
Total	3.5	7.6	3.9	1.9

The Government will provide \$20.4 million over five years (including \$0.2 million in 2011-12) to support Australia's involvement in the Asia Pacific Economic Cooperation (APEC) forum, including through initiatives agreed at the APEC 2007 Economic Leaders' and related meetings.

Appendix A: Policy decisions taken since the 2007-08 Budget

The measure involves funding for the Department of Foreign Affairs and Trade of \$10.8 million over four years from 2007-08 for the establishment of a Policy Support Unit within the APEC Secretariat to undertake analysis on trade, structural reform and energy issues; and \$0.3 million over three years from 2008-09 to increase Australia's APEC membership contributions. The measure also includes \$1.2 million over four years from 2008-09 to support Australian members of the APEC Business Advisory Council (ABAC) in representing the Australian business community. The cost of this support for ABAC will be met from within the existing resourcing of the Department of Foreign Affairs and Trade.

Funding of \$5.9 million over two years will be provided to the Department of the Treasury to host ministerial and officials' meetings to support structural reform across the region.

Funding of \$1.8 million over three years from 2007-08 will be provided to support Australia's chairing of the APEC Health Working Group, contingent on Australia being selected to chair this Group. The cost of this component of the measure will be met from within the existing resourcing of the Department of Health and Ageing.

The measure also includes funding for the Department of Industry, Tourism and Resources of \$0.1 million over two years from 2007-08 to support Australia's chairing and secretariat commitments in APEC working groups; and \$0.3 million over two years from 2007-08 to establish an APEC Energy Investment and Trade Roundtable to develop and implement the APEC Energy Peer Review Mechanism, which aims to help APEC member economies attain energy efficiency goals. This funding will be met from within the existing resourcing of the Department of Industry, Tourism and Resources.

Emergency and humanitarian relief — contributions

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
AusAID	-	-	-	-

The Government has provided \$43.8 million since the 2007-08 Budget for emergency and humanitarian relief efforts. The funding has been provided through various international agencies, such as the United Nations Children's Fund, the World Food Organisation and the World Health Organisation, and a number of non-government organisations. Examples of the assistance provided include: the provision of food aid to people in Zimbabwe; funding humanitarian services for conflict victims in Sri Lanka, Sudan, Somalia and Uganda; and contributing towards emergency relief efforts in storm and flood-affected communities in Bangladesh, Nepal, North Korea and Pakistan.

The cost of this measure was met from within the existing resourcing of AusAID.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in various press releases issued by the Minister for Foreign Affairs.

Fires in Greece — donation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Foreign Affairs and Trade	3.0	-	-	-

The Government provided \$3.0 million in 2007-08 to the Hellenic Red Cross as part of its response to the devastation caused by the recent forest fires in Greece. The donation was given to the Hellenic Red Cross as a contribution to its special emergency fund for the victims of these fires.

Further information can be found in the press release of 27 August 2007 issued by the Prime Minister.

Global Fund — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
AusAID	-	46.5	46.5	-

The Government will provide \$93.0 million over two years from 2008-09 to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (the Global Fund) — a public-private partnership between governments, the private sector and affected communities. This funding is in addition to \$42.0 million provided in 2007-08 and will take Australia's total contribution to the Global Fund to \$135.0 million over three years.

Since its establishment in 2002, the Global Fund has funded AIDS and tuberculosis treatment, and distributed insecticide-treated bed nets for the prevention of malaria worldwide. Australia's commitments will continue to assist in these areas.

The funding will be assigned from the unallocated provision for expanded aid funding held in the Contingency Reserve.

Further information can be found in the press release of 28 September 2007 issued by the Minister for Foreign Affairs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Humanitarian assistance to Darfur

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
AusAID	-	-	-	-

The Government provided an additional \$20.0 million in humanitarian assistance to the Darfur region of Sudan in 2007-08. The funding included \$16.0 million for food aid and air transport, \$2.0 million for logistics support and \$2.0 million for health projects to help alleviate the humanitarian crisis in Darfur.

The funding brings the Government's total contribution to Sudan and neighbouring countries to more than \$82.0 million since May 2004.

The cost of this measure was met from within the existing resourcing of AusAID.

Further information can be found in the press release of 15 July 2007 issued by the Minister for Foreign Affairs.

International Development Association 15 replenishment — contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
AusAID	42.2	-	-	-

The Government will provide a contribution to the current Replenishment of the International Development Association (IDA) – the concessional lending arm of the World Bank. IDA provides analysis and funding, through grants and loans, for developing economies in areas such as basic infrastructure, health and education systems and rural development. The Government's Aid White Paper (April 2006) indicates that Australia will support appropriate expansions to IDA.

This measure includes up to \$211.0 million in additional funding, with the remainder to be met from within the existing resourcing of AusAID. The final amount to be contributed will depend on exchange rates and the outcome of negotiations with IDA. The additional funding will be assigned from the unallocated provision for expanded aid funding held in the Contingency Reserve.

The contribution is expected to contain both loan and grant components. The estimated effect on the fiscal balance reflects an assumption on the relative proportions of these components. The provision of loans from the budget, and their repayment, affect only the composition of the Government's financial assets and, as such, the loans component of this measure will have no impact on the fiscal balance. The public debt interest costs incurred by the Australian Government in financing the loans are separately accounted for in the *Mid-Year Economic and Fiscal Outlook*.

Appendix A: Policy decisions taken since the 2007-08 Budget

Working with Australians overseas to promote Australia's interests

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Foreign Affairs and Trade	0.5	0.2	0.2	-

The Government will provide \$0.9 million over three years to support the activities of Advance, an organisation representing Australians working overseas. The funding will support infrastructure and specific projects to assist Australian expatriates and promote public diplomacy objectives in support of Australia's foreign and trade policies.

HEALTH AND AGEING

Australian Red Cross Blood Service — Sydney headquarters relocation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	-	-	6.7

The Government will provide up to \$99.0 million over 20 years from 2010-11 to the Australian Red Cross Blood Service (ARCBS) to assist in its relocation to new Sydney headquarters. Moving to new premises will assist the ARCBS to continue the efficient and effective delivery of Australia's blood supply.

The ARCBS estimates total costs at around \$157 million with the final amount dependent on further negotiation and finalisation of the ARCBS business case. In line with existing cost sharing arrangements under the National Blood Agreement, the States and Territories will also contribute to the cost of the relocation.

Further information can be found in the press release of 27 July 2007 issued by the Minister for Health and Ageing.

Clinical training for enrolled nurses

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	15.5	43.6	30.9	29.2
Department of Education, Science and Training	0.9	4.3	4.9	5.4
Total	16.4	47.9	35.9	34.7
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-	-	-	-

The Government will provide \$134.8 million over four years to create 25 Australian Hospital Nursing Schools to deliver hospital-based training within major public and private hospitals for enrolled nurses. Participating hospitals will be selected under a competitive tender process and will receive funding to establish, or upgrade existing, on-site educational facilities. Ongoing funding will also be available to maintain infrastructure and to employ clinical training staff.

Appendix A: Policy decisions taken since the 2007-08 Budget

The first intake of students will be in 2008 and 500 students will be enrolled annually when the programme is fully implemented. The Government will provide wage subsidies of \$500 per week for each student to participating hospitals for the first three months and will also pay participating hospitals a \$1,500 commencement bonus and a \$2,500 completion bonus for each eligible student. The Government will directly pay each student a tax-exempt bonus of \$2,000 once they have successfully completed their first six months of the course, and a further tax exempt bonus of \$3,000 when they have successfully completed the course.

This measure includes \$4.6 million over three years to implement national nursing competency standards including developing training packages for enrolled nurses. It also involves \$7.3 million over five years for a career promotion campaign to promote nursing as an attractive and worthwhile career and ensure new nursing training places are taken up.

Further information can be found in the press release of 14 September 2007 issued by the Prime Minister.

Community Pharmacy Agreement amendment — increased dispensing fee

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	20.2	22.8	23.8	26.8
Department of Veterans' Affairs	1.7	1.7	1.7	1.6
Total	22.0	24.5	25.4	28.5

The Government has, from 1 August 2007, amended the Fourth Community Pharmacy Agreement to increase the pharmacy dispensing fee by 12 cents, at an estimated cost of \$100.4 million over four years. This one-off increase provides to pharmacies a proportion of the impact on pharmacy revenue of a price reduction on the lipid lowering drug simvastatin on the Pharmaceutical Benefits Scheme.

Appendix A: Policy decisions taken since the 2007-08 Budget

Dental Treatment — enhanced Medicare items for patients with chronic and complex conditions

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	4.9	3.0	-1.2	2.2
Medicare Australia	2.6	2.4	2.1	2.1
Total	7.6	5.4	0.9	4.3
<i>Related capital (\$m)</i>				
Medicare Australia	..	-	-	-

The Government will provide additional funding of \$18.1 million to build on the 2007-08 Budget measure, *Dental Treatment – enhanced Medicare items for patients with chronic and complex conditions*. This will enable eligible patients to receive up to \$4,250 worth of Medicare-funded dental treatment over two consecutive calendar years.

In the 2007-08 Budget, the Government announced \$377.6 million for an expansion of the existing Medicare dental items for people with chronic and complex conditions where their oral health is impacting, or is likely to impact, on their general health. This was based on an annual cap of \$2,125. The new arrangements will provide patients with more flexibility to receive dental treatment when they require the services. The new Medicare dental arrangement will commence on 1 November 2007.

Further information can be found in the press release of 14 August 2007 issued by the Minister for Health and Ageing.

Grafton Hospital — funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	18.0	-	-	-

The Government will provide \$18.0 million in 2007-08 for the upgrade of the accident and emergency department and three operating theatres at Grafton Hospital in NSW.

This funding will be conditional on the establishment of a properly constituted hospital board for the hospital, that will hold the funding in trust on behalf of the community and work with the community, hospital management and NSW health authorities to supervise the disbursement of the funds.

Appendix A: Policy decisions taken since the 2007-08 Budget

Health and Medical Investment Fund

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	-	150.0	203.8

The Government will establish a perpetual Health and Medical Investment Fund (HAMIF) with an initial investment of \$2.5 billion funded from the 2006-07 Budget surplus. The initial investment will be transferred by the end of 2007-08. The Government will also invest the proceeds from the sale of Medibank Private in the HAMIF. The sale is expected to occur in 2008 with proceeds to be transferred in early 2009.

The HAMIF will be invested to earn income and the Future Fund Board of Guardians will be responsible for managing and investing the assets of the HAMIF. The real value of the capital is to be maintained with any additional earnings to be made available for distribution. The table above represents current estimates of the earnings that will be available for distribution. Actual payments from the HAMIF will depend on the Fund's investment mandate and realised earnings.

Earnings from the Fund will be available for distribution from 2009-10 for new medical facilities and high technology medical equipment. Distributions from the Fund will be available on a competitive basis and subject to cost-benefit analysis. The Minister for Health and Ageing will determine the distributions after receiving advice from a panel of experts led by the Chief Medical Officer.

Further information can be found in the press release of 21 August 2007 issued by the Treasurer.

Appendix A: Policy decisions taken since the 2007-08 Budget

Human embryo and stem cell research — establishment of a regulatory framework

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
National Health and Medical Research Council	0.9	0.5	0.4	0.3
Department of Health and Ageing	0.7	0.2	0.2	0.1
Total	1.6	0.7	0.6	0.4
<i>Related capital (\$m)</i>				
National Health and Medical Research Council	0.1	-	-	-

The Government will provide \$3.4 million over four years to establish a new regulatory framework for research into human embryos, and to further implement the recommendations of the Legislation Review Committee's review of the *Prohibition of Human Cloning Act 2002* and *Research Involving Human Embryos Act 2002* (the Lockhart Review).

Funding will also allow the National Health and Medical Research Council to review current research and clinical applications for the use of stem cells. This information will inform a public education campaign regarding stem cells, research involving human embryos and cloning to be managed by the Department of Health and Ageing.

Kava — tightening of import arrangements

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	5.9	0.3	0.3	0.3
<i>Related capital (\$m)</i>				
Department of Health and Ageing	0.2	-	-	-

The Government will provide \$7.2 million over four years to fund a buy-back scheme for kava importers affected by the Government's decision to restrict the commercial importation of kava, except for medical or scientific purposes, from 26 June 2007. This measure will also establish a diversion control programme to permit, monitor and report kava use for medical or scientific purposes.

Existing importation approval allows up to two kilograms of kava in the accompanied baggage of an incoming passenger (aged 18 years or over) to Australia. This will continue, in recognition that kava has traditional ceremonial and cultural uses for Pacific Islanders.

Further information can be found in the joint press release of 27 June 2007 issued by the Minister for Health and Ageing and the Minister for Justice and Customs.

Appendix A: Policy decisions taken since the 2007-08 Budget

Lifeline — financial assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	2.1	2.2	2.2

The Government will provide \$8.2 million over four years (including \$1.7 million in 2007-08) to Lifeline to assist it in effectively delivering its services.

Lifeline is a non-profit organisation dedicated to providing support to people in need through a 24-hour telephone counselling service.

Funding of \$1.7 million in 2007-08 will be met from within the existing resourcing of the Department of Health and Ageing.

This measure builds on the 2003-04 Budget measure, *Lifeline – assistance*, the 2005-06 Budget measure, *Lifeline – assistance for national telephony system* and the 2006-07 Budget measure, *COAG Mental Health – funding for telephone counselling, self-help and web-based support programmes*.

Further information can be found in the press release of 3 September 2007 issued by the Prime Minister.

Magnetic Resonance Imaging — improved access

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	0.6	9.7	14.9	14.6
Medicare Australia	..	..	..	..
Total	0.6	9.7	14.9	14.7

The Government will provide \$39.9 million over four years to improve access to affordable Magnetic Resonance Imaging (MRI) services. This measure will provide Medicare-eligible MRI units in an additional 11 locations. This will provide increased access to MRI services in these locations with no 'out-of-pocket' costs for pensioners, concession cardholders, children and hospital in-patients using the services. This measure will increase to 126 the number of Medicare-eligible MRI units that the Government has committed to support.

Further information can be found in the press release of 27 September 2007 issued by the Minister for Health and Ageing.

Appendix A: Policy decisions taken since the 2007-08 Budget

Medicare Benefits Schedule — new and revised listings

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	6.0	11.3	15.9	18.5
Department of Veterans' Affairs	0.9	1.5	1.6	1.8
Medicare Australia	0.2	0.1	0.2	0.2
Total	7.1	12.9	17.7	20.5

The Government has added new and revised items on to the Medicare Benefits Schedule and Veterans' Benefits at an estimated cost of \$58.0 million over four years.

The changes include:

- new items for follow up services for patients who have undertaken an Aboriginal and Torres Strait Islander health check;
- new items for specialist geriatricians to prepare and review comprehensive care management plans for their patients;
- a new item for diagnosing and treating patients with obscure gastrointestinal bleeding;
- a new item for the staging and diagnosis of patients with gastrointestinal tumours;
- revised patient eligibility for radioactive treatment of tumour cells in the prostate gland; and
- revised items for dental practitioners with both medical and dental qualifications.

Further information will be available in the summary of changes included in the 1 November 2007 Medicare Benefits Schedule to be issued by the Department of Health and Ageing.

Mersey Community Hospital Tasmania — funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	51.4	64.0	64.0	64.0

The Government will provide funding for the operation of the Mersey Community Hospital to enable it to continue providing a comprehensive range of hospital services for public and private patients. The Mersey Community Hospital will be a community-controlled and Commonwealth-funded facility.

Appendix A: Policy decisions taken since the 2007-08 Budget

Provision for the purchase and operation of the Mersey Community Hospital of \$51.4 million in 2007-08 and \$64.0 million per annum in future years has been made. Final amounts are contingent on the outcome of negotiations for the transfer of the hospital to a new entity to be established to operate the hospital, and the determination of longer term funding arrangements.

Further information can be found in the press release of 1 August 2007 issued by the Prime Minister.

Northern Territory Emergency Response — improve child and family health and expand health service delivery

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	83.4	45.5	54.2	-
Medicare Australia	0.2	-	-	-
Total	83.6	45.5	54.2	-

The Government will provide \$183.3 million over three years to provide an immediate response to the national emergency involving the welfare of Indigenous children in the Northern Territory and to deliver a broader range of services including primary health care, allied health and specialist services to remote communities through regional centres.

This funding will provide for medical teams in 2007-08 to conduct voluntary health checks, and follow-up treatment of Indigenous children with chronic or persistent conditions, in 73 communities and 40 town camps. This funding will also provide for drug and alcohol crisis response teams; a drug and alcohol crisis line staffed by medical professionals; and the expansion of drug and alcohol treatment services, to address the immediate effects of alcohol withdrawal as a consequence of the prohibition of alcohol in these areas. Funding will also provide for teams of health professionals, including child psychologists, psychiatrists, and health workers to provide treatment and consultation for any children identified as victims of abuse.

Funding in 2008-09 and 2009-10 will allow for 150 health professionals to operate as regionally based medical and allied health teams. These teams, operating out of regional centres, will deliver follow-up health checks and treatment to build on the initial health checks and will provide access to extended clinical care through fly-in/fly-out and other outreach arrangements, delivering complex care, population health and specialist services to these remote communities. The health professionals will be recruited through a remote area health corps agency, to be established for this purpose. Minor capital works to upgrade 10 existing health centres will also be undertaken through a grants process.

Appendix A: Policy decisions taken since the 2007-08 Budget

Provision has been made in the Contingency Reserve for the continuation of elements of this measure beyond 2007-08.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Families, Community Services and Indigenous Affairs and the press release of 18 September 2007 issued by the Minister for Health and Ageing.

Pharmaceutical Benefits Scheme — extension to the listing of Taxotere® (docetaxel)

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	11.4	20.4	24.2	28.1
Department of Veterans' Affairs	0.3	0.5	0.6	0.7
Medicare Australia	..	..	..	..
Total	11.7	21.0	24.8	28.9
<i>Related revenue (\$m)</i>				
<i>Department of Health and Ageing</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will, from 1 November 2007, list Taxotere® (docetaxel) on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation PBS, at an estimated cost of \$86.4 million over four years. This includes funding for administering payments through Medicare Australia. A pricing agreement negotiated between the Government and the drug manufacturer allows for revenue offsets to the cost of Taxotere®.

