

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

2008-09

## **STATEMENT BY**

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## FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2008-09* (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 and outlook, together with an overview of the fiscal strategy.
- **Part 2: The Government's response to the global financial crisis** – outlines the impacts of the global financial crisis since the 2008-09 Budget and the actions taken by Government in response.
- **Part 3: Economic outlook** – discusses the domestic and international economic forecasts that underpin the budget estimates.
- **Part 4: Fiscal strategy and outlook** – provides a discussion of the fiscal strategy and outlook, in addition to a summary of the factors explaining variations in the cash flow statement, the operating statement and the balance sheet since the 2008-09 Budget. This part also discusses the sensitivity of the forward budget estimates to changes in major economic parameters, expenses by function and tax expenditures.
- **Appendix A: Policy decisions taken since the 2008-09 Budget** – provides details of decisions taken since the 2007-08 Budget that affect revenue, expenses and capital estimates.
- **Appendix B: Australian Government Budget Financial Statements** – provides financial statements for the general government, public non-financial corporations and total non-financial public sectors.
- **Appendix C: 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 D: 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 2008-09, while the forward years refer to 2009-10, 2010-11 and 2011-12.

(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
~	allocation not yet determined
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

## INTRODUCTION

Global economic conditions have changed dramatically since the Budget was delivered in May.

The global financial crisis has entered a new and dangerous phase. More than 30 financial institutions around the world have failed or been bailed out and, globally, stockmarkets have suffered significant losses.

These difficulties are affecting global growth, with the economic outlook for advanced economies deteriorating rapidly. All members of the G7 group of advanced economies have experienced negative growth at some time during 2008.

Australia is not immune from the effects of the global financial crisis and the global downturn. But Australia is better placed than most other countries to withstand the fallout.

In light of global developments the Government has taken decisive action to strengthen the economy and support Australians, including guarantees of bank deposits and wholesale funding and the \$10.4 billion Economic Security Strategy.

Notwithstanding the significant challenges arising from the deterioration in the world economic outlook, the Australian economy is expected to continue to grow in 2008-09. The Government is also continuing to budget for surpluses in 2008-09 and across the forward estimates.

An underlying cash surplus of \$5.4 billion is forecast for 2008-09 (0.4 per cent of GDP). In accrual terms, the fiscal balance is expected to record a \$5.8 billion surplus in 2008-09 (0.5 per cent of GDP).

The escalation in the severity of the global financial crisis and associated weaker global economic outlook has, however, seriously impacted on the fiscal outlook, particularly from 2009-10.

Almost all of the decrease in the surplus beyond 2008-09 is due to the significant reduction in revenues associated with the global financial crisis. Policy decisions have had relatively little impact on estimated expenses and revenues in these years.

Expected taxation receipts have been revised down by \$4.9 billion in 2008-09, by \$12.2 billion in 2009-10, \$12.4 billion in 2010-11 and \$7.9 billion in 2011-12.

These downward revisions are largely the result of lower forecasts of capital gains tax (CGT) and company tax. Recent dramatic falls in the value of global equity markets,

*Part 1: Overview*

including the S&P ASX 200 index trading around 1500 points lower in late-October than at Budget, has reduced estimated CGT. It is expected that CGT will fall from a peak of almost \$20 billion in 2007-08, to a trough of just under \$12 billion in 2009-10. Company tax estimates have been revised down significantly as profits are expected to be negatively affected by credit market turmoil, weaker global growth and, from 2009-10, falling terms of trade.

Cash payments in 2008-09 are estimated to be \$10.6 billion higher than at the 2008-09 Budget. This largely reflects new policy decisions of \$11.0 billion including \$9.7 billion for the Economic Security Strategy.

Table 1.1 presents the fiscal and underlying cash balances for 2008-09 and the forward years.

**Table 1.1: Summary of budget aggregates**

	Estimates			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)(a)</b>	<b>21.7</b>	<b>5.4</b>	<b>19.7</b>	<b>3.6</b>
Per cent of GDP	1.8	0.4	1.5	0.3
<b>Fiscal balance (\$b)</b>	<b>23.1</b>	<b>5.8</b>	<b>22.4</b>	<b>7.1</b>
Per cent of GDP	1.9	0.5	1.7	0.6
Projections				
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
<b>Underlying cash balance (\$b)(a)</b>	<b>19.0</b>	<b>2.6</b>	<b>18.9</b>	<b>6.7</b>
Per cent of GDP	1.4	0.2	1.3	0.5
<b>Fiscal balance (\$b)</b>	<b>23.3</b>	<b>6.7</b>	<b>22.6</b>	<b>10.1</b>
Per cent of GDP	1.7	0.5	1.6	0.7

Further details on the accrual and cash budget estimates are provided in *Part 4: Fiscal Strategy and Outlook*.

## **FISCAL STRATEGY**

The key elements of the Government's medium-term fiscal strategy, as set out in the 2008-09 Budget, are:

- achieving budget surpluses, on average, over the medium term;
- keeping taxation as a share of GDP on average below the level for 2007-08; and
- improving the Government's net financial worth over the medium term.

The 2008-09 Budget was delivered at a time when strong countervailing forces were affecting the economic outlook.

The fiscal strategy for the 2008-09 Budget year was for a budget surplus of at least 1.5 per cent of GDP; to 'bank' rather than spend revisions to tax receipts; and to reorient spending and taxation arrangements so that new spending was fully offset by savings. This was designed to allow the automatic stabilisers to work.

The Government recognised the risks of deterioration in world economic conditions, and acted prudently to deliver a strong surplus – an important buffer against future uncertainties.

A strong surplus was required in the 2008-09 Budget in order to:

- bear down on the inflationary pressures in the economy by reducing public demand;
- provide funding through current and future budget surpluses for future capital investment in the infrastructure, education, health and hospital needs of the nation; and
- ensure a strong financial position at a time of heightened uncertainty in the international economy.

During September and October it became clear that the flow-through of global financial market developments to the economy was going to be much more severe than previously anticipated.

Accordingly, the Government has responded to these developments by adapting its fiscal policy settings for the 2008-09 Budget year by:

- allowing the 'automatic stabilisers' – the tendency for both revenue and spending to vary in line with economic conditions – to support economic stability;
- targeting a discretionary fiscal stimulus of about 1 per cent of GDP at areas of weakness in domestic demand; and
- maintaining a strong fiscal position, including by continuing to budget for a surplus, in order to provide flexibility to adapt the fiscal stance as needed.

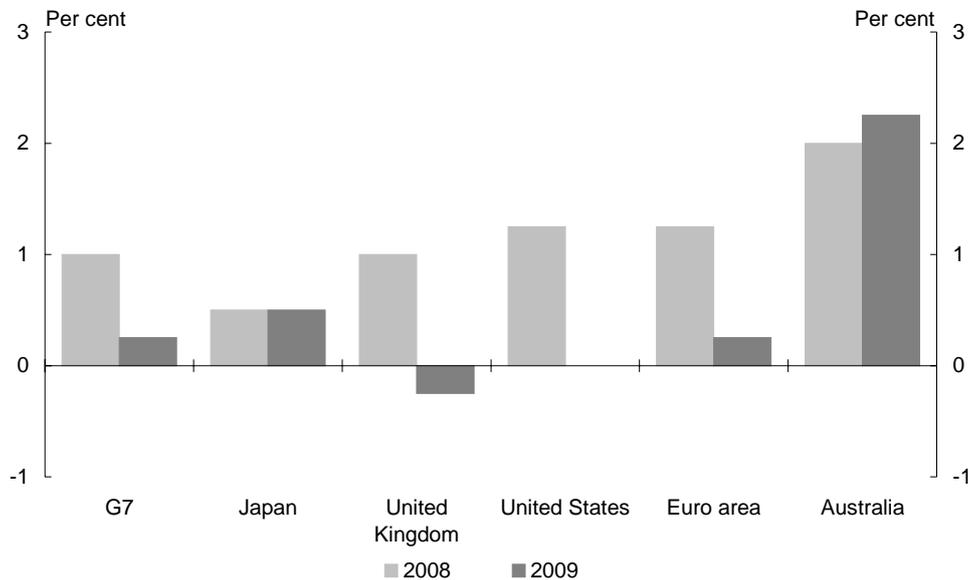
The adapted fiscal policy settings for 2008-09 are consistent with the medium-term fiscal strategy.

## DOMESTIC AND INTERNATIONAL ECONOMIC OUTLOOK

The Australian economy is forecast to grow by 2 per cent in 2008-09,  $\frac{3}{4}$  of a percentage point lower than expected at Budget. Growth is forecast to remain subdued at  $2\frac{1}{4}$  per cent in 2009-10. The downward revision reflects the effects of the global financial crisis on the Australian economy. This crisis represents the most significant upheaval in global financial markets since the Great Depression. The global downturn stemming from the crisis is now expected to be deeper and more widespread, and has seen growth forecasts revised down sharply around the world. The G7 economies are expected to be in recession in 2008. Australia is not immune from these effects, but is better placed than most countries to withstand the fallout.

The world economy is expected to grow by  $3\frac{3}{4}$  per cent in 2008, and moderate to 3 per cent in 2009. These forecasts have been revised down since Budget, in particular for 2009, where growth has been revised down by 1 percentage point. Since Budget, there has been a significant deterioration in global financial conditions and confidence. This deterioration intensified in September and October 2008 and is expected to adversely affect global growth. Advanced economies are expected to experience little growth and emerging market economies are forecast to record below trend growth. A gradual recovery in the world economy is expected late in 2009.

**Chart 1.1: Forecast economic growth rates for G7, Euro area and Australia in 2008 and 2009**



Source: Australian Government Treasury. International data refers to calendar years. Australian data refers to financial years (2008-09, 2009-10). Calculations for G7 and Euro area growth rates use GDP weights based on purchasing power parity. The G7 comprises the US, Japan, Germany, France, Italy, the UK and Canada.

The global financial crisis will increasingly affect growth over the forecast horizon. In Australia, as in other countries around the world, there has been a tightening of credit conditions as banks have passed on higher funding costs and taken a more cautious approach to lending. Share markets have fallen sharply, to be down by around forty per cent since the start of 2008.

Global commodity prices have also fallen sharply, as it has become increasingly likely that emerging economies will be more affected by the crisis than previously expected. The outlook for commodity prices has been revised down and the terms of trade are now forecast to fall by 8½ per cent in 2009-10. As a result, nominal GDP growth in 2009-10 is forecast to grow by only 3 per cent, compared to growth of around 8 per cent over the last two years.

The Australian dollar has also fallen sharply over the past few months, largely as a result of the easing of monetary policy and the changed outlook for global growth and commodity prices. Falls in the Australian dollar have provided crucial support for the Australian economy on previous occasions of severe global weakness, such as during the Asian financial crisis in 1997-98, and the previous US recession in the early 2000s. A lower dollar will again play an important role in helping the economy adjust to weaker world economic growth – by cushioning the effects on exporters and supporting Australian firms competing with imports.

The outlook for household consumption has deteriorated significantly since Budget. Consumers have been weighed down by high interest rates, tighter lending conditions and significant falls in household wealth as a result of the declines in global sharemarkets, and this has been reflected in very low levels of consumer confidence. The fiscal stimulus from the Economic Security Strategy will support consumption growth over the forecast period. Dwelling investment has likewise been weighed down by credit conditions, and will remain subdued in the near-term before recovering in 2009-10, supported by the introduction of the First Home Owners Boost and reductions to official interest rates.