Taxotere® is currently available on the PBS for the treatment of certain forms of breast, ovarian and lung cancer, and in specific cases where patients suffering from these cancers have failed to respond to alternative treatments. The extension to the listing will provide subsidised access to Taxotere® for patients with androgen independent metastatic prostate cancer.

The average cost to the PBS of providing Taxotere® is approximately \$2,541 per patient per cycle. On average, seven cycles are required per patient, with two prescriptions required per cycle. General consumers will pay a \$30.70 co-payment per prescription and concession card holders will pay a \$4.90 co-payment per prescription.

Further information can be found in the press release of 2 September 2007 issued by the Minister for Health and Ageing.

Pharmaceutical Benefits Scheme — extensions to the listing of Remicade® (infliximab)

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	15.3	17.7	12.0	8.5
Department of Veterans' Affairs	0.3	0.3	0.1	0.1
Medicare Australia	0.2	0.3	0.3	0.3
Total	15.8	18.2	12.4	8.8

The Government has, from 1 October 2007, extended the listing of Remicade® on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS, at an estimated cost of \$55.3 million over four years. This includes funding for administering payments through Medicare Australia and additional expenditure for the Medicare Benefits Schedule for the administration of the drug.

Remicade® is currently available on the PBS for the treatment of severe rheumatoid and psoriatic arthritis and ankylosing spondylitis. The extension to the listing will provide subsidised access for adults and children with severe Crohn's disease who are unresponsive to treatment with conventional therapy.

The average cost to the PBS of providing Remicade® is approximately \$2,430 per adult patient per treatment and \$1,970 per child patient per treatment. General consumers will pay a \$30.70 co-payment per prescription and concession card holders will pay a \$4.90 co-payment per prescription.

Further information can be found in the press release of 17 August 2007 issued by the Minister for Health and Ageing.

Appendix A: Policy decisions taken since the 2007-08 Budget

Pharmaceutical Benefits Scheme — listing of Lucentis® (ranibizumab) and Visudyne® (verteporfin)

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	87.9	138.7	167.2	183.8
Department of Veterans' Affairs	23.3	33.8	36.3	35.6
Medicare Australia	1.0	1.1	1.2	1.3
Total	112.1	173.6	204.6	220.7
<i>Related revenue (\$m)</i>				
<i>Department of Health and Ageing</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government has, from 1 August 2007, listed Lucentis® (ranibizumab) and Visudyne® (verteporfin) on the Pharmaceutical Benefits Scheme (PBS) and the Repatriation PBS. Lucentis® and Visudyne® are used for the treatment of age-related macular degeneration and are available on the PBS under prescription issued by an ophthalmologist.

The cost of listing these drugs is estimated at \$711.1 million over four years. This includes funding for administering payments through Medicare Australia and additional expenditure for the Medicare Benefits Schedule and Veterans' Benefits related to the administration of these drugs. A pricing agreement negotiated between the Government and the drug manufacturer allows for revenue offsets to the cost of Lucentis®. Due to the listing of Visudyne® on the PBS, the existing Visudyne® Therapy Programme has been terminated from 1 August 2007.

The average cost to the PBS of providing Lucentis® is approximately \$12,033 per patient per year. In the first year of treatment a patient is expected to require an average of seven prescriptions. The average cost to the PBS of providing Visudyne® is approximately \$3,176 per patient per year. In the first year of treatment a patient is expected to require an average of two prescriptions. General consumers will pay a \$30.70 co-payment per prescription and concession card holders will pay a \$4.90 co-payment per prescription.

Further information can be found in the press release of 6 June 2007 issued by the Minister for Health and Ageing.

Appendix A: Policy decisions taken since the 2007-08 Budget

Pharmaceutical Benefits Scheme — minor new listings

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Veterans' Affairs	0.1	-0.4	-0.8	-1.1
Department of Health and Ageing	-10.5	-28.6	-46.3	-64.8
Total	-10.4	-28.9	-47.1	-65.9
<i>Related revenue (\$m)</i>				
Department of Health and Ageing	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government has agreed to a number of minor new listings on the Pharmaceutical Benefits Scheme (PBS) and Repatriation PBS since the 2007-08 Budget, which will result in reduced costs of \$152.4 million over four years.

The extension to the listings of Arabloc® and Arava®, for the treatment of psoriatic arthritis, will result in a reduction in the demand for more expensive treatments for the condition.

The other minor new listings (including extensions of PBS listings) are medicines that have been listed at either no additional cost to the budget (because they replace existing listings) or at an estimated cost each of less than \$10 million per annum.

New listings that have a minor cost include:

- Mirena® as an alternative treatment to surgery for women who have menorrhagia;
- Sprycel® for the treatment of chronic myeloid leukaemia;
- Femara® for the treatment of breast cancer in women who have completed treatment with tamoxifen;
- Aptivus® for the treatment of HIV in patients who do not respond to, or have resistance to, at least three antiretroviral medications combined; and
- Mabthera® for the treatment of severe rheumatoid arthritis patients who have failed to respond to other treatments.

Further information can be found in the press release of 1 August 2007 issued by the Minister for Health and Ageing and the 1 June 2007 and 1 August 2007 updates to the Schedule of Pharmaceutical Benefits issued by the Department of Health and Ageing.

Pharmaceutical Benefits Scheme Reform — extension to the phasing of price reductions for F2T single brand drugs

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	17.9	46.2	39.5
Department of Veterans' Affairs	-	1.2	3.1	2.6
Total	-	19.1	49.3	42.1

The Government will extend the phasing of price reductions under the *Mid-Year Economic and Fiscal Outlook 2006-07* measure *Pharmaceutical Benefits Scheme Reform – achieving better value* for the five single brand medicines listed on formulary 2T (F2T), at an estimated cost of \$110.4 million over four years.

The F2T group of medicines are those that have multiple brands, including medicines interchangeable at the patient level with a multiple brand medicine, and for which significant discounting occurs. Medicines classified as F2T are subject to a 25 per cent price reduction from 1 August 2008, except for the single brand F2T medicines, which are scheduled to have the price reduction phased over a number of years.

The phasing of the price reduction for all single brand F2T medicines will now be extended to 2018. In the event that a new brand of one of these medicines enters the market before 2018, the remainder of the 25 per cent price reduction will be applied to that medicine in full at the next major update to the Schedule of Pharmaceutical Benefits (1 April, 1 August or 1 December each year).

Pharmaceutical Benefits Scheme Reform — support for prescribing software vendors

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	-	-	-

The Government will provide \$0.8 million in 2007-08 to assist software vendors in modifying prescribing software to incorporate new streamlined authority arrangements. These arrangements, which were introduced as part of the Pharmaceutical Benefits Scheme (PBS) reforms announced on 16 November 2006, enable certain PBS medicines that previously required authorisation through a phone call to Medicare Australia to be authorised by a doctor.

The cost of this measure will be met from within the existing resourcing of the Department of Health and Ageing.

Appendix A: Policy decisions taken since the 2007-08 Budget

Positron Emission Tomography — new and upgraded facilities

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	2.9	-	-	-

The Government will provide \$2.9 million in grants in 2007-08 for existing and planned Positron Emission Tomography (PET) facilities located outside mainland capital cities, including the Calvary Mater Newcastle Hospital and facilities in Geelong.

This measure will support investment in capital and the upgrade of equipment to allow patients to access Medicare-eligible PET scans for a wider range of diseases, including epilepsy and lung cancer.

Tasmanian health services infrastructure

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	6.0	19.3	7.5	2.3

The Government will provide \$35.1 million over four years to health services in the North and North-West Tasmanian regions to improve key elements of Tasmania's health services infrastructure.

An Australian Government funding contribution of \$16.0 million for Launceston General Hospital, and \$8.0 million for Burnie Hospital, will be provided over three years for the upgrading of existing facilities and the establishment of new rehabilitation and transitional care, psychiatric unit and cardiac care facilities.

Funding of \$8.4 million will be provided over four years for new ambulances and patient transport services between the Burnie, Devonport and Launceston General Hospitals. Additionally, grants of up to \$1.0 million in 2007-08 will be made available to both Ouse and Rosebery Hospitals.

Further information can be found in the press release of 8 October 2007 issued by the Prime Minister.

HUMAN SERVICES

Health and Social Services Access Card — review mechanism

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Office of the Commonwealth Ombudsman	0.5	0.6	0.7	1.8
Department of Human Services	-	0.9	1.1	4.0
Administrative Appeals Tribunal	-	0.4	0.5	1.4
Total	0.5	1.9	2.2	7.2
<i>Related revenue (\$m)</i>				
<i>Administrative Appeals Tribunal</i>	-	..	..	..
<i>Related capital (\$m)</i>				
<i>Office of the Commonwealth Ombudsman</i>	0.1	-	-	-

The Government will provide \$12.1 million over four years to establish a merit review and appeals mechanism to resolve complaints about individual Access Card decisions. The merit review and appeals mechanism will include an internal review by the Department of Human Services, a new statutory office of the Access Card Ombudsman (as an additional role for the Commonwealth Ombudsman) and external merits review by the Administrative Appeals Tribunal.

The measure includes \$0.1 million in capital funding for IT system changes.

This measure will include a small amount of revenue over three years from the introduction of a proposed non-refundable fee of \$64 for appeals to the Administrative Appeals Tribunal.

Medicare rebates — electronic claiming incentive package

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	12.7	23.3	16.4	-
Medicare Australia	7.6	7.9	3.9	1.1
Total	20.2	31.2	20.3	1.1
<i>Related capital (\$m)</i>				
Medicare Australia	0.6	-	-	-

The Government will provide \$73.5 million over four years for a package of incentives to support the take-up of electronic claiming of Medicare rebates at doctors' surgeries. This will enable patients who are not bulk-billed to receive the Medicare rebate directly into their bank accounts by electronic funds transfer, without the need to visit a Medicare office. The incentives will also aim to increase the level of various forms of electronic claiming by medical practices.

The package includes:

- assistance for medical practitioners to take-up and make greater use of electronic claiming;
- incentives for software vendors to assist medical practitioners to transition to electronic claiming;
- support for the pathology industry to transition to a newer, more secure electronic claiming method; and
- access to the 90 Day Pay Doctor Cheque Scheme by specialists, pathologists and radiologists who participate in electronic claiming.

This measure includes \$0.6 million in capital funding in 2007-08 to establish systems to register eligible recipients and enable the payment of incentives.

Further information can be found in the press release of 20 September 2007 issued by the Minister for Human Services.

IMMIGRATION AND CITIZENSHIP

Adult Migrant English Programme — 12 month contract extension

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	-	3.3	-	-

The Government will provide \$3.3 million in 2008-09 to extend the Adult Migrant English Programme contracts for 12 months from 1 July 2008. The programme is administered through 20 contracts with educational bodies for English language tuition and associated services. This extension will synchronise the programme's contracts with those of other English language programmes funded by the Government, creating the opportunity for synergies in future programme delivery.

Baxter Immigration Detention Centre — closure

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	-10.9	-3.1	-3.1	-3.2

The Government has closed the Baxter Immigration Detention Centre and returned the facility to the Department of Defence. The number of illegal boat arrivals has been significantly reduced, resulting in the centre becoming excess to requirements.

This measure is expected to lead to savings of \$20.3 million over four years.

Further information can be found in the press release of 17 August 2007 issued by the Minister for Immigration and Citizenship.

Appendix A: Policy decisions taken since the 2007-08 Budget

Border Control System — upgrade

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	16.2	9.1	9.0	9.2
Australian Security Intelligence Organisation	3.8	4.7	4.8	4.9
Total	20.0	13.8	13.8	14.1
<i>Related capital (\$m)</i>				
<i>Department of Immigration and Citizenship</i>	<i>17.7</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Australian Security Intelligence Organisation</i>	<i>9.0</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total	26.7	-	-	-

The Government will provide \$88.4 million over four years to implement a stronger and more flexible border control system for Australia.

This funding will enable enhanced electronic connectivity between the Department of Immigration and Citizenship and the Australian Security Intelligence Organisation; improved analysis and security checking of travellers to Australia; and higher quality data matching systems. The incorporation of more efficient systems will help to ensure that appropriate security requirements do not slow down business and tourism travel.

This measure involves \$17.7 million in capital funding in 2007-08 for the Department of Immigration and Citizenship and \$9.0 million in capital funding in 2007-08 for the Australian Security Intelligence Organisation, which includes funding for IT system upgrades.

Further information can be found in the press release of 8 July 2007 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2007-08 Budget

Citizenship Test — administration

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	4.1	11.0	-	-
Medicare Australia	0.9	0.4	-	-
Total	5.0	11.3	-	-
<i>Related capital (\$m)</i>				
Department of Immigration and Citizenship	10.6	0.2	-	-
Centrelink	0.1	-	-	-
Total	10.8	0.2	-	-

The Government will provide \$27.3 million over two years to administer the Citizenship Test for prospective Australian citizens via a network of Australian Government offices, including selected Centrelink and Medicare Australia offices.

This approach to administering the test builds on the *Citizenship Test* measure announced in the 2007-08 Budget and will be reviewed prior to the 2009-10 Budget to assess its effectiveness.

The costs over two years are estimated at \$25.9 million for the Department of Immigration and Citizenship and \$1.3 million for Medicare Australia. The funding for the Department of Immigration and Citizenship includes \$0.9 million in 2007-08 and \$0.2 million in 2008-09 for services to be provided by Centrelink.

This measure includes \$10.8 million over two years in capital funding for the Department of Immigration and Citizenship and \$0.1 million in capital funding in 2007-08 for Centrelink for IT equipment and software to support this method of delivery.

Appendix A: Policy decisions taken since the 2007-08 Budget

Citizenship Test — initiatives to support implementation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	1.4	5.8	4.9	4.5
<i>Related capital (\$m)</i>				
<i>Department of Immigration and Citizenship</i>	0.4	-	-	-

The Government will provide \$16.9 million over four years to provide additional support for citizenship applicants to meet the requirements of the Citizenship Test. This includes a grants programme for community organisations to assist migrants to prepare for the Citizenship Test; updating the Let's Participate course to reflect the new material contained in the Citizenship Test resource book; and the development of a Citizenship Test preparation webpage.

This measure includes \$0.4 million in capital funding in 2007-08 for IT to support implementation of the grants programme.

Further information can be found in the press release of 17 September 2007 issued by the Minister for Immigration and Citizenship.

Migration and Humanitarian Programmes — integration criterion

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	1.6	1.4	1.1	1.2
<i>Related capital (\$m)</i>				
<i>Department of Immigration and Citizenship</i>	0.5	0.2	-	-

The Government will provide \$5.9 million over four years (including \$0.7 million in capital funding) to implement an integration criterion in the Migration and Humanitarian Programmes.

The purpose of this criterion is to assess that visa applicants are likely to become established in Australia without undue personal difficulty and without imposing undue difficulties or costs on the Australian community.

Appendix A: Policy decisions taken since the 2007-08 Budget

Unaccompanied Humanitarian Minors — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	nfp	nfp	nfp	nfp

The Government will provide additional funding over four years to state government welfare agencies across Australia for the welfare, supervision and support of Unaccompanied Humanitarian Minors (UHMs). The funding will meet the costs associated with the increased number and complexity of cases under this programme. UHMs are children, under 18 years of age, who enter Australia under the Humanitarian Programme and who are not in the care of a parent.

Provision for this funding has been included in the forward estimates and is not for publication due to ongoing negotiations with the States.

Visas — cessation of the Trade Skills Training Visa

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	-1.2	-1.1	-1.2	-1.2
Department of Education, Science and Training	-2.2	-2.2	-2.3	-2.3
Total	-3.3	-3.3	-3.4	-3.5
<i>Related revenue (\$m)</i>				
<i>Department of Immigration and Citizenship</i>	..	..	..	..

The Government has ceased the pilot programme for the Trade Skills Training Visa. The pilot, announced in the 2005-06 Budget, has experienced a significantly lower than expected application rate.

This measure is expected to lead to savings of \$13.4 million over four years.

Appendix A: Policy decisions taken since the 2007-08 Budget

Visas — new work and holiday arrangements with the United States

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Immigration and Citizenship	1.2	1.5	1.9	1.9
<i>Related revenue (\$m)</i>				
Department of Immigration and Citizenship	0.2	2.0	4.0	4.1
<i>Related capital (\$m)</i>				
Department of Immigration and Citizenship	1.1	-	-	-

The Government will provide \$7.6 million over four years to implement a new reciprocal work and holiday visa arrangement with the United States of America (USA).

The purpose of this visa is to enable eligible applicants from the USA to holiday and travel in Australia and to undertake temporary work to supplement funds.

This measure includes \$1.1 million in capital funding in 2007-08 for IT to support the new visa arrangement.

The cost of this measure will be offset by an increase in revenue of \$10.2 million arising from additional visa charges.

Further information can be found in the press release of 5 September 2007 issued by the Assistant Minister for Immigration and Citizenship.

INDUSTRY, TOURISM AND RESOURCES

Australian Energy Market Council — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	1.5	-	-	-

The Government will provide \$1.5 million in 2007-08 to the Australian Energy Market Council to enable it to undertake national electricity grid planning tasks assigned by the Council of Australian Governments (COAG) on 13 April 2007.

This measure builds on the recommendations in the Government's *Energy White Paper* (2004) to promote reform and efficiencies in the national energy market.

This measure forms part of an agreement made by COAG on 13 April 2007. Further information can be found in the Communiqué available from www.coag.gov.au.

Climate change — Asia-Pacific Network for Energy Technology — establishment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	1.9	3.1	-	-

The Government will provide \$5.0 million over two years from 2007-08 to establish the Asia Pacific Network for Energy Technology (APNet).

The APNet initiative will improve linkages between researchers in the Asia-Pacific Economic Cooperation (APEC) region on emerging low emission energy and energy efficiency technologies, accelerating their development and contributing to medium and long-term reductions in greenhouse gas emissions.

This measure is part of the Government's set of initiatives to support the APEC climate change agenda.

Further information can be found in the press release of 2 September 2007 issued by the Prime Minister.

Climate change — Asia-Pacific Partnership on Clean Development and Climate — extension

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	2.5	16.9	22.9	7.3
<i>Related capital (\$m)</i>				
Department of Industry, Tourism and Resources	0.2	-	-	-

The Government will provide an additional \$50.0 million over five years (including \$0.1 million in 2011-12) to fund environmental projects and clean coal technology development in partner countries. The Government has agreed that \$20 million of this funding will be earmarked for clean coal projects in China, consistent with the objectives of the Australia-China Joint Coordination Group on Clean Coal Technology. The balance of funding will be applied to projects in any Asia-Pacific partnership country.

Approval of all projects funded from this programme and the strategic direction of Australia's commitment to the Asia-Pacific Partnership's programme will be the joint responsibility of the Minister for Industry, Tourism and Resources and the Minister for the Environment and Water Resources, in consultation with the Minister for Foreign Affairs.

This measure includes \$0.2 million in capital funding in 2007-08 for information and communication technology set up costs.

Further information can be found in the press releases of 2 September and 6 September 2007 issued by the Prime Minister.

Ford Australia — assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	-	-	10.0	-

The Government will provide \$10.0 million in each of 2009-10 and 2011-12 to Ford Australia to help encourage the assembly of the next generation Ford Focus at its Broadmeadows plant.

The cost of this measure will be met through bringing forward and redirecting \$20.0 million from the second tranche of a 2006 grant to Ford Australia, which was originally to be provided in 2012-13.

The Victorian Government will match the \$20.0 million being provided by the Australian Government for the Ford Focus project.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 23 July 2007 issued by the Minister for Industry, Tourism and Resources.

FutureGen Alliance — membership

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	15.0	-	-	-

The Government will provide \$15.0 million in 2007-08 to secure membership in the FutureGen Alliance, which aims to develop a near-zero greenhouse emissions coal-fuelled power plant.

The FutureGen partnership is a public-private partnership led by the United States Department of Energy, and has a number of industry members from Australia, such as BHP Billiton, Xstrata and Rio Tinto.

Australia's membership will provide access to the research programme and will give Australia a seat on the government steering committee which oversees the FutureGen project.

Further information can be found in the press release of 5 September 2007 issued by the Prime Minister.

Geelong Investment and Innovation Fund

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	3.6	6.9	4.0	0.2

The Government will provide \$14.6 million over five years (including \$0.1 million in 2011-12) to establish the Geelong Investment and Innovation Fund, following the decision by Ford Australia to restructure its Geelong manufacturing operations.

The fund will provide structural adjustment assistance in the form of competitive, merit-based grants to local businesses and groups for new employment creation projects in the Geelong region of Victoria.

The new fund will consist of contributions from the Australian Government; \$6.0 million from the Victorian Government; and \$3.0 million from Ford Australia.

Further information can be found in the press release of 18 July 2007 issued by the Minister for Industry, Tourism and Resources.

Appendix A: Policy decisions taken since the 2007-08 Budget

Innovation Ambassador Programme

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	-	-	-	-

The Government will provide \$5.0 million over three years from 2008-09 for a new Innovation Ambassador Programme to promote innovation and entrepreneurship in the Australian community, particularly amongst small business and young Australians.

This measure will provide for innovation awareness activities for small business and young entrepreneurs; sponsorships that promote innovation and entrepreneurial achievement; and research to provide industry innovation intelligence to Government, with a view to enhancing the delivery and design of innovation programmes.

The cost of this measure will be met from within the existing resourcing of the Department of Industry, Tourism and Resources.

Further information can be found in the press release of 28 September 2007 issued by the Minister for Industry, Tourism and Resources.

World Youth Day — additional contribution

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Industry, Tourism and Resources	15.0	-	-	-

The Government will provide an additional \$15.0 million in 2007-08 to the Catholic Archdiocese of Sydney as a further contribution to the cost of hosting World Youth Day in Sydney from 15 to 20 July 2008.

This measure builds on a contribution of \$20.0 million (\$10.0 million in 2005-06 and \$10.0 million in 2007-08) that was provided to the Archdiocese for this purpose in the 2006-07 Budget.

PRIME MINISTER AND CABINET

Asia-Pacific Economic Cooperation — additional funding for related activities

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Prime Minister and Cabinet	0.2	-	-	-

The Government will provide additional funding of \$0.2 million in 2007-08 for activities related to the hosting of the Asia-Pacific Economic Cooperation (APEC) meeting of leaders, including provision of policy input and arrangements for bilateral meetings between the Prime Minister and the world leaders who were in Australia at the time of APEC.

Canada-Australia public policy initiative — establishment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of the Prime Minister and Cabinet	0.4	0.9	0.7	0.9

The Government will provide \$3.3 million over five years (including \$0.3 million in 2011-12) to establish a public policy initiative between the Australian and Canadian Governments.

The objective of the initiative is to deepen the working relationship between the two governments by exploring public policy challenges. It includes an interchange programme, an annual retreat and an annual public lecture series.

TRANSPORT AND REGIONAL SERVICES

AusLink — additional AusLink National Network funding in 2007-08 and 2008-09

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	20.0	80.0	-	-100.0

The Government will provide additional funding of \$100.0 million for AusLink National Network projects in 2007-08 and 2008-09. The \$100.0 million is already included in the forward estimates as part of the 2009-10 to 2013-14 AusLink 2 programme. The funding will be brought forward from 2010-11 to allow for the early initiation of projects.

AusLink — inland rail

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	13.5	61.5	-75.0	-

The Government will provide \$100.0 million over three years to the Australian Rail Track Corporation for the development of the AusLink rail network. This comprises \$15.0 million for a scoping study involving the detailed planning and design work for a future inland rail corridor and \$85.0 million for projects on existing sections of the AusLink rail network which could contribute to a future inland rail corridor.

Provision for the funding of \$100.0 million is already included in the forward estimates as part of the 2009-10 to 2013-14 AusLink 2 programme. However, funding of \$75.0 million will be brought forward from 2009-10 to allow for the commencement of these projects in 2007-08.

Appendix A: Policy decisions taken since the 2007-08 Budget

AusLink — new funding for particular road projects

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	5.0	20.0	45.0	45.0

The Government will provide additional funding of \$185.0 million over five years (including \$70.0 million in 2011-12) for road projects other than under the *AusLink (National Land Transport) Act 2005*. This includes funding for the construction of the Kingston bypass in Tasmania, duplication of the Southern Expressway in Adelaide and the upgrade of the intersection at Whitehorse and Springvale roads in Melbourne's eastern suburbs.

Further information can be found in the press releases of 18 August 2007 issued by the Prime Minister and 5 October 2007 issued by the Treasurer.

Australian Maritime College Marine research project — funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	3.0	-	-	-

The Government will provide \$3.0 million in 2007-08 to the Australian Maritime College to be used for the expansion of the ship simulator programme and upgrade of the cavitation tunnel (used to simulate water flows around bodies such as ship hulls) at the Launceston campus.

Further information can be found in the press release of 13 July 2007 issued by the Parliamentary Secretary to the Minister for Transport and Regional Services.

Flood relief appeals — donations

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	-	-	-	-

The Government provided \$0.6 million in 2007-08 for donations to flood relief appeals. A donation of \$50,000 was made to the Gippsland Emergency Relief Fund and a donation of \$500,000 was made to the Newcastle Permanent Regional Relief Fund.

The cost of this measure was met from within the existing resourcing of the Department of Transport and Regional Services.

Appendix A: Policy decisions taken since the 2007-08 Budget

Further information can be found in the press release of 6 July 2007 issued by the Prime Minister.

Growing Regions Programme

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	2.5	30.0	40.0	75.0

The Government will provide \$200.0 million over five years (including \$52.5 million in 2011-12) for the Growing Regions Programme which will support local community projects that deal with the increasing demands on infrastructure, services and employment in regional Australia caused by rapid growth, structural change, population migration and population ageing. The Programme will provide funding of \$1.0 million to \$3.0 million per project. This measure will commence from 1 January 2008.

Further information can be found in the joint press release of 12 September 2007 issued by the Deputy Prime Minister and Minister for Transport and Regional Services.

Local government amalgamation — plebiscites in Queensland

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	*	*	*	*

The Australian Government has announced that the Australian Electoral Commission (AEC) will conduct, at the expense of the Australian Government, plebiscites about amalgamation proposals in local government areas in Queensland. Funding will be provided for payment to the AEC to offset any costs incurred by the AEC. The funding requirement cannot be determined at this stage as it will depend on the number of local government areas included in the plebiscites and the format for the plebiscites.

Further information can be found in the press release of 19 August 2007 issued by the Prime Minister.

Appendix A: Policy decisions taken since the 2007-08 Budget

Seat belts on regional school buses

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	10.0	10.0	10.0	10.0

The Government will provide \$40.0 million over four years to increase the number of school buses equipped with seat belts for students in rural and regional areas. This measure will fund grants, to be paid directly to private rural and regional bus operators, of up to \$25,000 per existing in-service bus to be fitted with seat belts. It is envisaged that it would fund the installation of seat belts in at least 1,500 regional school buses.

Further information can be found in the press release of 19 September 2007 issued by the Prime Minister.

Tasmanian freight subsidy arrangements — improved administration

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	1.8	0.7	0.7	0.8

The Government will provide \$4.0 million over four years to improve the administration of the Tasmanian Freight Equalisation Scheme in response to the recommendations of the Productivity Commission inquiry into the Tasmanian Freight Subsidy Arrangements.

This measure includes payments to Centrelink of \$0.9 million in 2007-08, \$0.1 million in 2008-09, \$0.1 million in 2009-10 and \$0.1 million in 2010-11 for improvements to its IT systems used to manage payments under the Scheme on behalf of the Department of Transport and Regional Services.

Further information can be found in the press release of 21 June 2007 issued by the Minister for Local Government, Territories and Roads.

Young District Medical Centre

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	0.1	-	-	-

The Government will provide \$0.1 million in 2007-08 to contribute to the expansion of the Young District Medical Centre to accommodate a specialist GP Anaesthetist and to supply educational and training facilities for medical students and registrars.

TREASURY

National Plan for Water Security — Australian Competition and Consumer Commission regulatory arrangements

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Competition and Consumer Commission	5.9	6.8	6.1	6.1
Department of the Environment and Water Resources	-7.0	-6.8	-6.1	-6.1
Total	-1.1	-	-	-
<i>Related capital (\$m)</i>				
Australian Competition and Consumer Commission	1.1	-	-	-

The Government will provide \$65.5 million over 10 years, from the \$10 billion National Plan for Water Security administered by the Department of the Environment and Water Resources, to support the Australian Competition and Consumer Commission (ACCC) in its role of providing advice to the Australian Government on the water charging and market rules to apply within the Murray-Darling Basin. The ACCC will also be responsible for enforcing these rules and will approve or determine bulk water charges.

The ACCC will also provide advice on the water charging implications of new Australian Government infrastructure investment under the National Plan for Water Security.

This measure includes \$1.1 million in capital funding in 2007-08 for fit-out, office furniture and computers.

Regulations for private rulings requiring valuations

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	8.2	13.3	6.5	6.3

The Government will provide \$34.3 million over four years to make it easier for taxpayers to seek valuations as part of a private ruling.

Appendix A: Policy decisions taken since the 2007-08 Budget

Taxpayers will not be charged by the Australian Taxation Office for a review of a valuation where that valuation was conducted professionally by a member of an approved professional association. Where the taxpayer has not provided their own valuation, or the valuation they provided was not conducted by a member of an approved professional association, the Australian Taxation Office will retain the power to charge the taxpayer for the valuation process.

Further information can be found in the press release of 23 August 2007 issued by the Minister for Revenue and Assistant Treasurer.

Royal Australian Mint — information management system upgrade — Phase 2

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Royal Australian Mint	2.7	2.2	1.0	1.0
<i>Related capital (\$m)</i>				
<i>Royal Australian Mint</i>	4.2	1.8	0.2	-

The Government will provide \$13.1 million over four years (including \$6.2 million in capital funding) to the Royal Australian Mint to support the implementation of Phase 2 of the upgrade of its information management and business systems.

The systems upgrade will integrate data across the Mint's manufacturing and other business areas to provide enhanced information reporting, data management, and financial and human resource systems administration.

This funding is in addition to \$0.5 million provided by the Government for implementing Phase 1. See the capital measure titled *Royal Australian Mint - internal security and upgrade of associated systems* in the 2007-08 Budget.

Further information can be found in the press release of 12 September 2007 issued by the Royal Australian Mint.

Screen media support package — further policy amendments

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	2.1	1.1	1.1	1.1
<i>Related revenue (\$m)</i>				
<i>Australian Taxation Office</i>	-	-6.0	-	-

Following consultation with the industry, the Government has amended some elements of the screen media support package announced in the 2007-08 Budget to better meet the objectives of the policy and the needs of the screen production industry in Australia, at an estimated cost of \$11.4 million over four years.

Appendix A: Policy decisions taken since the 2007-08 Budget

Under the amendments:

- the 15 per cent location offset applies for large-budget productions commencing principal photography or production of the animated image from 8 May 2007, rather than 1 July 2007; and
- 'one-off' documentaries are eligible on the same basis as multiple episode documentaries and a common definition of 'series' applies across all media types.

To assist taxpayers to adjust to the phasing out of current film tax concessions, taxpayers are able to continue to utilise film tax concessions provided under Division 10B and 10BA of the *Income Tax Assessment Act 1936* by allowing applications for certificates to be accepted up until the date of Royal Assent of the amending legislation, rather than 30 June 2007.

This measure relates to the *Screen media support package* of measures announced in the 2007-08 Budget, involving funding of \$282.9 million over four years.

Further information can be found in the press releases of 3 August 2007 and 16 August 2007 issued by the Minister for the Arts and Sport.

Simplified Superannuation — additional funding for media coverage

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	17.6	-	-	-

The Government will provide \$17.6 million in 2007-08 for increased media coverage to ensure the community is fully informed of the changes delivered through the simplified superannuation reforms.

This measure relates to the *Simplified Superannuation* measures announced in the *Mid-Year Economic and Fiscal Outlook 2006-07* and *Simplified Superannuation - additional funding for implementation* announced in the 2007-08 Budget.

Appendix A: Policy decisions taken since the 2007-08 Budget

Standard Business Reporting

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	14.2	15.8	12.8	7.8
Department of the Treasury	9.9	9.9	14.6	4.7
Australian Bureau of Statistics	3.3	3.2	3.4	2.4
Australian Securities and Investments Commission	1.7	1.4	1.6	0.8
Australian Customs Service	1.6	-	-	-
Australian Prudential Regulation Authority	0.7	1.6	4.0	1.9
Department of Industry, Tourism and Resources	0.6	2.0	2.0	0.5
Department of Finance and Administration	0.3	1.0	0.3	-
Total	32.3	34.8	38.7	18.0
<i>Related capital (\$m)</i>				
<i>Australian Taxation Office</i>	<i>9.6</i>	<i>19.4</i>	<i>3.5</i>	<i>-</i>
<i>Department of the Treasury</i>	<i>8.8</i>	<i>9.3</i>	<i>7.2</i>	<i>-</i>
<i>Australian Bureau of Statistics</i>	<i>5.9</i>	<i>4.8</i>	<i>3.8</i>	<i>0.9</i>
<i>Department of Industry, Tourism and Resources</i>	<i>2.1</i>	<i>1.3</i>	<i>1.1</i>	<i>-</i>
<i>Australian Securities and Investments Commission</i>	<i>1.5</i>	<i>3.2</i>	<i>1.0</i>	<i>-</i>
<i>Australian Prudential Regulation Authority</i>	<i>-</i>	<i>1.9</i>	<i>1.0</i>	<i>-</i>
Total	27.9	39.8	17.7	0.9

The Government will provide \$210.2 million over four years to initiate the Standard Business Reporting programme. The programme aims to cut the red tape confronting business when reporting to government through better, more streamlined computer reporting systems. It will first target financial reporting, by allowing businesses to use a single, secure log-on to send financial information to the Australian Bureau of Statistics, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Taxation Office and, potentially, the State Revenue Offices.

This measure includes capital funding of \$86.3 million for information and communications technology equipment.

The measure also includes \$1.6 million in 2007-08 for the Australian Customs Service to develop electronic trade solutions.

This measure relates to the *Standard Business Reporting* measure announced in the 2007-08 Budget, involving funding of \$7.3 million in 2006-07.

Further information can be found in the press release of 30 August 2007 issued by the Treasurer.

VETERANS' AFFAIRS

Compensation — ex-gratia payment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Veterans' Affairs	-	-	-	-

The Government will provide \$10,000 in 2007-08 in ex-gratia assistance to compensate a Vietnam Veteran in consideration of his particular medical circumstances.

The cost of this measure will be met from within the existing resourcing of the Department of Veterans' Affairs.

Veterans' Disability Pension — changes to indexation and increases to the General and Extreme Disablement Adjustment Rates

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Veterans' Affairs	16.5	61.3	72.7	85.3
Department of Health and Ageing	..	..	-0.1	-0.1
Department of Employment and Workplace Relations	-0.1	-0.3	-0.3	-0.4
Department of Families, Community Services and Indigenous Affairs	-0.4	-1.6	-2.0	-2.5
Total	16.1	59.5	70.3	82.3
<i>Related capital (\$m)</i>				
<i>Department of Veterans' Affairs</i>	<i>0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>

The Government will provide \$235.9 million over four years to index the General Rate component of the veterans' Disability Pension to movements in the Consumer Price Index and Male Total Average Weekly Earnings, whichever is the greater. The new indexation arrangements will apply from 20 March 2008. The Government will also increase the General Rate of the Disability Pension by 5 per cent and increase the Extreme Disablement Adjustment Rate by \$15 per fortnight. The new indexation arrangements will benefit approximately 140,000 disability pensioners, including those on the Special, Intermediate and Extreme Disablement Adjustment Rates of the Disability Pension.