Business investment is expected to remain solid in 2008-09, supported by the large amount of work already underway. Growth is expected to slow as these projects are completed, with investment intentions downgraded on the back of tighter credit conditions, the increased cost of equity funding and a weaker outlook for commodity prices.

High inflation persists, with headline inflation recently reaching 5 per cent. Inflationary pressures are expected to moderate as global growth slows, flowing through to lower global oil and food prices. Inflation is expected to fall to 3 per cent through the year to the June quarter 2010.

The marked deterioration in the global economic outlook, and the resulting fallout for the Australian economy, is forecast to result in more moderate employment growth

Part 1: Overview

than at Budget. As a consequence, the unemployment rate is forecast to rise to 5 per cent by the June quarter 2009 and 5¼ per cent by the June quarter 2010.

The global financial market crisis continues to present serious risks to the world and domestic outlook. Significant uncertainty remains over the extent and duration of the economic downturn stemming from the crisis, and the effect on Australia. While governments and central banks have acted swiftly with a view to restoring confidence in the financial system and bolstering economic growth, it remains to be seen whether these actions will be sufficient to stabilise global financial markets. Further economic weakness in advanced economies, beyond that currently anticipated, remains a distinct possibility should financial markets fail to stabilise and confidence remain brittle. This presents a downside risk to emerging economies through trade and financial market linkages. Should this risk materialise, this would have further adverse effects on Australia's economic outlook, particularly if it resulted in further weakness in growth in China and lower commodity prices than currently anticipated.

Given the current volatility in financial markets and changing global economic conditions, there will be a higher degree of uncertainty in the forecasts than usual.

Table 1.2 presents the major economic parameters used in preparing the *Mid-Year Economic and Fiscal Outlook 2008-09*. The parameters for 2008-09 and 2009-10 are forecasts, while those for 2010-11 and 2011-12 are projections. The projections of economic growth are based on analysis of underlying trends in employment and productivity. Similar to Budget, the projection years include the assumption that the prices of key non-rural commodities will fall further from their 2009-10 forecast levels. The projections of inflation are consistent with the medium-term target band.

**Table 1.2: Major economic parameters<sup>(a)</sup>**

	Forecasts		Projections	
	2008-09	2009-10	2010-11	2011-12
Real GDP	2	2 1/4	3	3
Employment	1 1/4	3/4	1 1/4	1 1/4
Wage Price Index	4 1/4	4	4	4
CPI	3 1/2	3	2 1/2	2 1/2
Nominal GDP	7 3/4	3	4 1/4	4 1/4

(a) All parameters except the CPI are year average percentage changes. The CPI is through the year growth to the June quarter. As in previous budget documents, projections assume a two-year step down in non-rural commodity prices.

## **PART 2: THE GOVERNMENT'S RESPONSE TO THE GLOBAL FINANCIAL CRISIS**

The 2008-09 Budget projected a surplus of \$21.7 billion in 2008-09 and strong surpluses in the following three years. This prudent position was a product of tough decisions to strengthen the Government's financial position. The Government was mindful of the risks associated with the deterioration in the world economy, and noted that a strong budget surplus would 'ensure a strong financial position at a time of heightened uncertainty in the international economy'. Since then, the balance of risks has shifted decisively to the downside. Australia's strong financial position has given it the fiscal flexibility to respond to deteriorating global conditions.

The collapse of the US investment bank Lehman Brothers in mid-September marked a new period of serious disruption and uncertainty for global financial markets. Since then, several other major global financial institutions have collapsed, and several countries have implemented emergency measures to support domestic financial institutions. Both overseas and at home, spreads between market and official interest rates have remained high, and stock markets have fallen sharply as well as exhibiting high levels of volatility. The outlook for growth in the world economy has deteriorated rapidly.

Economic conditions have changed considerably since the 2008-09 Budget as the global financial crisis has worsened. Though the economy and financial system are well placed to withstand the fallout, Australia is not immune from the global financial crisis. The damage being done to Australia's credit markets and growth prospects from the rapidly deteriorating world economy has required action. Accordingly, the Government has put in place a wide range of proactive measures, including the guarantee of bank deposits and bank wholesale funding and the \$10.4 billion Economic Security Strategy, which will help protect households and financial institutions from the impacts of the global financial crisis. These steps will support economic growth into the future.

### **DEVELOPMENTS IN THE GLOBAL FINANCIAL CRISIS**

The sub-prime crisis that began in mid-2007 in the United States has caused financial institutions to lose confidence in lending to each other. This loss of confidence resulted in a credit crisis throughout late 2007 and 2008, with the supply of liquidity and credit to financial institutions, businesses and households gradually drying up, and interbank lending spreads widening.

This situation took a dramatic turn for the worse in mid-September 2008 when Lehman Brothers, the fourth-largest investment bank in the US, filed for bankruptcy. The collapse of Lehman Brothers led to a serious intensification of the global financial crisis. Confidence plunged – due to concerns over counterparty exposure to Lehman Brothers, further major institutional failures, and fear of a systemic crisis. Banks were

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considerably less willing to lend to each other and global credit markets effectively froze.

Significant developments continued, with the Bank of America acquiring Merrill Lynch, while Goldman Sachs and Morgan Stanley successfully applied to become commercial banks. American International Group, one of the world's largest insurers, had to take a loan from the Federal Reserve after a barrage of margin calls on credit default contracts it had written. The collapse of Lehman was followed by Washington Mutual on 25 September – marking the biggest failure of a US bank in history. By late September the contagion had spread to Europe, with the collapse of Belgium's Fortis, Bradford and Bingley in the United Kingdom and Iceland's Glitnir Bank. Germany had also extended support to its second-largest commercial property lender.