This measure includes \$0.1 million in capital funding in 2007-08 to upgrade related computer systems.

Appendix A: Policy decisions taken since the 2007-08 Budget

The cost of this measure will be partially offset by savings of \$7.6 million over four years, as the Disability Pension is taken into account for income testing arrangements for the Age Pension and other benefits paid under the *Social Security Act 1991*. The net cost of the measure is \$228.3 million.

Further information can be found in the press release of 11 September 2007 issued by the Minister for Veterans' Affairs.

Vietnam Veteran Family Study

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Veterans' Affairs	0.7	2.7	4.5	1.7
<i>Related capital (\$m)</i>				
<i>Department of Veterans' Affairs</i>	<i>0.3</i>	<i>-</i>	<i>-</i>	<i>-</i>

The Government will provide \$13.3 million over eight years (including \$0.9 million in 2011-12, \$0.8 million in 2012-13, \$0.8 million in 2013-14 and \$0.9 million in 2014-15) to examine the effects of military service on the children and families of Vietnam veterans. The Vietnam Veteran Family Study aims to monitor health and welfare issues for Vietnam veterans' families by examining physical, mental and social health outcomes. The study will involve both quantitative and qualitative components in a tiered approach looking at about 200,000 parents and children, with the first results available in 2009.

Further information can be found in the press release of 16 August 2007 issued by the Minister for Veterans' Affairs.

War Widows' Pension — increased payment and changes to indexation

Expense (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Veterans' Affairs	8.5	31.8	34.7	37.4
Department of Health and Ageing	-0.2	-0.7	-0.6	-0.5
Total	8.3	31.1	34.1	36.9

The Government will provide \$112.5 million over four years to index the previously non-indexed component of the War Widows' Pension to movements in the Consumer Price Index or Male Total Average Weekly Earnings, whichever is the greater. The new indexation arrangements will apply from 20 March 2008. The Government will also increase the non-indexed component of the War Widows' Pension by \$10 per fortnight. The new arrangements will benefit approximately 114,000 War Widow Pensioners.

Appendix A: Policy decisions taken since the 2007-08 Budget

The cost of this measure will be partially offset by savings of \$2.1 million over four years, as the War Widows' Pension is taken into account for aged care income testing arrangements. The net cost of the measure is \$110.4 million.

Further information can be found in the press release of 19 September 2007 issued by the Minister for Veterans' Affairs.

CAPITAL MEASURES

EDUCATION, SCIENCE AND TRAINING

Department of Education, Science and Training central office fit-out

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Education, Science and Training	-	-	20.0	-

The Government will provide \$60.0 million in 2009-10 for the fit-out of a new building to accommodate the Department of Education, Science and Training in Canberra, of which \$40.0 million will be funded from within the existing resourcing of the Department.

The new building will consolidate the Department's Canberra accommodation, provide enhanced operational efficiency and facilitate greater levels of environmental performance.

FINANCE AND ADMINISTRATION

Intra-government Communications Network — capital funding

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Finance and Administration	-	-	-	-

The Government will provide \$4.2 million over five years for the development of the Intra-government Communications Network (ICON), a communications system providing dedicated point-to-point links for Australian Government agencies in Canberra through the use of underground fibre optic cables.

There is no fiscal balance impact because the additional expenditure by the Department of Finance and Administration will be offset by contributions from agencies using ICON.

HEALTH AND AGEING

National Medical Stockpile — replenishment

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Health and Ageing	-	-	-	-

The Government will provide \$29.3 million in 2007-08 to replace National Medical Stockpile pharmaceuticals and pandemic vaccination packs that expire in 2007-08. This will include purchasing pharmaceuticals to assist the health system in responding to a possible influenza pandemic or a chemical, biological or radiological incident.

The National Medical Stockpile was created in 2002 as a strategic reserve of medications and medical equipment to respond to potential mass casualty emergencies or health disasters.

The cost of this measure will be met from within the existing resourcing of the Department of Health and Ageing.

TRANSPORT AND REGIONAL SERVICES

Acquisition of land for a future embassy site

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
National Capital Authority	3.0	-	-	-

The Government will provide funding of \$3.0 million in 2007-08 to acquire and develop land in Yarralumla for a future embassy site.

Christmas Island Immigration Reception and Processing Centre — replacement of power cables

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
Department of Transport and Regional Services	5.0	-	-	-

The Government will provide funding of \$5.0 million in 2007-08 for the replacement of faulty power cables on Christmas Island to ensure a reliable power supply to the Christmas Island Immigration Reception and Processing Centre.

TREASURY

Royal Australian Mint — refurbishment

Capital (\$m)	2007-08	2008-09	2009-10	2010-11
Royal Australian Mint	8.5	8.0	-	-
Department of Finance and Administration	8.2	0.5	-	-
Total	16.7	8.5	-	-
<i>Related expense (\$m)</i>				
<i>Royal Australian Mint</i>	-	0.1	0.2	0.2

The Government will provide \$25.6 million over four years to complete the refurbishment of the Royal Australian Mint building.

This measure includes funding of \$16.9 million over four years to the Royal Australian Mint for tenancy-related fit-out costs and process engineering improvements to coin proof and tool rooms; and \$8.7 million over two years to the Department of Finance and Administration for base building works.

This funding is in addition to \$41.2 million provided in the 2005-06 Budget measure, *Royal Australian Mint buildings – refurbishment*. The current capital works represent the first major refurbishment of the building since it was purpose-built in 1965.

APPENDIX B: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this Appendix are prepared in accordance with the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework.

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations and total non-financial public sectors. A statement of other economic flows is also included for the Australian Government general government sector.

The Australian, State and Territory Governments have an agreed framework – the *Accrual Uniform Presentation Framework* – for the presentation of government financial information on a basis consistent with the ABS GFS publication. This Appendix presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Attachment A to Part 4.

The only difference between the Australian Government general government sector statements in Part 4 and this Appendix is the treatment of the GST. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Australian Taxation Office, as an agent for the States and Territories (the States), and appropriated to the States. Consequently, it is not shown as Australian Government revenue in other parts in this document. However, the tables in this Appendix show GST as taxation revenue and payments to the States as grant expenses.

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth estimates in this Appendix differ from those reported elsewhere in this document. This difference represents the effect of GST revenue accrued but not yet received and, therefore, not yet paid or payable to the States (as GST obligations to the States are on a cash basis).¹ The cash flows presented in this statement include GST (except in respect to GST flows internal to the general government sector). The GFS cash surplus/deficit is not affected and provides identical results under both treatments of GST receipts.

Transactions between the Australian Government general government and public non-financial corporations sectors are included in the relevant tables, but removed

1 Table E3 in Appendix E shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

Appendix B: Government Finance Statistics statements

from the total non-financial public sector tables as they are transactions internal to that sector.

Computer software and other intangibles are recorded at historic costs, as an active market is not observable for such assets. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

Appendix E provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

In accordance with *Accrual Uniform Presentation Framework* requirements, this Appendix also contains an update of the Australian Government's Loan Council Allocation.

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table B1: Australian Government general government sector operating statement

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
GFS revenue				
Taxation revenue	279,401	293,416	309,061	318,886
Current grants and subsidies	0	0	0	0
Sales of goods and services	5,191	5,322	5,452	5,567
Interest income	4,663	4,467	5,601	6,537
Dividend income	2,707	4,017	4,003	4,384
Other	3,451	3,471	3,613	3,755
Total GFS revenue	295,415	310,692	327,729	339,129
GFS expenses				
Gross operating expenses				
Depreciation	2,483	2,650	2,761	2,765
Superannuation	2,675	2,724	2,805	2,945
Salaries and wages	15,093	15,001	15,426	15,826
Payment for supply of goods and services	58,056	61,725	64,888	66,834
Other operating expenses	3,314	3,537	3,678	3,882
<i>Total gross operating expenses</i>	<i>81,620</i>	<i>85,638</i>	<i>89,558</i>	<i>92,253</i>
Nominal superannuation interest expense	6,276	6,319	6,470	6,723
Other interest expenses	3,992	3,911	3,886	3,737
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	87,139	93,136	97,070	100,673
Subsidy expenses	7,314	7,542	7,826	8,137
Personal benefit payments in cash	84,487	89,783	94,954	100,930
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>178,940</i>	<i>190,461</i>	<i>199,850</i>	<i>209,741</i>
Capital transfers	7,031	7,793	7,497	7,350
Total GFS expenses	277,860	294,123	307,261	319,803
Net operating balance(a)	17,554	16,570	20,468	19,326
Net acquisition of non-financial assets				
Purchases of non-financial assets	3,715	4,329	3,670	3,449
<i>less</i> Sales of non-financial assets	<i>256</i>	<i>252</i>	<i>250</i>	<i>92</i>
<i>less</i> Depreciation	<i>2,483</i>	<i>2,650</i>	<i>2,761</i>	<i>2,765</i>
<i>plus</i> Change in inventories	<i>238</i>	<i>221</i>	<i>188</i>	<i>212</i>
<i>plus</i> Other movements in non-financial assets	<i>378</i>	<i>116</i>	<i>115</i>	<i>148</i>
Total net acquisition of non-financial assets	1,592	1,763	963	951
Net lending/fiscal balance(a)(b)	15,962	14,807	19,505	18,375

(a) The fiscal balance and net operating balance estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of the GST as an Australian Government tax.

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

Table B2: Australian Government general government sector balance sheet

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
GFS assets				
Financial assets				
Cash and deposits	1,043	1,135	1,018	1,420
Advances paid	25,013	26,132	27,062	28,197
Investments, loans and placements	57,039	74,542	91,902	100,089
Other non-equity assets	30,625	30,567	31,363	32,756
Equity(a)	72,191	74,229	77,567	81,154
<i>Total financial assets</i>	<i>185,911</i>	<i>206,605</i>	<i>228,912</i>	<i>243,616</i>
Non-financial assets				
Land	6,940	6,972	6,900	7,016
Buildings	16,981	18,258	19,122	20,062
Plant, equipment and infrastructure	10,931	11,084	11,049	10,784
Inventories	3,486	3,610	3,788	3,971
Heritage and cultural assets	8,245	8,258	8,280	8,294
Other non-financial assets	3,090	3,206	3,251	3,307
<i>Total non-financial assets</i>	<i>49,673</i>	<i>51,387</i>	<i>52,389</i>	<i>53,433</i>
Total GFS assets	235,584	257,992	281,301	297,049
GFS liabilities				
Deposits held	263	263	263	263
Advances received	0	0	0	0
Government securities	59,288	59,469	58,917	50,947
Loans	7,085	6,801	6,556	6,610
Other borrowing	365	824	784	741
Superannuation liability	106,879	110,654	114,379	118,158
Other employee entitlements and provisions	8,479	8,829	9,204	9,645
Other non-equity liabilities	26,381	26,724	26,862	27,403
Total GFS liabilities	208,739	213,563	216,964	213,767
Net worth(b)(c)	26,845	44,429	64,337	83,283
Net financial worth(d)	-22,828	-6,959	11,948	29,849
Net debt(e)(f)	-16,094	-34,452	-53,463	-71,145

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

(b) The net worth estimates in this table differ from those presented elsewhere in the MYEFO reflecting the treatment of GST as an Australian Government tax.

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

(d) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

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

(f) Includes the impact of the sale of the Government's holding in Telstra. The net debt estimate in 2007-08 assumes that the Future Fund will increasingly be invested in equities, which are not included in the calculation of net debt.

Table B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Cash receipts from operating activities				
Taxes received(b)	274,115	287,539	303,088	312,667
Receipts from sales of goods and services(c)	5,188	5,338	5,448	5,560
Grants and subsidies received	0	0	0	0
Interest receipts	4,482	4,185	5,310	6,240
Dividends	2,692	4,017	3,983	4,434
GST input credits received by general government(c)	0	0	0	0
Other receipts	3,150	3,356	3,509	3,654
Total operating receipts	289,628	304,436	321,337	332,554
Cash payments for operating activities				
Payments for goods and services(c)	-57,977	-61,506	-64,660	-66,736
Grants and subsidies paid(d)	-98,849	-104,678	-109,687	-113,683
Interest paid	-3,646	-3,594	-3,472	-4,472
Personal benefit payments	-83,983	-89,519	-94,799	-100,632
Salaries, wages and other entitlements	-20,044	-20,218	-20,884	-21,659
GST payments by general government to taxation authority(c)	0	0	0	0
Other payments for operating activities	-3,272	-3,517	-3,577	-3,682
Total operating payments	-267,771	-283,032	-297,080	-310,864
Net cash flows from operating activities	21,857	21,404	24,257	21,690
Cash flows from investments in non-financial assets				
Sales of non-financial assets	301	258	254	88
Purchases of non-financial assets	-3,938	-3,698	-3,568	-3,371
Net cash flows from investments in non-financial assets	-3,637	-3,440	-3,313	-3,283
Net cash flows from investments in financial assets for policy purposes	4,550	891	-1,806	-2,008
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-24,884	-18,415	-18,010	-8,773
Net cash flows from investments in financial assets for liquidity purposes	-24,884	-18,415	-18,010	-8,773
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	2,542	167	-699	-6,995
Deposits received (net)	0	0	0	0
Other financing (net)	-540	-516	-546	-229
Net cash flows from financing activities	2,002	-349	-1,245	-7,224
Net increase/decrease in cash held	-112	92	-117	402

Table B3: Australian Government general government sector cash flow statement^(a) (continued)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Net cash from operating activities and investments in non-financial assets	18,220	17,964	20,944	18,407
Finance leases and similar arrangements(e)	-4	-502	-6	0
Equals surplus(+)/deficit(-)	18,216	17,463	20,938	18,406

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

(b) Includes GST cash receipts on an Australian Government tax basis, which is \$47 million higher in 2007-08 than GST cash receipts measured on a State tax basis (as shown in Appendix C, Note 16).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments on an Australian Government tax basis.

(e) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table B4: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Opening net worth	2,689	26,845	44,429	64,337
Opening net worth adjustments(a)	8,291	0	0	0
Adjusted opening net worth	10,980	26,845	44,429	64,337
Change in net worth from operating transactions	17,554	16,570	20,468	19,326
Change in net worth from other economic flows				
Revaluation of equity(b)	608	3,866	2,627	2,917
Net writedowns of assets (including bad and doubtful debts)	-2,229	-2,338	-2,595	-2,704
Assets recognised for the first time	7	4	19	12
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	0	0	0	0
Net swap interest received	-113	-127	-109	-99
Market valuation of debt	-381	152	117	125
Other economic revaluations(c)	419	-543	-619	-632
Total other economic flows	-1,689	1,014	-559	-381
Closing net worth	26,845	44,429	64,337	83,283

(a) Adjustment to net worth arising mainly from a change in accounting policy for education grants.

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

(c) Largely reflects revaluation of assets and liabilities.

Table B5: Australian Government public non-financial corporations operating statement

	Estimates
	2007-08
	\$m
GFS revenue	
Current grants and subsidies	50
Sales of goods and services	6,840
Interest income	79
Other	2
Total GFS revenue	6,970
GFS expenses	
Gross operating expenses	
Depreciation	292
Salaries, wages and other entitlements	2,946
Other operating expenses	2,858
<i>Total gross operating expenses</i>	<i>6,096</i>
Interest expenses	48
Other property expenses	352
Current transfers	
Tax expenses	316
Other current transfers	0
<i>Total current transfers</i>	<i>316</i>
Capital transfers	0
Total GFS expenses	6,812
Net operating balance	158
Net acquisition of non-financial assets	
Purchases of non-financial assets	1,241
<i>less</i> Sales of non-financial assets	58
<i>less</i> Depreciation	292
<i>plus</i> Change in inventories	19
<i>plus</i> Other movements in non-financial assets	-139
Total net acquisition of non-financial assets	771
Net lending/fiscal balance(a)	-612

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

Table B6: Australian Government public non-financial corporations balance sheet

	Estimates
	2007-08
	\$m
GFS assets	
Financial assets	
Cash and deposits	1,155
Advances paid	0
Investments, loans and placements	1,945
Other non-equity assets	855
Equity	439
<i>Total financial assets</i>	<i>4,394</i>
Non-financial assets	
Land and fixed assets	4,215
Other non-financial assets(a)	171
<i>Total non-financial assets</i>	<i>4,386</i>
Total GFS assets	8,780
GFS liabilities	
Deposits held	0
Advances received	0
Borrowing	744
Unfunded superannuation liability and other employee entitlements	1,015
Provisions (other than depreciation and bad and doubtful debts)(a)	610
Other non-equity liabilities	710
Total GFS liabilities	3,079
Shares and other contributed capital	5,700
Net worth(b)	0
Net financial worth(c)	-4,386
Net debt(d)	-2,355

(a) Includes the elimination of commercial taxation adjustments.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. A zero net worth is recorded as shares and contributed capital for the non-financial corporations controlled by the Government are valued at net assets (a proxy for market value for unlisted companies).

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table B7: Australian Government public non-financial corporations cash flow statement^(a)

	Estimates
	2007-08
	\$m
Cash receipts from operating activities	
Receipts from sales of goods and services	7,220
Grants and subsidies received	0
GST input credit receipts	290
Other receipts	167
Total operating receipts	7,678
Cash payments for operating activities	
Payment for goods and services	-3,120
Interest paid	-45
Salaries, wages and other entitlements	-2,793
GST payments to taxation authority	-522
Other payments for operating activities	-244
Total operating payments	-6,723
Net cash flows from operating activities	954
Cash flows from investments in non-financial assets	
Sales of non-financial assets	58
Purchases of non-financial assets	-1,093
Net cash flows from investments in non-financial assets	-1,035
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	345
Net cash flows from investments in financial assets for liquidity purposes	345
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	91
Deposits received (net)	0
Distributions paid (net)	-428
Other financing (net)	103
Net cash flows from financing activities	-234
Net increase/decrease in cash held	30
Net cash from operating activities and investments in non-financial assets	-81
Finance leases and similar arrangements(b)	0
Distributions paid	-428
Equals surplus(+)/deficit(-)	-509

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table B8: Australian Government total non-financial public sector operating statement

	Estimates
	2007-08
	\$m
GFS revenue	
Taxation revenue	279,086
Current grants and subsidies	0
Sales of goods and services	11,352
Interest income	4,742
Dividend income	2,355
Other	3,453
Total GFS revenue	300,988
GFS expenses	
Gross operating expenses	
Depreciation	2,775
Superannuation	2,778
Salaries and wages	18,039
Payment for supply of goods and services	60,132
Other operating expenses	3,314
<i>Total gross operating expenses</i>	<i>87,038</i>
Nominal superannuation interest expense	6,276
Other interest expenses	4,040
Other property expenses	0
Current transfers	
Grant expenses	87,139
Subsidy expenses	7,264
Personal benefit payments in cash	84,487
Other current transfers	0
<i>Total current transfers</i>	<i>178,890</i>
Capital transfers	7,031
Total GFS expenses	283,276
Net operating balance	17,712
Net acquisition of non-financial assets	
Purchases of non-financial assets	4,956
<i>less</i> Sales of non-financial assets	314
<i>less</i> Depreciation	2,775
<i>plus</i> Change in inventories	257
<i>plus</i> Other movements in non-financial assets	239
Total net acquisition of non-financial assets	2,363
Net lending/fiscal balance(a)	15,350

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

Table B9: Australian Government total non-financial public sector balance sheet

	Estimates
	2007-08
	\$m
GFS assets	
Financial assets	
Cash and deposits	2,198
Advances paid	25,013
Investments, loans and placements	58,984
Other non-equity assets	31,379
Equity	66,930
<i>Total financial assets</i>	<i>184,504</i>
Non-financial assets	
Land and fixed assets	50,798
Other non-financial assets	3,261
<i>Total non-financial assets</i>	<i>54,059</i>
Total GFS assets	238,563
GFS liabilities	
Deposits held	263
Advances received	0
Government securities	59,288
Loans	7,085
Other borrowing	1,109
Unfunded superannuation liability and other employee entitlements	116,372
Other provisions	7,435
Other non-equity liabilities	20,167
Total GFS liabilities	211,718
Shares and other contributed capital	0
Net worth(a)	26,845
Net financial worth(b)	-27,214
Net debt(c)	-18,450

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

(b) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table B10: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates
	2007-08
	\$m
Cash receipts from operating activities	
Taxes received	273,800
Receipts from sales of goods and services(b)	11,819
Grants and subsidies received	0
Interest receipts	4,555
Dividends	2,302
GST input credit receipts(b)	0
Other receipts	3,207
Total operating receipts	295,682
Cash payments for operating activities	
Payments for goods and services(b)	-60,739
Grants and subsidies paid	-98,849
Interest paid	-3,691
Personal benefit payments	-83,983
Salaries, wages and other entitlements	-22,838
GST payments to taxation authority(b)	0
Other payments for operating activities	-3,200
Total operating payments	-273,299
Net cash flows from operating activities	22,383
Cash flows from investments in non-financial assets	
Sales of non-financial assets	359
Purchases of non-financial assets	-5,031
Net cash flows from investments in non-financial assets	-4,672
Net cash flows from investments in financial assets for policy purposes	4,550
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-24,539
Net cash flows from investments in financial assets for liquidity purposes	-24,539
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	2,632
Deposits received (net)	0
Distributions paid (net)	0
Other financing (net)	-437
Net cash flows from financing activities	2,195
Net increase/decrease in cash held	-83
Net cash from operating activities and investments in non-financial assets	17,711
Finance leases and similar arrangements(c)	-4
Distributions paid	0
Equals surplus(+)/deficit(-)	17,707

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

(b) GST flows are excluded from these categories.

(c) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each State and Territory Government nominate a Loan Council Allocation. A jurisdiction's Loan Council Allocation incorporates:

- the estimated non-financial public sector GFS cash deficit/surplus (made up from the general government and public non-financial corporations sector balances);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

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

In March 2007, the Australian Government nominated, and the Loan Council endorsed, a Loan Council Allocation surplus of \$17,163 million. In the 2007-08 Budget, the Australian Government estimated a Loan Council Allocation surplus of \$17,905 million.

Table B11 presents a revised estimate for the Australian Government's 2007-08 Loan Council Allocation of a \$22,483 million surplus.

Table B11: Australian Government Loan Council Allocation for 2007-08

	2007-08 Budget Estimate \$m	2007-08 MYEFO Estimate \$m
General government sector cash deficit(+)/surplus(-)	-13,628	-18,216
PNFC sector cash deficit(+)/surplus(-)	756	509
Non-financial public sector cash deficit(+)/surplus(-)	-12,872	-17,707
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	4,652	4,550
<i>plus</i> Memorandum items(b)	-382	-226
Loan Council Allocation	-17,905	-22,483

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

(b) For the Australian Government, memorandum items comprise the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and over-funding of superannuation.

APPENDIX C: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This Appendix presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*, except where departures from the standard are identified in Note 1.

A reconciliation of the Australian Government's general government sector AAS income, expenses and operating result with the general government sector Government Finance Statistics (GFS) revenue, expenses and operating balance is provided in Appendix E.

Table C1: Australian Government general government sector income statement

	Note	Estimates		Projections	
		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Revenues					
Taxation					
Income tax	3	203,060	213,190	226,280	233,040
Indirect tax	4	30,411	31,071	31,391	31,761
Other taxes		2,199	2,322	2,219	2,283
Total taxation revenue		235,670	246,583	259,890	267,084
Non-taxation					
Sales of goods and services		5,191	5,322	5,452	5,567
Interest and dividends	5	8,670	9,333	10,173	11,214
Other sources of non-tax revenue	6	3,674	3,675	3,814	3,959
Total non-tax revenue		17,536	18,330	19,439	20,740
Total revenue		253,206	264,913	279,330	287,824
Gains					
Net foreign exchange gains		0	0	0	0
Net gains from sale of assets		18	1,523	0	4
Other gains		976	3,452	4,248	4,534
Total gains		994	4,975	4,248	4,538
Income		254,199	269,888	283,578	292,362
Expenses					
Goods and services					
Employees	7	27,357	27,580	28,379	29,376
Suppliers	8	23,365	23,324	23,133	23,063
Depreciation and amortisation	9	5,221	5,390	5,358	5,241
Net write-down and impairment of assets and fair value losses		3,692	3,752	3,865	3,968
Net foreign exchange losses		0	0	0	0
Net losses from sale of assets		0	0	0	0
Other goods and services expenses	10	8,333	8,795	9,589	10,294
Total goods and services		67,969	68,841	70,323	71,940
Subsidies benefits and grants					
Personal benefits		102,878	109,605	116,214	123,694
Subsidies		12,897	13,612	14,363	14,758
Grants	11	48,410	51,578	52,779	53,609
Total subsidies benefits and grants		164,185	174,795	183,356	192,061
Borrowing costs					
Interest		5,677	5,261	4,964	4,562
Other borrowing costs		303	357	382	282
Total interest and other borrowing costs		5,980	5,619	5,347	4,844
Total expenses		238,133	249,255	259,026	268,845
Operating result		16,066	20,634	24,552	23,517

Table C2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Assets					
Financial assets					
Cash		1,043	1,135	1,018	1,420
Receivables	12	35,326	36,968	38,717	41,013
Investments		129,418	148,892	169,534	181,243
Equity accounted investments		185	185	185	185
Accrued revenue		2,956	3,167	3,220	3,154
Other financial assets		38	39	41	21
Total financial assets		168,967	190,387	212,715	227,037
Non-financial assets					
Land and buildings	13	23,921	25,229	26,022	27,078
Infrastructure		43,924	47,051	50,916	54,509
Heritage and cultural assets		8,245	8,258	8,280	8,294
Intangibles		2,424	2,520	2,443	2,349
Investment property		110	104	100	98
Biological assets		3	4	5	6
Assets held for sale		159	164	169	177
Inventories		6,100	6,224	6,402	6,585
Other non-financial assets		3,640	2,222	1,748	1,684
Total non-financial assets		88,527	91,777	96,084	100,779
Total assets		257,493	282,164	308,799	327,815
Liabilities					
Debt					
Government securities		59,288	59,469	58,917	50,947
Loans		6,080	5,803	5,573	5,628
Leases		283	747	712	672
Deposits		263	263	263	263
Overdrafts		0	0	0	0
Other debt		1,065	1,055	1,035	1,032
Total debt		66,979	67,336	66,500	58,542
Provisions and payables					
Employees	14	115,357	119,482	123,583	127,803
Suppliers		3,390	3,479	3,530	3,589
Personal benefits payable		7,487	7,682	7,796	8,097
Subsidies payable		1,317	1,264	1,227	1,304
Grants payable	15	1,020	1,080	1,019	1,077
Other provisions and payables		12,734	12,784	12,854	12,899
Total provisions and payables		141,305	145,772	150,009	154,769
Liabilities associated with assets held for sale					
		0	0	0	0
Total liabilities		208,284	213,108	216,508	213,311
Net assets		49,210	69,056	92,291	114,504
Equity					
Accumulated results		-12,819	8,029	32,996	56,980
Reserves		62,029	61,027	59,295	57,524
Capital		0	0	0	0
Total equity		49,210	69,056	92,291	114,504

Table C3: Australian Government general government sector statement of changes in equity

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m	2007-08 \$m	2008-09 \$m
Opening balance										
Balance carried forward from previous period	5,079	-12,819	19,325	19,415	8,612	42,613	0	0	33,016	49,210
Adjustment for errors / entity adjustments	-34,014	-17	-42	0	34,022	0	0	0	-34	-17
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	-28,935	-12,836	19,283	19,415	42,634	42,614	0	0	32,982	49,193
Income and expense										
Revenues and expenses recognised directly in equity	na	na	na	na	0	0	na	na	0	0
Currency translation gain (loss)	na	na	113	30	0	0	na	na	113	30
Financial asset revaluations	na	na	32	35	na	na	na	na	32	35
Non-financial asset revaluations	na	na	na	na	na	na	na	na	na	na
Total revenues and expenses recognised directly in equity	0	0	145	65	0	0	0	0	145	65
Net operating result	16,066	20,634	na	na	na	na	na	na	16,066	20,634
Total income and expenses										
Transfers between reserves	23	-8	-16	2	-7	6	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	27	240	3	5	-13	-1,081	0	0	17	-836
Closing balance	-12,819	8,029	19,415	19,487	42,613	41,539	0	0	49,210	69,056

Table C3: Australian Government general government sector statement of changes in equity (continued)

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance										
Balance carried forward from previous period	8,029	32,996	19,487	19,567	41,539	39,728	0	0	69,056	92,291
Adjustment for errors / entity adjustments	-20	-76	0	-1	0	1	0	0	-20	-76
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	8,009	32,920	19,487	19,566	41,540	39,728	0	0	69,036	92,215
Income and expense										
Revenues and expenses recognised directly in equity										
Currency translation gain (loss)	na	na	na	na	0	0	0	na	na	0
Financial asset revaluations	na	na	30	37	0	0	0	na	na	37
Non-financial asset revaluations	na	na	43	34	na	na	na	na	na	43
Total revenues and expenses recognised directly in equity	0	0	73	72	0	0	0	0	0	72
Net operating result	24,552	23,517	na	na	na	na	na	na	24,552	23,517
Total income and expenses										
Transfers between reserves	-7	-5	1	0	6	5	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	442	548	6	6	-1,818	-1,853	0	0	-1,370	-1,299
Closing balance	32,996	56,980	19,567	19,644	39,728	37,880	0	0	92,291	114,504

Table C4: Australian Government general government sector cash flow statement

	Note	Estimates		Projections	
		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Operating activities					
Cash received					
Taxation	16	231,729	242,184	255,342	262,459
Sales of goods and services		5,445	5,593	5,701	5,813
Interest		6,175	5,545	6,386	7,070
Dividends		2,692	4,017	3,983	4,434
GST input credit receipts		3,951	3,921	3,888	3,881
Other		3,240	3,435	3,586	3,733
Total operating cash received		253,232	264,695	278,885	287,389
Cash used					
Payments to employees		23,117	23,425	24,248	25,125
Payments to suppliers		27,743	27,537	27,290	27,321
Subsidies paid		12,321	13,031	13,836	14,217
Personal benefits		102,374	109,340	116,060	123,395
Grant payments		47,994	50,369	52,504	53,606
Interest and other financing costs		5,753	5,427	4,956	5,404
GST payments to taxation authority		74	73	73	73
Other		8,171	8,670	9,488	10,218
Total operating cash used		227,546	237,873	248,455	259,360
Net cash from operating activities		25,687	26,822	30,430	28,029
Investing activities					
Cash received					
Proceeds from asset sales program		6,602	2,815	0	0
Proceeds from sales of property, plant and equipment and intangibles		301	258	254	88
Other net investing cash received		288	313	331	346
Total investing cash received		7,191	3,387	585	434
Cash used					
Purchase of property, plant and equipment and intangibles		8,155	9,484	10,148	9,812
Net loans, advances and HELP		2,052	1,924	1,806	2,008
Other net investing cash paid		25,200	18,731	18,341	9,119
Total investing cash used		35,406	30,139	30,296	20,939
Net cash from investing activities		-28,215	-26,752	-29,710	-20,505
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		-2,542	-167	699	6,995
Other		126	145	138	127
Total financing cash used		-2,416	-22	837	7,122
Net cash from financing activities		2,416	22	-837	-7,122
Net increase/decrease in cash held	2	-112	92	-117	402

NOTES TO THE AAS FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

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

The financial statements included in this Appendix have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments* (AAS 31).

AAS requires governments to prepare accrual based general purpose financial reports. This means that assets, liabilities, income and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, an income statement, a balance sheet, a statement of changes in equity, and a cash flow statement have been prepared for the budget year and the three forward years.

The accounting policies in this Appendix are generally consistent with the accounting policies in AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation covers the general government sector only. This Appendix includes notes showing disaggregated information.

AAS would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office as an agent for the States and Territories (the States), and appropriated to the States. Therefore, GST cash flows and any accrued GST revenues and associated payments to the States are not recorded in the financial statements.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate at balance date to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability. However, the longest maturing government bond is only 10 years, significantly shorter than the term of the superannuation liability. Therefore, in applying this standard, a longer term rate of 6 per cent as determined by actuaries is adopted to discount the liability for budget reporting. Guidance has been sought from the Australian Accounting Standards Board to clarify the differing interpretations in applying AASB 119 for outcomes.

Appendix C: Australian Accounting Standards financial statements

The basis of recognition of the Government's obligation for education grants, primarily to the States, has changed to when payments are due to be made. The financial effect of this change is recognised in the statement of changes in equity. Further details are contained in Box 2 in Attachment E of Part 4.

Note 2: Reconciliation of cash

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Operating result (revenues less expenses)	16,066	20,634	24,552	23,517
less Revenues not providing cash				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	0	1,511	0	0
Gains from sale of assets	52	16	2	7
Other	913	3,349	4,128	4,509
Total revenues not providing cash	965	4,876	4,130	4,516
plus Expenses not requiring cash				
Increase/(decrease) in employee entitlements	4,216	4,125	4,100	4,220
Depreciation/amortisation expense	5,221	5,390	5,358	5,241
Provision for bad and doubtful debts	33	41	55	67
Provision for diminution in value of assets	471	382	384	400
Losses from asset sales programme	27	0	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	0	0	0	0
Other	234	204	236	141
Total expenses not requiring cash	10,201	10,142	10,133	10,069
plus Cash provided by working capital items				
Decrease in inventories	0	0	0	0
Decrease in receivables	475	0	0	0
Decrease in other financial assets	0	0	0	97
Decrease in other non-financial assets	857	1,194	396	3
Increase in benefits subsidies and grants payable	248	247	151	399
Increase in suppliers' liabilities	63	89	51	59
Increase in other provisions and payables	0	17	186	0
Total cash provided by working capital items	1,643	1,547	783	558
less Cash used by working capital items				
Increase in inventories	366	124	178	183
Increase in receivables	0	261	515	734
Increase in other financial assets	521	187	66	0
Increase in other non-financial assets	0	0	0	0
Decrease in benefits subsidies and grants payable	325	53	150	0
Decrease in other provisions and payables	47	0	0	682
Decrease in suppliers' liabilities	0	0	0	0
Total cash used by working capital items	1,259	626	909	1,600
equals <i>Net cash from/(to) operating activities</i>	25,687	26,822	30,430	28,029
<i>plus Net cash from/(to) investing activities</i>	-28,215	-26,752	-29,710	-20,505
Net cash from operating activities and investment	-2,529	70	720	7,524
<i>plus Net cash from/(to) financing activities</i>	2,416	22	-837	-7,122
equals Net (decrease)/increase in cash	-112	92	-117	402

Note 2(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the balance sheet for the Australian Government general government sector (Table C2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government general government sector cash, less cash controlled and administered by CAC Act entities, plus special public monies represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Total general government sector cash (Appendix C)	1,043	1,135	1,018	1,420
<i>less</i> CAC Agency cash balances	1,061	1,190	1,027	1,351
<i>plus</i> Special public monies	115	118	120	123
Balance of Consolidated Revenue Fund at 30 June	97	63	111	192

Note 3: Income tax revenue

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Individuals and other withholding taxes				
Gross income tax withholding	113,330	115,980	122,210	129,110
Gross other individuals	28,110	29,140	30,860	31,430
/less: Refunds	19,790	21,850	22,420	24,090
Total individuals and other withholding taxation	121,650	123,270	130,650	136,450
Fringe benefits tax	3,970	4,100	3,960	3,950
Superannuation funds				
Contributions and earnings	10,050	11,580	12,810	13,810
Superannuation surcharge	80	10	10	10
Total superannuation taxation	10,130	11,590	12,820	13,820
Company tax	65,250	71,850	76,100	76,580
Petroleum resource rent tax	2,060	2,380	2,750	2,240
Income taxation revenue	203,060	213,190	226,280	233,040

Note 4: Indirect tax revenue

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Excise duty				
Petroleum and other fuel products	14,490	14,740	15,160	15,670
Crude oil	340	170	160	220
Other excise	8,260	8,440	8,620	8,780
Customs duty	6,010	6,350	6,040	5,630
Other indirect taxation	1,311	1,371	1,411	1,461
GST	43,530	46,650	48,990	51,620
/less transfers to States in relation to GST revenue	43,530	46,650	48,990	51,620
GST revenue	0	0	0	0
Mirror taxes	370	390	412	436
/less transfers to States in relation to mirror tax revenue	370	390	412	436
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	30,411	31,071	31,391	31,761

Appendix C: Australian Accounting Standards financial statements

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Interest				
Interest from other governments				
State and Territory debt	16	15	14	13
Housing agreements	188	183	179	174
Total interest from other governments	204	198	193	187
Interest from other sources				
Swap interest	1,620	1,275	1,029	785
Advances	28	27	27	27
Deposits	0	0	0	0
Bills receivable	6	168	172	176
Bank deposits	253	265	279	292
Indexation of HELP receivable and other student loans(a)	52	51	51	48
Other	3,801	3,331	4,419	5,316
Total interest from other sources	5,759	5,118	5,978	6,644
Total interest	5,962	5,316	6,170	6,830
Dividends				
Dividends from controlled entities	1,393	2,167	2,117	2,541
Other dividends	1,314	1,850	1,886	1,842
Total dividends	2,707	4,017	4,003	4,384
Total interest and dividend revenue	8,670	9,333	10,173	11,214

(a) Under AEIFRS, HELP is now reported at fair value. Any changes in fair value are reported under other gains.