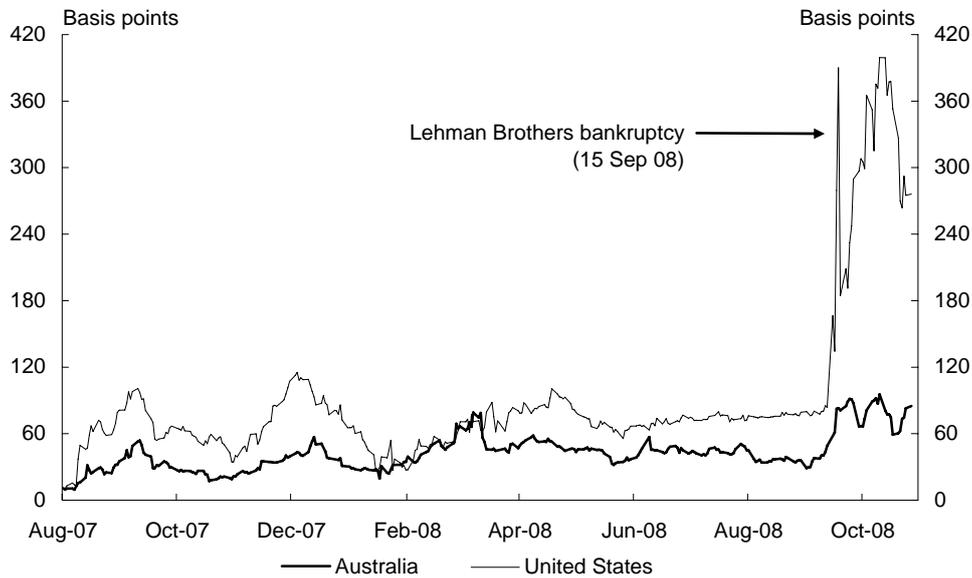
Early in October, the US Congress passed the *Emergency Economic Stabilization Act of 2008* providing US\$700 billion for the US Treasury to purchase the troubled assets of financial institutions and take direct equity stakes in financial institutions, with US\$250 billion available immediately. The US Government subsequently announced a plan to stand by all key financial institutions by purchasing equity from financial institutions and guaranteeing all senior unsecured debt issued by eligible financial institutions, as well as guaranteeing non-interest bearing transaction deposit accounts. Later in October, European nations also agreed to a package of measures to support the European financial system, including the guarantee of interbank loans and the purchase of equity in banks.

The immediate translation of the significant and sustained increase in strain on global financial markets is evident in Chart 2.1. The spread between the rate at which US banks lend to each other and the expected federal funds rate reached nearly 400 basis points in October. Despite Australia's minimal direct exposure to Lehman Brothers, banks' interest rate spreads in Australia also increased dramatically. Effectively, banks' funding costs immediately soared.

Global markets for equities, currencies and commodities saw extraordinary price movements, while yields on short-term government securities fell sharply – particularly in the United States. In Australia, from mid-September to mid-October, the ASX200 fell sharply from above 5000 points to around 4000 points, and the Australian dollar depreciated from above 80 to below 70 US cents.

During September and October it also became clear that the flow-through of global financial market developments to the real economy was going to be much more severe than previously anticipated.

**Chart 2.1: Australian and United States interbank lending spreads**



Note: Australian data are 90-day bank bill to Overnight Indexed Swaps. United States data are 90-day Certificates of Deposit to Overnight Indexed Swaps.  
Source: RBA and Reuters.

## THE EMERGING IMPACT OF THE GLOBAL FINANCIAL CRISIS ON THE REAL ECONOMY

Since Budget, the global financial crisis has intensified, with inevitable consequences – both globally and for Australia. After revising down its forecasts for 2009 GDP growth across the advanced economies from 1.4 per cent (in July) to 0.5 per cent, the International Monetary Fund recently summed up the global economic outlook in these blunt terms.

The world economy is now entering a major downturn in the face of the most dangerous shock in mature financial markets since the 1930s. Against an exceptionally uncertain background, global growth projections for 2009 have been marked down to 3 percent, the slowest pace since 2002, and the outlook is subject to considerable downside risks. The major advanced economies are already in or close to recession ...

The outlook for the US economy in particular has deteriorated since the Budget. The escalation of the global financial crisis and the continuing weakness in the US housing market will determine the length and depth of the expected recession, and these factors are expected to delay recovery until late 2009.

The euro area is expected to record little growth in 2009. Growth prospects have been significantly weakened by slower global industrial demand, the tightening in global financial conditions, and concerns over labour market prospects and consumption. The

*Part 2: The Government's response to the global financial crisis*

UK economy is expected to enter recession in the near future – the first time in 16 years – reflecting an expected contraction in domestic demand as well as the slowing in global growth.

The emerging economies will be impacted by the slowdown in advanced economies. China's growth in 2008 is expected to be over 2 percentage points lower than in 2007, with further slowing expected in 2009. This will have significant implications for the Australian economy, particularly if Chinese demand for resources weakens.

Australia is not immune from the global financial crisis. As outlined in Part 3, the forecast for GDP growth in Australia in 2008-09 has been revised to 2 per cent, down from 2¾ per cent at Budget. The unemployment rate is now forecast to rise to 5 per cent by the June quarter 2009 and 5¾ per cent by the June quarter 2010.

The global financial crisis has resulted in sharp falls on Australian sharemarkets. Household financial wealth fell by around 16 per cent through the year to the June quarter 2008, and global sharemarket falls since then have exacerbated this fall.

The significant fall in consumer confidence over the course of 2008 in Australia as well as the rest of the world raises the potential for weaker growth in household consumption and dwelling investment, as households feel less confident about their capacity to spend and borrow.

The impacts flowing from the global financial crisis have also affected the corporate sector. Businesses continue to face tighter credit conditions and higher funding costs, and falling asset prices have also raised the cost of capital funding from the sharemarket. Business conditions generally, and investment intentions specifically, have become subdued.