Note 6: Other sources of non-tax revenue

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Industry contributions	213	198	198	199
International Monetary Fund related revenue	5	4	4	4
Royalties	1,272	1,257	1,331	1,303
Seigniorage	106	103	103	103
Other	2,080	2,113	2,178	2,351
Total other sources of non-taxation revenue	3,674	3,675	3,814	3,959

Note 7: Employee expenses

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Salaries and wages(a)	15,093	15,001	15,426	15,826
Leave and other entitlements	1,495	1,522	1,570	1,687
Separations and redundancies	44	46	46	44
Workers compensation premiums	10	6	5	10
Other (including superannuation)	10,716	11,005	11,332	11,808
Total employee expenses	27,357	27,580	28,379	29,376

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Supply of goods and services	20,984	20,842	20,630	20,672
Operating lease rental expenses	1,791	1,863	1,911	1,858
Other	590	619	591	533
Total suppliers expenses	23,365	23,324	23,133	23,063

Note 9: Depreciation and amortisation expenses

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Depreciation				
Specialist military equipment	2,738	2,740	2,597	2,476
Buildings	741	789	800	869
Other infrastructure, plant and equipment	1,207	1,255	1,309	1,276
Heritage and cultural assets	44	45	45	43
Investment property	0	0	0	0
Total depreciation	4,730	4,829	4,750	4,664
Total amortisation	490	561	607	577
Total depreciation and amortisation expenses	5,221	5,390	5,358	5,241

Note 10: Other goods and services expenses

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Health care payments	4,690	4,829	4,961	5,010
Development Cooperation Program	1,867	2,077	2,214	2,350
Other	1,775	1,889	2,414	2,934
Total other goods and services expenses	8,333	8,795	9,589	10,294

Note 11: Grants expenses

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
State and Territory governments	30,278	31,211	32,897	34,226
Non-profit organisations	1,835	1,748	1,672	1,756
Overseas	728	659	474	511
Private sector	1,963	1,606	1,600	1,435
Local governments	588	689	166	45
Multi-jurisdictional sector	6,189	6,725	6,911	7,056
Other	6,830	8,940	9,059	8,581
Total grants expenses	48,410	51,578	52,779	53,609

Note 12: Receivables

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Taxes receivable	10,339	10,976	11,763	12,782
Advances and loans	21,362	22,431	23,343	24,580
Other receivables	3,624	3,561	3,610	3,650
Total receivables	35,326	36,968	38,717	41,013

Appendix C: Australian Accounting Standards financial statements

Note 13: Non-financial assets

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Land and buildings				
Land	6,940	6,972	6,900	7,016
Buildings	16,981	18,258	19,122	20,062
Total land and buildings	23,921	25,229	26,022	27,078
Infrastructure				
Specialist military equipment	33,900	37,027	41,093	44,961
Other	10,025	10,024	9,824	9,548
Total infrastructure	43,924	47,051	50,916	54,509
Intangibles				
Computer software	2,277	2,326	2,253	2,177
Other	146	194	190	172
Total intangibles	2,424	2,520	2,443	2,349
Total heritage and cultural assets	8,245	8,258	8,280	8,294
Total investment properties	110	104	100	98
Total biological assets	3	4	5	6
Total assets held for sale	159	164	169	177
Total inventories	6,100	6,224	6,402	6,585
Other non-financial assets				
Prepayments	3,259	1,824	1,229	1,022
Other	381	398	518	662
Total other non-financial assets	3,640	2,222	1,748	1,684
Total non-financial assets	88,527	91,777	96,084	100,779

Note 14: Employee and superannuation liabilities

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Superannuation	106,305	110,056	113,782	117,561
Leave and other entitlements	4,642	4,821	5,007	5,292
Accrued salaries and wages	254	298	359	384
Workers compensation claims	1,530	1,568	1,602	1,638
Separations and redundancies	33	32	32	32
Workers compensation premiums	1,613	1,691	1,774	1,858
Other	981	1,016	1,027	1,039
Total employee and superannuation liabilities	115,357	119,482	123,583	127,803

Appendix C: Australian Accounting Standards financial statements

Note 15: Grants payable

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
State and Territory governments	52	47	49	50
Non-profit organisations	50	50	50	50
Private sector	241	216	208	207
Overseas	393	449	365	392
Local governments	4	4	4	4
Other	280	314	342	374
Total grants payable	1,020	1,080	1,019	1,077

Note 16: Taxation receipts

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Total taxation receipts	274,349	287,844	303,423	313,025
less payments to States in relation to GST receipts	42,250	45,270	47,670	50,130
less payments to States in relation to mirror tax receipts	370	390	412	436
Taxation receipts	231,729	242,184	255,342	262,459

APPENDIX D: STATEMENT OF RISKS

OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2007-08*. The following statement updates (where necessary) those fiscal risks and contingent liabilities that have changed since the 2007-08 Budget.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2007-08* incorporate assumptions and judgements based on information available at the time of publication.

DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES

New or revised fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any year, or \$40 million over the forward estimates period, that have arisen or changed since the 2007-08 Budget are described below and summarised in Table D1.

Information on contingent liabilities is also provided in the annual financial statements of departments, agencies and non-budget entries.

Table D1: Summary of material changes to Statement of Risks since the 2007-08 Budget

Contingent liabilities — quantifiable	
Defence and Defence Materiel Organisation	
Indemnities	Modified
Finance and Administration	
Potential claims relating to superannuation benefits	Modified
Sale of Sydney Airports Corporation Limited	Modified
Future Fund Board of Guardians — Indemnity	New
Foreign Affairs and Trade	
Export Finance and Insurance Corporation (EFIC)	Modified
Treasury	
Reserve Bank of Australia — Guarantee	Modified
Agriculture, Fisheries and Forestry	
Compensation claims arising from Equine Influenza (EI) Outbreak	New
Defence	
HMAS Melbourne and HMAS Voyager damages claims	Modified

Table D1: Summary of material changes to Statement of Risks since the 2007-08 Budget (continued)

Contingent liabilities — unquantifiable	
Finance and Administration	
ASC Pty Ltd (ASC) — Directors' Indemnity	New
Telstra 3 BPAY Biller Agreement — Indemnities	New
Tuggeranong Office Park (TOP) Sinking Fund approved expenses	New
Transport and Regional Services	
Assumed residual liabilities of the Australian National Railways Commission	Modified
Tripartite deeds relating to the sale of federal leased airports	Modified

Risks appearing in this Statement but not listed in the table above are substantially unchanged since disclosed in Budget Paper No. 1, *Budget Strategy and Outlook 2007-08*, Statement 11.

FISCAL RISKS

There have been no significant changes to the revenue or expense risks disclosed in 2007-08 Budget Paper No. 1, *Budget Strategy and Outlook 2007-08*.

CONTINGENT LIABILITIES — QUANTIFIABLE

Defence and Defence Materiel Organisation

Indemnities

The Department of Defence (Defence) and the Defence Materiel Organisation (DMO) carry an extensive range of indemnities and undertakings, normally of a short-term nature, relating to business, training activities and other activities involving contracts, agreements and other Defence and DMO arrangements. Indemnities issued cover potential losses or damages for which the Australian Government would be liable.

Defence carries 410 instances of contingencies that are unquantifiable and remote and 44 instances of quantifiable and remote contingencies to the value of \$1.8 billion. As at 30 June 2007 the DMO carries two instances of contingencies that are unquantifiable and 231 contingencies that are quantifiable, to the value of \$2.6 billion, and is planning to issue an indemnity to the value of \$320 million (relating to an individual major capital acquisition project which is currently commercial-in-confidence). While these contingencies are considered remote, they have been reported in aggregate for completeness.

Finance and Administration

Potential claims relating to superannuation benefits

On 20 April 2007, the High Court rejected the Commonwealth of Australia's appeal on a claim for negligent misstatement relating to superannuation benefits for a former employee of the Department of the Interior. Based on initial estimates, potential

liabilities arising from this decision are quantified at \$296 million. However, there is uncertainty around this estimate in relation to both the number of claims and the size of potential damage payouts (because no claims have yet been determined).

Sale of Sydney Airports Corporation Limited

An indemnity has been provided to Southern Cross Airports Corporation as purchaser of the Sydney Airports Corporation Ltd in the event of a liability arising under Chapter 3 of the *Duties Act 1997* (New South Wales) by reason of the sale of shares in Sydney Airports Corporation Ltd constituting a relevant acquisition in a land-rich private corporation.

The New South Wales Office of State Revenue issued a notice of assessment on 17 November 2006, which the Australian Government disputes to be a valid assessment. In the event the liability is sustained it is estimated to be valued at between \$401.5 million and \$441.9 million.

Future Fund Board of Guardians — indemnity

The Australian Government has provided the members of the Future Fund Board of Guardians (the Future Fund Board) with an indemnity, to cover liabilities in excess of the Board's insurance policies.

Members of the Future Fund Board are indemnified, to the maximum extent permitted by law, in relation to all official actions. Similar to indemnities that are provided to members of Boards that operate under the *Commonwealth Authorities and Companies Act 1997*, the indemnity does not cover a Board member for conduct that he or she engages in other than in good faith, and in respect of certain other liabilities and costs incurred.

The indemnity is financially limited, in broad terms, to the value of the Future Fund.

Foreign Affairs and Trade

Export Finance and Insurance Corporation (EFIC)

The Australian Government guarantees the due payment by the EFIC of money that is, or may at any time become, payable by EFIC to any body other than the Australian Government. The Australian Government also has in place a \$200 million callable facility available to EFIC on request to cover liabilities, losses and claims. As at 31 August 2007, the Australian Government's total contingent liability was \$2.8 billion, comprising EFIC's liabilities to third parties (\$2.1 billion) and EFIC's overseas investments insurance, contracts of insurance and guarantees (\$0.7 billion).

Treasury

Reserve Bank of Australia — guarantee

This contingent liability relates to the Australian Government's guarantee of the liabilities of the Reserve Bank of Australia. It is measured as the Bank's total liabilities

Appendix D: Statement of risks

excluding capital, reserve and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. Notes on issue amount to \$40.3 billion as at 30 June 2007 and the total guarantee is \$59.9 billion.

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Agriculture, Fisheries and Forestry

Compensation claims arising from Equine Influenza (EI) Outbreak

The Australian Government may become liable for compensation actions should the Department of Agriculture, Fisheries and Forestry be found negligent in relation to the recent outbreak of EI. At this stage any potential liability resulting from the EI outbreak cannot be quantified. An independent inquiry is being conducted into the entry and spread of EI in Australia.

Defence

HMAS Melbourne and HMAS Voyager damages claims

Former crew members of HMAS *Melbourne* have instituted legal proceedings against the Australian Government claiming damages for injuries allegedly caused by the HMAS *Voyager*/HMAS *Melbourne* collision on 10 February 1964. As at 24 September 2007 fifty three claims remain current and nine of the current claims are statute barred under applicable state laws. In those cases, the plaintiffs will require an extension of time prior to progressing their claims for damages. Further claims are likely to be made in connection with the collision.

Finance and Administration

ASC Pty Ltd (ASC) — Directors' indemnities

The Australian Government has indemnified the ASC Directors for any claim made against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC.

The Australian Government has indemnified Board members of the ASC for any claim against them as a result of complying with ASC's obligations under the Service Agreement between ASC, the Department of Defence, EBC and Electric Boat Australia.

The Australian Government has indemnified Board members of ASC for any claim and legal costs arising from the result of the Directors' acting in accordance with the Board's Tasks and Responsibilities, as defined under the indemnity.

Telstra 3 BPAY Biller Agreement — indemnities

The Australian Government has entered into a mutual indemnity arrangement under a BPAY Biller Agreement with the Commonwealth Bank of Australia (CBA) to facilitate

the use of BPAY for the Telstra 3 retail application settlement. The Australian Government has issued an indemnity in the CBA's favour against any harm or losses that the CBA may suffer as a result of any negligence, misrepresentation, fraud or misuse of BPAY marks committed by the Australian Government in respect of its obligations under the Agreement, including as a result of any claims. Likewise, the CBA has provided the Australian Government with a reciprocal indemnity.

Tuggeranong Office Park (TOP) Sinking Fund approved expenses

As part of the current work on the TOP completion strategy, the Department of Finance and Administration has received revised advice that under the Commonwealth Conditional Indemnity relating to the TOP sinking fund a potential tax liability and sale costs may become payable. The extent of this liability will not be known until the completion process is further advanced.

Transport and Regional Services

Assumed residual liabilities of the Australian National Railways Commission

The Australian Government under Schedule 3 of the *Australian National Railways Commission Sale Act 1997* assumed the residual liabilities of the Australian National Railways Commission. A writ of summons was filed in the High Court of Australia on 20 August 2004 by a single plaintiff and a statement of claim on behalf of 24 other plaintiffs was filed in the District Court of South Australia on 22 September 2005. The High Court and District Court proceedings were consolidated into a joint action involving 25 plaintiffs by the District Court at a directions hearing on 5 June 2007. The plaintiffs' consolidated statement of claim seeks unspecified damages for personal injuries as a result of exposure to lead and other particles from trains carrying lead and zinc ore at Broken Hill, which were operated by the Australian National Railways Commission between 1983 and 1998.

Tripartite deeds relating to the sale of federal leased airports

Tripartite deeds apply to 12 federal leased airports (Adelaide, Alice Springs, Bankstown, Brisbane, Canberra, Gold Coast, Darwin, Launceston, Melbourne, Perth, Sydney and Townsville). The tripartite deeds between the Australian Government, the airport lessee company and financiers provide for limited step-in-rights for the financiers in circumstances when the airport lease is terminated to enable the financiers to correct the circumstances that triggered such a termination event. These contingent liabilities are considered to be unquantifiable and remote.

APPENDIX E: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

REPORTING STANDARDS

The *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards. Accordingly, the major external standards used in the MYEFO are the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*. The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Attachment A to Part 4, the opening text of Appendix B and Note 1 in Appendix C.

The next section provides a brief overview of the GFS and AAS reporting frameworks.

ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised accounting and financial reporting system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *System of National Accounts 1993* (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).¹

The GFS conceptual framework is divided into a number of separate statements, each of which draws out analytical aggregates or balances of particular economic significance. Together, these aggregates provide for a thorough understanding of the financial position of the public sector. The GFS statements reported in the MYEFO are the operating statement, balance sheet, cash flow statement and statement of other economic flows.

All GFS data are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows).

1 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Appendix E: Financial reporting standards and budget concepts

A transaction results from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets minus liabilities) are reported as revenues and expenses respectively in the operating statement.²

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations and exchange rates and changes in volumes from discoveries, depletion and destruction. Other economic flows are reported in the statement of other economic flows.

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

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

GFS revenues arise from transactions that increase net worth and GFS expenses arise from transactions that decrease net worth. GFS revenues less GFS expenses gives the GFS net operating balance. The net operating balance is comparable to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets due to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

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

Fiscal balance

The fiscal balance (or GFS net lending/borrowing) is the net operating balance less net capital investment. Thus, fiscal balance includes the impact of net expenditure

2 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

(effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government general government sector to the balance on the current account in the balance of payments.

Balance sheet

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

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowing) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Net worth

The net worth of the general government sector is defined as assets less liabilities. For the public financial corporations and public non-financial corporations sectors, net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Cash flow statement

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

3 The net operating balance includes consumption of non-financial assets because depreciation is a GFS expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the general government sector, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities

plus

Net cash flows from investments in non-financial assets

less

Net acquisitions of assets acquired under finance leases and similar arrangements⁴

equals

GFS cash surplus/deficit

less

Future Fund earnings

equals

Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings are being reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

Expected Future Fund earnings are separately identified in the Australian Government cash flow statement in Part 4 Attachment B and the historic tables in Appendix F.

Headline cash balance

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

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Programme (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Statement of other economic flows (reconciliation of net worth)

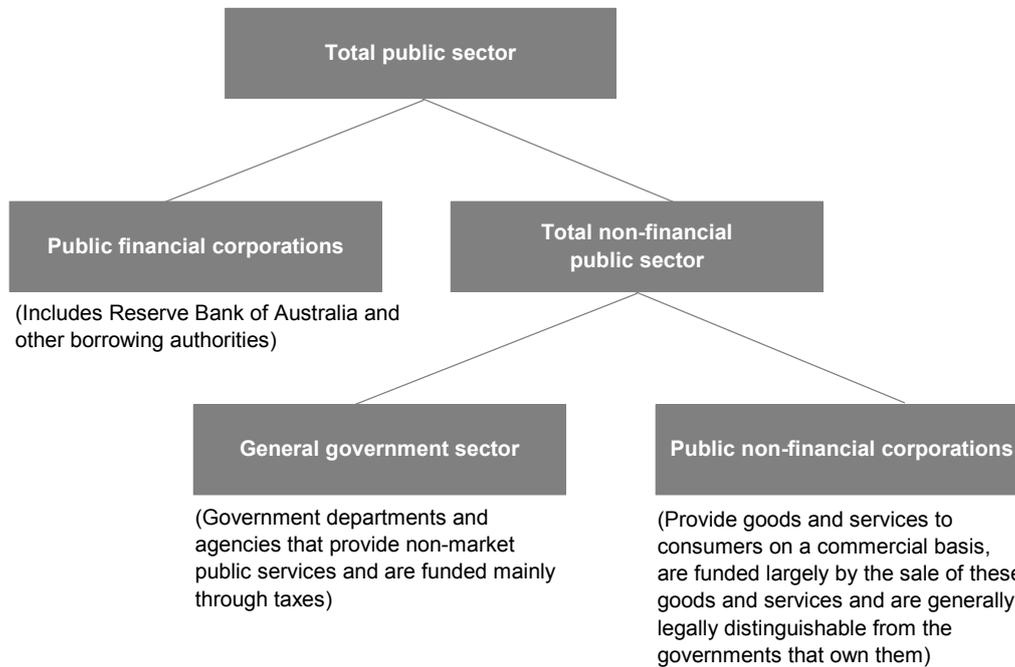
The statement of other economic flows outlines changes in net worth driven by economic flows other than GFS revenues and GFS expenses. GFS revenues, GFS expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities.

Sectoral classifications

To assist in analysing the public sector, GFS data are presented by institutional sector. GFS distinguishes between the general government sector, the public non-financial corporations sector and the public financial corporations sector, as shown in Figure E1.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure E1: Institutional structure of the public sector



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

In preparing financial statements for the sectors all material transactions and balances between entities within the sectors are eliminated.

AUSTRALIAN ACCOUNTING STANDARD REPORTING FRAMEWORK

The AAS reporting framework, being the AEIFRS and AAS 31, requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, income, expenses and cash flows. Reporting under this framework is intended to provide a consolidated overview of the financial performance and financial position of government.

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

- an income statement, which includes an operating result;

- a balance sheet, which shows net assets;
- a statement of changes in equity, which shows movements in equity; and
- a cash flow statement, which includes the net increase/decrease in cash held.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS.

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

RECONCILIATION OF GFS AND AAS AGGREGATES

There is a general consistency of treatment of the elements of financial statements between GFS and AAS. Both frameworks are based on the concept of economic events that give rise to stocks and flows. As a result, the definitions of stocks are broadly similar under the two frameworks and relate to the control of economic benefits, while flows are defined with reference to changes in stocks.

The GFS and AAS definitions of the scope of the public sector agree in almost all cases, with AAS 31 recommending the same segmentation of the public sector into general government, public non-financial corporations and public financial corporations sectors.

Transactions are generally treated in a similar manner by GFS and AAS; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS is designed for general purpose financial reporting. The different objectives of the two systems lead to some variation in the treatment of certain items. This differing treatment relates predominantly to the definitions of revenues and expenses under the two frameworks.

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

Appendix E: Financial reporting standards and budget concepts

Under AAS reporting, valuation changes may affect income or expenses and therefore the operating result. However, under GFS reporting, revaluations are not considered to be transactions (that is, they are considered to be other economic flows) and accordingly do not form part of revenues or expenses. Therefore, most revaluations are not taken into account in the calculation of the GFS net operating balance or fiscal balance. However, revaluations still impact on GFS assets and liabilities, as can be seen in the statement of other economic flows.

Some of the major differences between the GFS and AAS treatments of transactions are outlined in Table E1. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Appendix E: Financial reporting standards and budget concepts

Table E1: Selected differences between AAS and GFS reporting standards

Issue	AAS treatment	GFS treatment
Asset writedowns	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed writedowns, and therefore not included in expenses.
Gains and losses on assets	Treated as part of operating income/expenses.	Treated as revaluations (other economic flows) and therefore not included in revenues/expenses.
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. The Australian Government departs from this latter requirement (see Attachment A to Part 4).
Interest flows related to swaps and other financial derivatives	Treated as operating income and expenses.	Treated as other economic flows and so not included in revenues and expenses.
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Valuation of assets and liabilities	Classes of assets and liabilities are measured using a range of methods. The predominant methods for valuing different asset classes include historic cost and market value.	Individual assets and liabilities are measured at current market value based on current market prices or a suitable proxy where market prices are not available.
Finance leases	Treats finance leases as if an asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component. The asset and the liability are recorded on the balance sheet. This convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit and underlying cash balance.

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board has finalised a new standard for financial reporting by the general government sector of governments. This standard (AASB 1049) will be applicable from the 2008-09 Budget.

Table E2 reconciles GFS revenue and expenses with their AAS counterparts.

Table E2: Reconciliation of GFS and AAS revenue and expenses

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
GFS revenue (Appendix B)	295,415	310,692	327,729	339,129
<i>less GST revenue for states and territories</i>	43,530	46,650	48,990	51,620
GFS revenue (Part 4)	251,885	264,042	278,739	287,509
<i>plus asset revenue recognised for the first time</i>	207	104	119	112
<i>plus foreign exchange gains</i>	0	0	0	0
<i>plus other economic revaluations</i>	444	2,934	3,684	3,945
<i>plus proceeds from the sale of assets</i>	44	1,532	7	10
<i>plus swap interest revenue</i>	1,620	1,275	1,029	785
AAS income (Appendix C)	254,199	269,888	283,578	292,362
GFS expenses (Appendix B)	277,860	294,123	307,261	319,803
<i>less GST grants to states and territories</i>	42,250	45,270	47,670	50,130
<i>less GST mutually agreed writedowns</i>	200	215	230	240
GFS expenses (Part 4)	235,410	248,638	259,361	269,433
<i>plus actuarial revaluations</i>	-1	-1	-1	0
<i>plus net writedown of assets/bad and doubtful debts</i>	2,250	1,963	2,190	2,274
<i>plus foreign exchange losses</i>	0	0	0	0
<i>plus other economic adjustments</i>	220	300	322	220
<i>plus value of assets sold</i>	0	0	0	0
<i>plus swap interest expense</i>	1,734	1,402	1,137	884
<i>plus defence weapons platforms depreciation</i>	2,738	2,740	2,597	2,476
<i>less defence weapons platforms investment</i>	4,217	5,787	6,581	6,441
AAS expenses (Appendix C)	238,133	249,255	259,026	268,845

Table E3 reconciles the AAS operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The AAS operating result is equal to AAS income less expenses. Similarly, GFS revenues less expenses equal the GFS net operating balance. Consequently, the reconciliation between the AAS operating result and the GFS net operating balance relates directly to differences in the definitions of revenues and expenses which are shown in Table E2.

The second part of the Table E3 reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

As discussed previously, the fiscal balance is calculated as the net operating balance less net capital investment. This is a useful economic indicator as it represents the gap between government saving (less capital transfers) and investment, and so is included at the end of the GFS operating statement. In AAS there is no equivalent measure to the fiscal balance. That is, the AAS income statement stops at the operating result and includes no information on net capital investment.

Table E3: Reconciliation of AAS net operating result and fiscal balance

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
AAS operating result (Appendix C)	16,066	20,634	24,552	23,517
Net differences from revenue and expense definitions	1,488	-4,064	-4,084	-4,190
GFS net operating balance (Appendix B)	17,554	16,570	20,468	19,326
<i>less</i> purchase of property, plant and equipment and intangibles	7,929	9,614	10,245	9,890
<i>less</i> assets acquired under finance leases	4	502	6	0
<i>less</i> other non-financial assets	423	121	120	143
<i>less</i> increase in inventories	238	221	188	212
<i>plus</i> defence weapons platforms investment	4,217	5,787	6,581	6,441
<i>plus</i> proceeds from sales of property, plant and equipment and intangibles	301	257	254	88
<i>plus</i> depreciation and amortisation	5,221	5,390	5,358	5,241
<i>less</i> weapons depreciation	2,738	2,740	2,597	2,476
Fiscal balance (GFS net lending) (Appendix B)(a)	15,962	14,807	19,505	18,375
<i>Impact of GST</i>	-1,080	-1,165	-1,090	-1,250
Fiscal balance (GFS net lending) (Part 4)(a)	14,882	13,642	18,415	17,125

(a) The fiscal balance estimates in Appendix B are higher than those presented in Part 4, as explained in the introduction to Appendix B.

APPENDIX F: HISTORICAL AUSTRALIAN GOVERNMENT DATA

This appendix provides historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

Under the accrual Government Finance Statistics (GFS) framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Estimates up to and including 1998-99 are calculated on cash terms, while estimates from 1999-00 onwards are derived from an accrual framework. Due to methodological and data source changes associated with the move to an accrual accounting framework, time series data that include measures derived under both cash and accrual accounting should be used with caution.

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

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

- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards);
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent back casting to account for this change;
- consistent with the revised GFS treatment announced by the Australian Bureau of Statistics (ABS) (cat. no. 5501.0, released October 2002), the general government surplus measures in this statement, from 1998-99 onwards, incorporate the interest component of superannuation related payments by the Australian Government general government sector in respect of accumulated public non-financial corporations' superannuation liabilities;
- transfers of taxing powers between the Australian Government and the States;
- other changes in financial arrangements between the Australian Government and the state/local government sector; and

Appendix F: Historical Australian Government data

- changes in arrangements for transfer payments, where tax concessions or rebates are replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts.

Cash data from 1998-99 onwards, net debt data from 1999-00 onwards and accrual data are sourced from Australian Government Final Budget Outcomes and Treasury estimates. Cash data prior to 1998-99 are sourced from the Australian Bureau of Statistics (ABS) 1997-98 Government Finance Statistics (cat. no. 5512.0), net debt data from 1987-88 to 1998-99 are from ABS 1999-00 Government Financial Estimates (cat. no. 5501.0) and ABS 1998 Public Sector Financial Assets and Liabilities (cat. no. 5513.0), and net debt data prior to 1987-88 are Treasury estimates.

Occasionally classification changes are made that require revisions to the historic series. Where appropriate, the changes are back-cast to 1999-00 to ensure that data is consistent across the accrual period. For example, the back-casting to account for the market valuation of net debt as discussed on page 2-12 of Budget Paper No. 1, *Budget Strategy and Outlook 2003-04*.

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

Table F1: Australian Government general government sector receipts, payments and underlying cash balance^(a)

	Receipts			Payments			Future Fund earnings	Underlying cash balance(b)	
	\$m	Per cent real growth	Per cent of GDP	\$m	Per cent real growth	Per cent of GDP	\$m	\$m	Per cent of GDP
1974-75	15,325	5.7	22.0	15,275	15.7	21.9	-	50	0.1
1975-76	18,316	3.7	22.4	19,876	12.9	24.3	-	-1,560	-1.9
1976-77	21,418	4.1	22.7	22,657	1.5	24.0	-	-1,239	-1.3
1977-78	23,491	0.8	22.8	25,489	3.4	24.8	-	-1,998	-1.9
1978-79	25,666	3.3	22.1	27,753	2.9	23.8	-	-2,087	-1.8
1979-80	29,780	5.9	22.5	31,041	2.1	23.5	-	-1,261	-1.0
1980-81	35,148	6.7	23.5	35,260	2.7	23.6	-	-112	-0.1
1981-82	40,831	2.8	23.7	40,394	1.4	23.4	-	437	0.3
1982-83	44,675	-1.7	24.1	47,907	6.5	25.8	-	-3,232	-1.7
1983-84	49,102	3.0	23.4	55,966	9.5	26.7	-	-6,864	-3.3
1984-85	57,758	11.8	25.0	63,639	8.0	27.5	-	-5,881	-2.5
1985-86	64,845	5.7	25.4	69,838	3.3	27.4	-	-4,993	-2.0
1986-87	73,145	5.4	26.2	75,392	0.9	27.0	-	-2,247	-0.8
1987-88	81,217	3.0	25.4	79,440	-2.2	24.9	-	1,777	0.6
1988-89	88,369	-0.2	24.4	82,202	-5.1	22.7	-	6,167	1.7
1989-90	95,517	1.8	24.0	88,882	1.8	22.4	-	6,635	1.7
1990-91	97,705	-2.6	23.9	97,333	4.2	23.8	-	372	0.1
1991-92	92,966	-6.7	22.3	104,551	5.3	25.1	-	-11,585	-2.8
1992-93	94,448	0.3	21.6	111,484	5.3	25.4	-	-17,036	-3.9
1993-94	100,142	5.1	21.8	117,252	4.3	25.5	-	-17,110	-3.7
1994-95	109,720	8.6	22.5	122,901	3.9	25.3	-	-13,181	-2.7
1995-96	121,105	7.7	23.4	131,182	4.1	25.3	-	-10,077	-1.9
1996-97	129,845	5.5	23.8	135,126	1.4	24.8	-	-5,281	-1.0
1997-98	135,779	3.2	23.5	134,608	-1.7	23.3	-	1,171	0.2
1998-99	146,496	7.6	24.1	142,159	5.3	23.4	-	4,337	0.7
1999-00	166,089	na	25.7	153,030	na	23.7	-	13,059	2.0
2000-01	161,114	-7.1	23.4	155,143	-2.9	22.5	-	5,970	0.9
2001-02	162,884	-1.2	22.1	163,867	3.2	22.3	-	-983	-0.1
2002-03	176,503	5.2	22.6	169,017	0.1	21.6	-	7,486	1.0
2003-04	187,336	2.1	22.3	179,300	2.1	21.3	-	8,036	1.0
2004-05	203,960	4.7	22.7	190,344	2.1	21.2	-	13,616	1.5
2005-06	221,834	3.6	23.0	205,991	3.1	21.3	51	15,792	1.6
2006-07	236,697	1.7	22.6	217,355	0.6	20.8	2,135	17,208	1.6
2007-08(e)	251,840	3.5	22.5	233,624	4.5	20.8	3,382	14,834	1.3
2008-09(e)	263,594	1.6	22.1	246,132	2.3	20.6	3,066	14,396	1.2
2009-10(p)	278,063	4.2	22.3	257,124	3.2	20.6	3,210	17,729	1.4
2010-11(p)	286,646	1.9	22.1	268,240	3.1	20.7	3,317	15,089	1.2

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

(b) Underlying cash balance is equal to receipts less payments less expected Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, Future Fund earnings should be added back to the underlying cash balance.

(e) Estimates.

(p) Projections.

na Not applicable, due to a structural break in the series.

Table F2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts			Non-taxation receipts			Total receipts		
	\$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
1974-75	14,141	7.1	20.3	1,184	-8.2	1.7	15,325	5.7	22.0
1975-76	16,920	3.8	20.7	1,396	2.3	1.7	18,316	3.7	22.4
1976-77	19,714	3.8	20.9	1,704	8.7	1.8	21,418	4.1	22.7
1977-78	21,428	-0.1	20.8	2,063	11.3	2.0	23,491	0.8	22.8
1978-79	23,409	3.3	20.1	2,257	3.4	1.9	25,666	3.3	22.1
1979-80	27,473	7.2	20.8	2,307	-6.7	1.7	29,780	5.9	22.5
1980-81	32,641	7.4	21.8	2,507	-1.7	1.7	35,148	6.7	23.5
1981-82	37,880	2.7	22.0	2,951	4.2	1.7	40,831	2.8	23.7
1982-83	41,025	-2.7	22.1	3,650	11.1	2.0	44,675	-1.7	24.1
1983-84	44,849	2.4	21.4	4,253	9.2	2.0	49,102	3.0	23.4
1984-85	52,970	12.2	22.9	4,788	7.0	2.1	57,758	11.8	25.0
1985-86	58,841	4.6	23.1	6,004	18.0	2.4	64,845	5.7	25.4
1986-87	66,467	5.5	23.8	6,678	3.9	2.4	73,145	5.4	26.2
1987-88	75,076	4.8	23.5	6,141	-14.7	1.9	81,217	3.0	25.4
1988-89	83,452	1.9	23.0	4,917	-26.6	1.4	88,369	-0.2	24.4
1989-90	90,773	2.5	22.8	4,744	-9.1	1.2	95,517	1.8	24.0
1990-91	92,739	-2.8	22.7	4,966	-0.4	1.2	97,705	-2.6	23.9
1991-92	87,364	-7.7	20.9	5,602	10.6	1.3	92,966	-6.7	22.3
1992-93	88,760	0.3	20.3	5,688	0.3	1.3	94,448	0.3	21.6
1993-94	93,362	4.3	20.3	6,780	18.2	1.5	100,142	5.1	21.8
1994-95	104,921	11.4	21.6	4,799	-29.8	1.0	109,720	8.6	22.5
1995-96	115,700	7.6	22.3	5,405	9.9	1.0	121,105	7.7	23.4
1996-97	124,559	5.9	22.8	5,286	-3.8	1.0	129,845	5.5	23.8
1997-98	130,984	3.8	22.7	4,795	-10.5	0.8	135,779	3.2	23.5
1998-99	141,105	7.5	23.2	5,391	12.1	0.9	146,496	7.6	24.1
1999-00	151,313	na	23.5	14,777	na	2.3	166,089	na	25.7
2000-01	146,698	-7.2	21.3	14,416	-6.6	2.1	161,114	-7.1	23.4
2001-02	148,343	-1.2	20.2	14,541	-1.5	2.0	162,884	-1.2	22.1
2002-03	161,418	5.7	20.7	15,084	0.7	1.9	176,503	5.2	22.6
2003-04	173,023	3.1	20.6	14,313	-8.7	1.7	187,336	2.1	22.3
2004-05	188,176	4.6	21.0	15,784	6.1	1.8	203,960	4.7	22.7
2005-06	203,918	3.3	21.1	17,916	8.2	1.9	221,834	3.6	23.0
2006-07	217,866	1.8	20.8	18,831	0.2	1.8	236,697	1.7	22.6
2007-08(e)	231,818	3.5	20.7	20,022	3.4	1.8	251,840	3.5	22.5
2008-09(e)	242,263	1.4	20.3	21,331	3.4	1.8	263,594	1.6	22.1
2009-10(p)	255,418	4.2	20.5	22,645	4.9	1.8	278,063	4.2	22.3
2010-11(p)	262,538	1.6	20.2	24,109	5.2	1.9	286,646	1.9	22.1

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

(e) Estimates.