The global financial crisis will have a substantial impact on the Government's budget position. As a result of deteriorating global economic circumstances, revenues have been revised down, particularly from 2009-10, and expenses will increase as the effects of a global slowdown flow through to Australia. See Part 4: Fiscal Strategy and Outlook.

## **POLICY RESPONSES TO THE GLOBAL FINANCIAL CRISIS**

The 2008-09 Budget prudently struck a balance between tackling inflation and responding to the risks posed by global economic conditions. The Government was acutely aware that the global financial crisis could deteriorate markedly. It strengthened the Government's financial position by allowing the automatic stabilisers to work and building a \$21.7 billion surplus – a buffer – in order to provide the flexibility necessary for future policy action. The Government supported households by delivering tax cuts and payments to pensioners and carers.

*Part 2: The Government's response to the global financial crisis*

The Reserve Bank of Australia, with responsibility for both monetary policy and the overall stability of the financial system, has also taken action this year to protect growth and financial stability. It provided timely liquidity to financial institutions as international money markets became dysfunctional. In September and October, it reduced the official cash rate from 7.25 per cent to 6 per cent.

The dramatic shift in the macroeconomic outlook since the Budget has required the Government to implement timely and proactive policy responses to help reduce the possibility of a severe slowdown in the Australian economy, and to help shield Australians from the impact of the global financial crisis. These responses include the following.

- On 20 May, the Government announced, on the authority of the Treasurer, its decision to increase the issue of Commonwealth Government Securities by up to \$25 billion to ensure the smooth operation of Australia's financial markets, boost the range of assets that the Australian Office of Financial Management (AOFM) could invest in, and expand the securities lending facility of the AOFM.
- On 2 June, the Treasurer outlined Australia's response to the recommendations of the Financial Stability Forum on enhancing the resilience of financial markets and financial institutions. This included introducing legislation to establish a Financial Claims Scheme to provide depositors and general insurance policyholders with timely access to their funds in the event of a financial institution failure, and changes to the regulatory framework to allow better management of failing financial institutions.
- On 3 July, the Council of Australian Governments (COAG) agreed to measures to strengthen the protection of consumers of financial services across Australia, with the Commonwealth taking over responsibility for the regulation of mortgages, mortgage brokers, margin lending and non-bank lending. On 2 October, COAG endorsed an implementation plan for the regulation of remaining areas of consumer credit.
- On 19 September, the Australian Stock Exchange amended its authorised products list effectively to prohibit naked short sales not otherwise allowed under the *Corporations Act 2001*. On 21 September, the Australian Securities and Investments Commission banned covered short selling for a period of 30 days, subsequently extended to 18 November. Limited exceptions apply to this ban. On 23 September, the Government released draft legislation on disclosure arrangements for covered short sales.
- On 26 September, the Government announced its intention to purchase \$4 billion of residential mortgage backed securities (RMBS) to support competition in the market for housing finance following the dislocation of the Australian RMBS market.

*Part 2: The Government's response to the global financial crisis*

- The Government has been working with international counterparts to reform the global financial architecture to make sure these events do not happen again. The Treasurer joined meetings of the IMF and the G-20 in mid-October for this purpose and will attend the G-20 finance ministers and central bank governors meeting in Brazil on 8-9 November 2008. The Prime Minister will attend a G20 Leaders' meeting in Washington on 15 November 2008 to advance international cooperation in responding to the global financial crisis.

As the outlook for financial markets and the global economy deteriorated further – particularly after the collapse of Lehman Brothers – it became apparent that more action was required. In response, the Government announced it would guarantee deposits and wholesale funding of authorised deposit-taking institutions, and invest a further \$4 billion in RMBS, bringing the total investment to \$8 billion. The Government also delivered a \$10.4 billion Economic Security Strategy to strengthen the economy and support households during the global financial crisis.

## **SUPPORTING CONFIDENCE IN AUSTRALIA'S FINANCIAL MARKETS**

On 12 October and 24 October 2008, the Australian Government announced measures to enhance the protection of Australian financial institutions.

The decision to guarantee deposits and wholesale funding of authorised deposit-taking institutions was made in response to the serious deterioration in global financial markets, which threatened the ability of Australian financial institutions to access funding. The deterioration had potentially serious implications for liquidity and lending activity. This action was also necessary to ensure that Australian institutions were not placed at a commercial disadvantage in attracting new funds relative to their international competitors that had received similar government guarantees.

The likelihood of these guarantees being drawn on is low. The regulation and supervision of Australia's financial institutions is strong, effective and coherent. Australian banks are well capitalised and have limited exposure to the type of sub-prime mortgages that are found in the US and also to the US, UK and European institutions that have faced insolvency during the turbulence of the past year.

The Government's decision to purchase RMBS will assist in the functioning of the RMBS market and support competition in mortgage lending in Australia.

**Box 1: Measures taken to support confidence in Australia's financial markets**

**Guarantee of deposits of authorised deposit-taking institutions**

The Government is providing a guarantee of deposits of authorised deposit-taking institutions in Australia, for a period of three years from 12 October 2008.

Until midnight on 27 November 2008, all deposits held in eligible institutions will be guaranteed without charge. From 28 November 2008, a threshold of \$1 million will be applied per customer. Deposits below this threshold will continue to be guaranteed without charge. Deposits above this threshold and any deposits held in foreign bank branches will only be guaranteed if the institution has applied for the guarantee and agreed to pay the relevant fee.

The vast majority of Australian households and businesses – around 99.5 per cent – have deposit balances that are below the \$1 million threshold. These deposits will continue to be covered by the Government guarantee free of charge. The threshold targets the fee towards the small number of depositors with large deposit balances, such as wholesale investors. It will ensure that the guarantees do not provide an incentive for these investors to substitute deposit products for short-term money market securities and other investments.

This guarantee provides certainty to Australians that their deposits in Australian banks, building societies and credit unions are safe, and reinforces the strength of Australia's financial institutions. It will also help support consumer confidence in a challenging economic environment.

**Guarantee of wholesale funding of authorised deposit-taking institutions**

The Government is providing a guarantee of eligible wholesale funding of authorised deposit-taking institutions in Australia until market conditions normalise.

Until midnight on 27 November 2008, all eligible wholesale funding will be guaranteed without charge. From 28 November 2008, wholesale funding will only be guaranteed if the institution has applied for the guarantee and agreed to pay the relevant fee.

This guarantee will enable Australian institutions to raise funds overseas with the same level of support as foreign institutions that have received government guarantees and will help restore confidence in credit markets. This will ensure that Australia's financial sector can continue to lend to Australian corporations, businesses and households, helping to support economic activity during a time in which the economic outlook is uncertain.

**Box 1: Measures taken to support confidence in Australia's financial markets (continued)**

**Purchasing \$8 billion in residential mortgage-backed securities**

The Treasurer has directed the Australian Office of Financial Management (AOFM) to purchase a total of \$8 billion of residential mortgage-backed securities (RMBS) from a wide range of Australian lenders. This action follows legislation passed by the Government in June 2008, which expanded the range of high-quality assets in which AOFM can invest.

The AOFM will invest the \$8 billion in prime, AAA-rated RMBS that meet strict criteria in relation to the quality of the underlying mortgages. The investment will be of particular assistance to lenders that are not authorised deposit-taking institutions (ADIs) (that is, lenders that are not banks, building societies or credit unions), as non-ADI lenders are particularly reliant on funding from RMBS issuance.

Over the past decade or so, non-ADI lenders have been an important source of competition in the mortgage lending market. However, the dislocation in international credit markets and the associated tightening of the Australian RMBS market has impacted on these lenders' ability to exert competitive pressures.

The Government's initiative will support competition in Australia's mortgage market from a wide range of lenders, including non-ADI lenders.

## **ECONOMIC SECURITY STRATEGY**

The Economic Security Strategy is a discretionary fiscal stimulus package of around 1 per cent of GDP, overwhelmingly focused on the first half of 2009 and tightly targeted at those sectors of the economy showing the greatest weakness – household consumption and dwelling investment. The \$10.4 billion package, announced on 14 October 2008, also provides relief to those people in the community whom have been struggling in the past couple of years to meet rising costs for housing, petrol and food, particularly those on low incomes or with children and other family members to support. The package consists of:

- \$4.9 billion for an immediate down payment on long-term pension reform – a one-off payment of \$1,400 to eligible single pensioners and \$2,100 to eligible pensioner couples, including Commonwealth Seniors Health Card holders, as well as a one-off payment of \$1,000 to Carer Allowance recipients for each person in their care;
- \$3.9 billion in support payments for low and middle income families – a payment of \$1,000 for each child in families eligible for Family Tax Benefit (A);

*Part 2: The Government's response to the global financial crisis*

- \$1.5 billion investment to help first home buyers purchase a home – from the date of the announcement to 30 June 2009, the Government will introduce the First Home Owners Boost for established homes of \$7,000 (to take the total grant to \$14,000), and for newly-constructed houses of \$14,000 (to take the total grant to \$21,000); and
- \$187 million to create 56,000 new training places for the 2008-09 Productivity Places Program.

The Economic Security Strategy will also accelerate the implementation of the Government's nation building agenda, bringing forward the commencement of investment in nation building projects to 2009.

The measures outlined in the Economic Security Strategy will help strengthen and stabilise the economy in the current global economic environment. The package will provide a boost to consumption through the lump sum payments to pensioners and carers and the one off payment to families, while the First Home Owners Boost will help stimulate activity in the housing sector, including investment in new dwellings. The bring-forward of infrastructure development will further stimulate economic activity, while also enhancing the productive capacity of the economy. The new training places will particularly assist disadvantaged job-seekers.

Nearly all of the stimulus to the economy from the Economic Security Strategy will be delivered in 2008-09. The stimulus is large enough to make a significant contribution to those components of aggregate demand that are expected to be most vulnerable in the first half of 2009, while maintaining future surpluses, allowing strategic investment in the nation's future and leaving some further room to move if additional action is needed. The package fits squarely with principles underlying effective discretionary fiscal stimulus (see Box 2) and complements the boost expected from interest rate cuts, which are expected to have much of their impact on growth after the first half of 2009.

In the absence of the Government's Economic Security Strategy, economic growth would have been significantly weaker than currently forecast. The Strategy is expected to result in a boost to the level of real GDP growth of between half and one percentage point over the next several quarters, providing a significant boost to household consumption and supporting a recovery in dwelling investment over the forecast horizon.

Household consumption growth had already slowed sharply before the announcement of the package, weighed down by an extended period of relatively high interest rates, petrol and food prices and significant falls in household wealth as the global financial crisis led to sharp declines in global sharemarkets. In the June quarter of this year, household consumption experienced its first decline since the September quarter 1993.

Without the package it is likely that consumption growth would have remained very weak in the near term, with further falls in consumption possible. With household

consumption directly comprising around 60 per cent of GDP and having important implications for other areas of expenditure, this would create significant headwinds for overall economic growth. The package will provide a significant boost to consumption growth by providing additional income and bolstering consumer confidence.

Likewise, forward indicators of the housing market released before the package, including growth in building approvals and housing finance, had shown that dwelling investment would have remained very weak over the forward estimates, despite strong underlying demand. In part, this reflects the impact of the gradual tightening in monetary policy from 2002 to 2008 and increasing costs for housing construction.