(p) Projections.

na Not applicable, due to a structural break in the series.

Table F3: Australian Government general government sector receipts

	Actual	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
<i>Income taxation</i>					
Individuals and other withholding taxes					
Gross income tax withholding	107,119	112,730	115,330	121,500	128,320
Gross other individuals	25,797	27,140	28,050	29,620	30,150
less: Refunds	17,145	19,790	21,850	22,420	24,090
Total individuals and other withholding taxation	115,770	120,080	121,530	128,700	134,380
Fringe benefits tax	3,761	3,880	4,010	3,870	3,850
Superannuation funds					
Contributions and earnings	7,513	10,000	11,520	12,740	13,740
Superannuation surcharge	699	120	40	40	40
Total superannuation taxation	8,211	10,120	11,560	12,780	13,780
Company tax	57,100	63,830	70,230	74,360	74,840
Petroleum resource rent tax	1,510	1,950	2,230	2,720	2,320
Income taxation receipts	186,353	199,860	209,560	222,430	229,170
<i>Excise and customs</i>					
Excise duty					
Petrol	7,139	7,070	6,990	7,040	7,140
Diesel	6,207	6,400	6,580	6,800	7,030
Other fuel products	792	980	1,130	1,280	1,460
Crude oil	525	340	170	160	220
Beer	1,829	1,890	1,940	2,000	2,040
Potable spirits	874	950	1,050	1,150	1,260
Tobacco	5,382	5,420	5,450	5,470	5,480
Total excise duty receipts	22,749	23,050	23,310	23,900	24,630
Customs duty					
Textiles, clothing and footwear	928	1,000	1,060	830	590
Passenger motor vehicles	819	960	1,050	830	560
Excise-like goods	2,204	2,340	2,480	2,630	2,770
Other imports	1,482	1,530	1,590	1,650	1,710
less: Refunds and drawbacks	370	370	380	380	380
Total customs duty receipts	5,063	5,460	5,800	5,560	5,250
Excise and customs receipts	27,812	28,510	29,110	29,460	29,880
<i>Other taxation</i>					
Wine equalisation tax	650	670	690	710	730
Luxury car tax	364	390	400	420	430
Agricultural levies	608	589	599	401	369
Other taxes	2,080	1,800	1,904	1,997	1,959
Other taxation receipts	3,701	3,448	3,593	3,528	3,488
Taxation receipts	217,866	231,818	242,263	255,418	262,538
<i>Non-taxation</i>					
Sales of goods and services	5,025	5,445	5,593	5,701	5,813
Dividends	3,197	2,692	4,017	3,983	4,434
Interest received	3,731	4,482	4,185	5,310	6,240
Other non-taxation receipts	6,879	7,402	7,536	7,652	7,623
Non-taxation receipts	18,831	20,022	21,331	22,645	24,109
Total receipts	236,697	251,840	263,594	278,063	286,646

Table F4: Australian Government general government sector net debt and net interest payments^(a)

	Net debt		Net interest payments ^(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1974-75	-1,901	-2.7	-267	-0.4
1975-76	-341	-0.4	-389	-0.5
1976-77	898	1.0	-161	-0.2
1977-78	2,896	2.8	-106	-0.1
1978-79	4,983	4.3	126	0.1
1979-80	6,244	4.7	290	0.2
1980-81	6,356	4.2	444	0.3
1981-82	5,919	3.4	475	0.3
1982-83	9,151	4.9	654	0.4
1983-84	16,015	7.6	1,327	0.6
1984-85	21,896	9.5	2,462	1.1
1985-86	26,889	10.5	3,626	1.4
1986-87	29,136	10.4	4,387	1.6
1987-88	27,359	8.6	4,019	1.3
1988-89	21,982	6.1	3,722	1.0
1989-90	16,121	4.1	3,848	1.0
1990-91	16,936	4.1	2,834	0.7
1991-92	31,132	7.5	2,739	0.7
1992-93	55,218	12.6	2,912	0.7
1993-94	70,223	15.3	4,549	1.0
1994-95	83,492	17.2	6,310	1.3
1995-96	95,831	18.5	7,812	1.5
1996-97	96,281	17.6	8,449	1.5
1997-98	82,935	14.4	7,381	1.3
1998-99	70,402	11.6	6,901	1.1
1999-00	54,538	8.5	6,014	0.9
2000-01	43,465	6.3	4,855	0.7
2001-02	38,642	5.3	4,238	0.6
2002-03	30,375	3.9	3,641	0.5
2003-04	23,948	2.8	2,994	0.4
2004-05	12,453	1.4	2,463	0.3
2005-06	-5,337	-0.6	2,265	0.2
2006-07	-30,768	-2.9	198	0.0
2007-08(e)	-16,094	-1.4	-836	-0.1
2008-09(e)	-34,452	-2.9	-592	0.0
2009-10(p)	-53,463	-4.3	-1,838	-0.1
2010-11(p)	-71,145	-5.5	-1,768	-0.1

(a) There is a break in the net debt and net interest series between 1998-99 and 1999-00 (the first year of accrual budgeting). Up to 1998-99, Australian Government general government debt instruments are valued at historic cost. From 1999-00, Australian Government general government debt instruments are valued at market prices, consistent with accrual GFS standards.

(b) Excludes superannuation related interest flows.

(e) Estimates.

(p) Projections.

Table F5: Australian Government general government sector revenue, expenses, net capital investment, fiscal balance and net worth^(a)

	Revenue		Expenses(b)		Net capital investment		Fiscal balance(b)		Net worth(b)(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	26.0	145,809	26.7	90	0.0	-4,211	-0.8	-74,354	-13.6
1997-98	146,820	25.4	148,646	25.7	147	0.0	-1,973	-0.3	-68,544	-11.9
1998-99	151,897	25.0	146,620	24.1	1,433	0.2	3,844	0.6	-76,150	-12.5
1999-00	167,158	25.9	156,492	24.3	-1,225	-0.2	11,892	1.8	-35,142	-5.4
2000-01	162,074	23.5	157,261	22.8	-1,168	-0.2	5,981	0.9	-37,484	-5.4
2001-02	162,956	22.1	166,672	22.7	-369	-0.1	-3,347	-0.5	-42,527	-5.8
2002-03	175,513	22.5	170,950	21.9	-219	0.0	4,782	0.6	-47,301	-6.1
2003-04	187,924	22.4	181,948	21.7	724	0.1	5,252	0.6	-33,222	-4.0
2004-05	206,605	23.0	194,849	21.7	147	0.0	11,609	1.3	-23,075	-2.6
2005-06	221,918	23.0	205,475	21.3	1,052	0.1	15,391	1.6	-15,011	-1.6
2006-07	237,008	22.7	218,895	20.9	2,208	0.2	15,905	1.5	2,223	0.2
2007-08(e)	251,885	22.5	235,410	21.0	1,592	0.1	14,882	1.3	17,217	1.5
2008-09(e)	264,042	22.1	248,638	20.8	1,763	0.1	13,642	1.1	34,141	2.9
2009-10(p)	278,739	22.4	259,361	20.8	963	0.1	18,415	1.5	53,494	4.3
2010-11(p)	287,509	22.1	269,433	20.8	951	0.1	17,125	1.3	71,750	5.5

(a) The fiscal balance is equal to revenue less expenses less net capital investment. Net worth is calculated as assets minus liabilities.

(b) Expenses have been revised downwards and the fiscal balance revised upwards for the period from 2000-01 to 2006-07 due to a change in accounting treatment that recognises education expenses when grants are due to be paid, rather than when the Ministerial determination is signed. The reduction in accrued liabilities due to this change also improves net worth for the period from 1999-00 to 2006-07.

(c) There is a break in the net worth series between 1998-99 and 1999-00. Data up to 1998-99 are sourced from the Australian Government's Consolidated Financial Statements based on Australian accounting standards. Data beginning in 1999-00 are based on the GFS framework. For the general government sector, the major change across the break in the series is an improvement in net worth. This is primarily due to the move from valuing investments in public corporations at historic cost to current market value (which is calculated using the share price for listed corporations). This is partly offset by defence weapons platforms no longer being recorded as assets and valuing debt at current market value.

(e) Estimates.

(p) Projections.

Table F6: Australian Government general government sector taxation revenue, non-taxation revenue and total revenue

	Taxation revenue			Non-taxation revenue			Total revenue		
	\$m	Per cent		\$m	Per cent		\$m	Per cent	
		real growth	Per cent of GDP		real growth	Per cent of GDP		real growth	Per cent of GDP
1999-00	153,473	na	23.8	13,685	na	2.1	167,158	na	25.9
2000-01	152,080	-5.1	22.1	9,994	-30.1	1.4	162,074	-7.2	23.5
2001-02	150,873	-3.1	20.5	12,083	18.1	1.6	162,956	-1.8	22.1
2002-03	163,957	5.5	21.0	11,556	-7.1	1.5	175,513	4.6	22.5
2003-04	175,838	3.2	20.9	12,085	0.6	1.4	187,924	3.0	22.4
2004-05	194,150	6.2	21.7	12,455	-0.9	1.4	206,605	5.8	23.0
2005-06	206,832	1.5	21.4	15,086	15.4	1.6	221,918	2.4	23.0
2006-07	221,505	2.1	21.2	15,504	-2.1	1.5	237,008	1.8	22.7
2007-08(e)	235,871	3.6	21.0	16,013	0.4	1.4	251,885	3.4	22.5
2008-09(e)	246,766	1.5	20.7	17,276	4.7	1.4	264,042	1.7	22.1
2009-10(p)	260,071	4.1	20.9	18,668	6.8	1.5	278,739	4.3	22.4
2010-11(p)	267,266	1.6	20.6	20,243	7.2	1.6	287,509	2.0	22.1

(e) Estimates.

(p) Projections.

Table F7: Australian Government general government sector revenue

	Actual	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
<i>Income taxation</i>					
Individuals and other withholding taxes					
Gross income tax withholding	107,809	113,330	115,980	122,210	129,110
Gross other individuals	26,952	28,110	29,140	30,860	31,430
less: Refunds	17,147	19,790	21,850	22,420	24,090
Total individuals and other withholding taxation	117,614	121,650	123,270	130,650	136,450
Fringe benefits tax	3,754	3,970	4,100	3,960	3,950
Superannuation funds					
Contributions and earnings	7,577	10,050	11,580	12,810	13,810
Superannuation surcharge	302	80	10	10	10
Total superannuation taxation	7,879	10,130	11,590	12,820	13,820
Company tax	58,538	65,250	71,850	76,100	76,580
Petroleum resource rent tax	1,594	2,060	2,380	2,750	2,240
Income taxation revenue	189,378	203,060	213,190	226,280	233,040
<i>Excise and customs</i>					
Excise duty					
Petrol	7,128	7,110	7,030	7,080	7,180
Diesel	6,197	6,400	6,580	6,800	7,030
Other fuel products	803	980	1,130	1,280	1,460
Crude oil	525	340	170	160	220
Beer	1,826	1,890	1,940	2,000	2,040
Potable spirits	873	950	1,050	1,150	1,260
Tobacco	5,382	5,420	5,450	5,470	5,480
Total excise duty revenue	22,734	23,090	23,350	23,940	24,670
Customs duty					
Textiles, clothing and footwear	932	1,000	1,060	830	590
Passenger motor vehicles	1,253	1,360	1,450	1,160	790
Excise-like goods	2,204	2,340	2,480	2,630	2,770
Other imports	1,485	1,540	1,600	1,660	1,720
less: Refunds and drawbacks	230	230	240	240	240
Total customs duty revenue	5,644	6,010	6,350	6,040	5,630
Excise and customs revenue	28,379	29,100	29,700	29,980	30,300
<i>Other taxation</i>					
Wine equalisation tax	651	680	700	720	740
Luxury car tax	365	400	410	430	440
Agricultural levies	608	589	599	401	369
Other taxes	2,124	2,042	2,166	2,259	2,376
Other taxation revenue	3,748	3,710	3,875	3,810	3,925
Taxation revenue	221,505	235,871	246,766	260,071	267,266
<i>Non-taxation</i>					
Sales of goods and services	5,064	5,191	5,322	5,452	5,567
Dividends	2,999	2,707	4,017	4,003	4,384
Interest received	3,921	4,663	4,467	5,601	6,537
Other non-taxation revenue	3,520	3,451	3,471	3,613	3,755
Non-taxation revenue	15,504	16,013	17,276	18,668	20,243
Total revenue	237,008	251,885	264,042	278,739	287,509

Appendix F: Historical Australian Government data

Table F8: Australian Government cash receipts, payments and cash surplus by institutional sector^(a)

	General government				Public non-financial corporations				Non-financial public sector			
	Underlying cash balance(b)		Cash surplus		Underlying cash balance(b)		Cash surplus		Underlying cash balance(b)		Cash surplus	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
1988-89	88,369	82,202	6,167	6,035	4,177	6,035	257	91,544	87,188	6,424		
1989-90	95,517	88,882	6,635	11,322	3,926	11,322	-5,261	98,387	99,081	1,374		
1990-91	97,705	97,333	372	9,351	4,804	9,351	-2,139	101,315	105,476	-1,767		
1991-92	92,966	104,551	-11,585	7,713	3,899	7,713	101	95,063	110,448	-11,484		
1992-93	94,448	111,484	-17,036	7,819	4,385	7,819	-196	97,327	117,775	-17,232		
1993-94	100,142	117,252	-17,110	6,476	5,178	6,476	1,482	103,065	121,457	-15,628		
1994-95	109,720	122,901	-13,181	7,318	5,262	7,318	1,956	113,013	128,247	-11,225		
1995-96	121,105	131,182	-10,077	8,190	4,927	8,190	-527	123,269	136,607	-10,604		
1996-97	129,845	135,126	-5,281	7,373	4,782	7,373	473	131,512	139,385	-4,808		
1997-98	135,779	134,608	1,171	7,923	6,238	7,923	1,119	139,560	140,006	2,290		
1998-99	146,496	142,159	4,337	na	na	na	-353	na	na	3,984		
1999-00	166,089	153,030	13,059	na	na	na	-2,594	na	na	10,465		
2000-01	161,114	155,143	5,970	na	na	na	391	na	na	6,362		
2001-02	162,884	163,867	-983	na	na	na	1,210	na	na	227		
2002-03	176,503	169,017	7,486	27,386	27,386	26,105	1,280	na	na	8,766		
2003-04	187,336	179,300	8,036	27,718	27,718	26,142	1,575	207,797	196,614	9,611		
2004-05	203,960	190,344	13,616	29,621	29,621	28,071	1,550	225,922	209,514	15,167		
2005-06	221,834	205,991	15,792	30,875	30,875	31,874	-999	244,145	229,300	14,794		
2006-07	236,697	217,355	17,208	16,882	16,882	18,641	-1,759	249,396	231,812	15,449		
2007-08(e)	251,840	233,624	14,834	7,735	7,735	8,244	-509	257,952	240,246	14,325		
2008-09(e)	263,594	246,132	14,396	na	na	na	na	na	na	na		
2009-10(p)	278,063	257,124	17,729	na	na	na	na	na	na	na		
2010-11(p)	286,646	268,240	15,089	na	na	na	na	na	na	na		

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

(b) These items exclude expected Future Fund earnings from 2005-06 onwards. Expected Future Fund earnings are shown in Table F1.

(e) Estimates.

(p) Projections.

na Data not available.

Table F9: Australian Government accrual revenue, expenses and fiscal balance by institutional sector^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses(b)	Fiscal balance(b)	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	141,688	145,809	-4,211	27,431	26,015	-331	na	na	-4,542
1997-98	146,820	148,646	-1,973	29,618	26,999	2,360	na	na	387
1998-99	151,897	146,620	3,844	27,687	26,088	-816	175,682	168,806	3,028
1999-00	167,158	156,492	11,892	25,485	23,542	1,062	188,695	174,929	12,953
2000-01	162,074	157,261	5,981	25,869	24,762	-826	183,337	177,417	5,156
2001-02	162,956	166,672	-3,347	26,638	25,341	793	184,986	187,405	-2,554
2002-03	175,513	170,950	4,782	24,339	22,916	1,975	194,725	188,781	6,758
2003-04	187,924	181,948	5,252	25,449	23,444	2,143	207,628	199,647	7,395
2004-05	206,605	194,849	11,609	26,965	25,191	1,473	227,685	214,155	13,081
2005-06	221,918	205,475	15,391	28,143	29,531	-2,442	243,276	228,221	12,949
2006-07	237,008	218,895	15,905	15,443	16,360	-1,763	248,664	231,469	14,143
2007-08(e)	251,885	235,410	14,882	6,970	6,812	-612	257,458	240,826	14,270
2008-09(e)	264,042	248,638	13,642	na	na	na	na	na	na
2009-10(p)	278,739	259,361	18,415	na	na	na	na	na	na
2010-11(p)	287,509	269,433	17,125	na	na	na	na	na	na

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

(b) Expenses have been revised downwards and the fiscal balance revised upwards for the period from 2000-01 to 2006-07 due to a change in accounting treatment that recognises education expenses when grants are due to be paid, rather than when the Ministerial determination is signed.

(e) Estimates.

(p) Projections.

na Data not available.