### **Box 2: Principles underlying effective discretionary fiscal stimulus**

There are times when discretionary fiscal stimulus can assist monetary policy and the automatic stabilisers in stimulating the economy quickly. Based on past experience, a fiscal stimulus needs to be used selectively and with carefully designed policies that are:

- **early** – the measures need to be formulated and implemented quickly, so that sufficient stimulus is provided when it is most needed;
- **temporary** – so as not to increase risks to inflation, interest rates and the fiscal balance, which could reduce growth prospects in the medium to long term; and
- **targeted** – to maximise the addition to GDP growth for any given budget outlay.

Inevitably a decision on when to introduce discretionary fiscal stimulus will come down to a matter of judgment about balancing the risks to the economic outlook, bearing in mind the need to be timely and decisive in determining the need for policy action.

The early, decisive action taken by the Government is helping ensure that Australia is better placed to withstand the impacts of the global financial crisis.

The package is consistent with the Government's medium-term fiscal strategy of maintaining a budget surplus, on average, over the medium-term. The Government will also continue to allow the automatic stabilisers to operate through the Budget to help stabilise demand.

## **CONCLUSION**

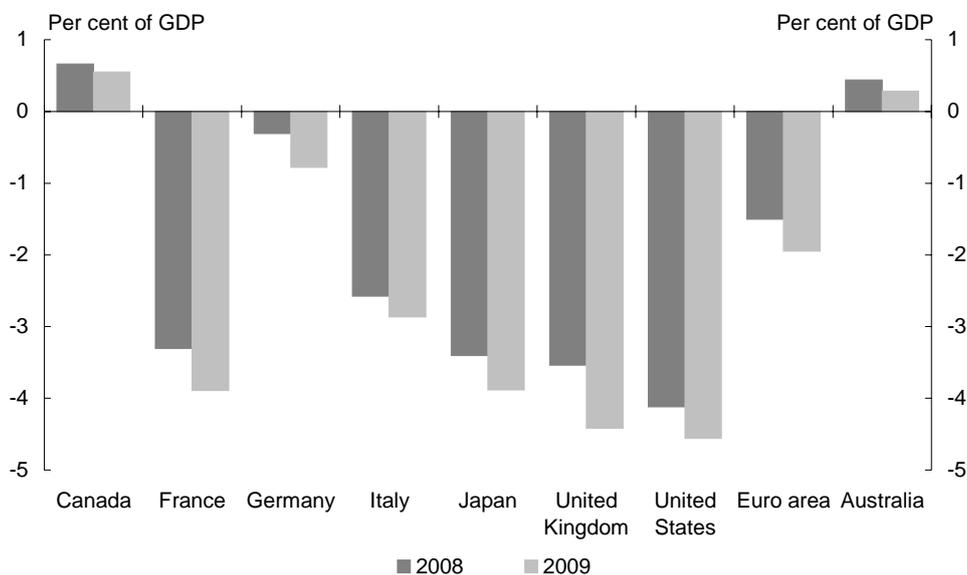
Australia's economy is in a much stronger position to withstand the fallout than most other countries. Economic growth remains solid and compares favourably with other advanced economies that are close to, or in, recession. Australia will also continue to be a major beneficiary of the economic growth resulting from the industrialisation of emerging economies such as China and India. Furthermore, the Australian housing

market does not possess the excess of physical stock that is evident in some overseas markets, particularly the United States.

The regulation and supervision of Australia's financial institutions is strong, effective and coherent. In its Global Competitiveness report issued on 8 October, the World Economic Forum ranked Australia in the top four countries out of the 134 countries it assessed in terms of the soundness of our banks and in the top three in terms of auditing and reporting standards. Australia's largest four banks are among only 11 of the world's top banks with a AA credit rating or above. Prior to the sub-prime crisis, sub-prime loans accounted for around 15 per cent of the US mortgage market. However, in Australia the closest equivalent to sub-prime mortgages – non-conforming housing loans – continue to make up around one per cent of outstanding housing loans in Australia. The soundness of Australia's financial system reflects the fact that Australian banks, building societies and credit unions have almost no presence in the Australian non-conforming housing loan market.

With regard to macroeconomic policy settings, the Government continues to budget for surpluses, while most other countries are in significant deficit (see Chart 2.2). In addition, the Australian Government's balance sheet is in a net asset position. This outcome gives Australia a level of fiscal policy flexibility that is unusually strong among advanced economies. The Government, in conjunction with the economic regulators, is prepared to take the necessary action required in these uncertain times.

**Chart 2.2: Budgetary positions for selected countries in 2008 and 2009**



Source: International data are for all levels of the general government sector, sourced from the IMF World Economic Outlook, October 2008. They refer to calendar years. Australian data are for the Australian Government general government sector, sourced from the Australian Government Treasury. They refer to financial years (2008-09, 2009-10). This chart compares selected countries' budgetary positions using their primary budget balance, which may differ from Australia's.



## PART 3: ECONOMIC OUTLOOK

The forecasts for MYEFO have been prepared against the backdrop of the most significant upheaval in global financial markets since the Great Depression. The fallout from the sub-prime crisis in the United States has spread around the world, with the global downturn now expected to be deeper and more widespread. The G7 economies are expected to be in recession in 2008, leading to a slowdown in growth in emerging economies. These global developments will have inevitable consequences for the Australian economy, with growth expected to slow to 2 per cent in 2008-09,  $\frac{3}{4}$  of a percentage point lower than expected at Budget. However, Australia's sound fiscal and monetary policy position means it is better placed to navigate through this crisis than most countries.

The global economy is facing the most challenging set of economic conditions seen in several generations. A further escalation in financial market turbulence was identified as a significant downside risk at Budget in May – a risk that has now crystallised (Box 1). Although some measure of stability appeared to be returning to financial markets after the takeover of Bear Stearns in March, the collapse of Lehman Brothers in mid-September led to a renewed crisis of confidence in financial systems. This resulted in sharp rises in interbank lending rates, distortions in credit markets and large falls on global equity markets. The global financial crisis has come on top of large commodity and housing market shocks, and has seen growth forecasts revised down around the world.

The world economy is forecast to grow by  $3\frac{3}{4}$  per cent in 2008 and 3 per cent in 2009. Although world growth outcomes were relatively favourable over the first half of 2008, there is now clear evidence of a global economy under severe stress and showing the effects of the global financial crisis on economic growth. World growth in 2009 has been revised down by 1 percentage point since Budget, with GDP growth expected to be weak across the advanced economies. Emerging market economies are also increasingly hampered by developments on global financial markets, as global trade slows, risk aversion among investors increases, and external financing becomes more difficult. Significant uncertainty remains around the extent, pace and distribution of the downturn in world growth.

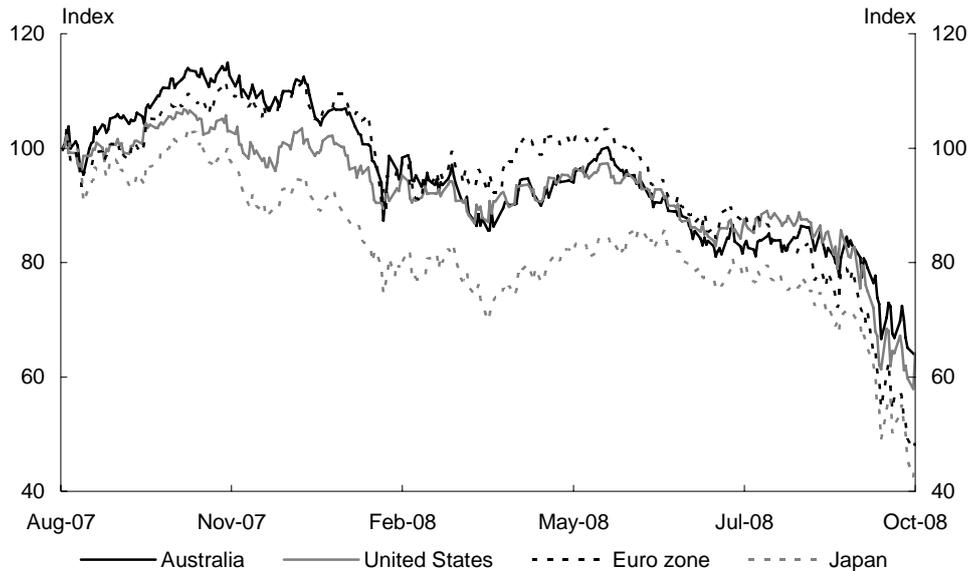
These global events will have an inevitable impact on Australia. The initial effects have been felt principally on financial markets, but increasingly will flow through to the real economy over the forecast period (Box 2).

Credit conditions have been tight. Banks have passed on higher funding costs stemming from the global financial crisis to consumers and businesses, and have taken a more cautious approach to lending as recent events have shaken confidence. Although official interest rates have been cut significantly in recent months, it will take some time for the full impact of these cuts to flow through to the economy. As in other countries, Australia has faced a sharp fall on share markets and increased volatility,

Part 3: Economic outlook

with swings of 5 to 10 per cent in intra-day trading (Chart 3.1). The All Ordinaries and ASX 200 have fallen by around 40 per cent since the beginning of 2008. The Australian dollar has also depreciated sharply, falling by around 30 per cent in trade-weighted terms from its peak in July this year.

Chart 3.1: Global equity markets

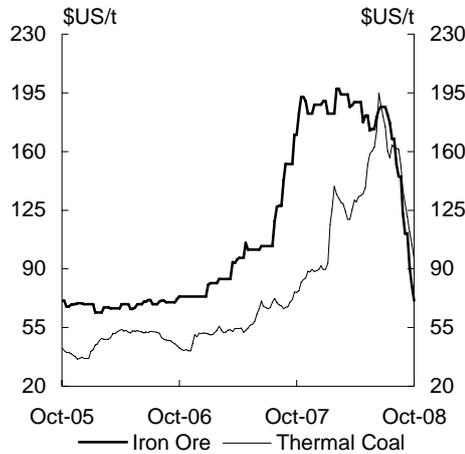


Source: Standard and Poor's and Reuters.

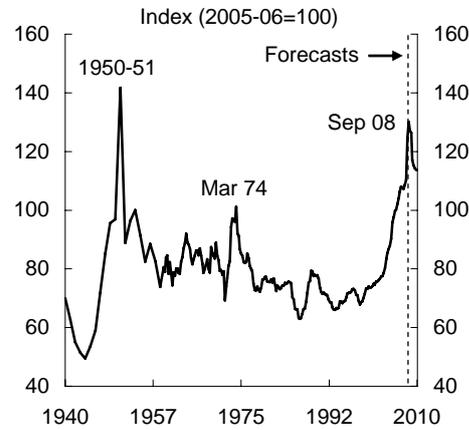
A weaker world economic outlook is already having implications for commodity prices. While current US dollar prices for the major bulk commodities of iron ore and coal have been largely locked into contracts until March 2009, expectations for prices after this contract period ends have been downgraded significantly, driven by a weaker outlook for growth and demand from emerging economies, including China. Prices for base metals have already seen sharp falls, and spot prices for iron ore and coal have also fallen below current contract prices (Chart 3.2). While the depreciation of the exchange rate will dampen the falls in Australian dollar terms, the terms of trade are expected to decline from recent peaks in 2009-10 (Chart 3.3).

The outlook for household consumption has deteriorated significantly since Budget. Consumers have been weighed down by an extended period of relatively high interest rates until mid-2008, and tighter lending conditions. The global financial crisis has led to sharp falls in asset values and confidence around the world. However, lower borrowing costs and the fiscal stimulus from the Government's Economic Security Strategy will support consumption growth over the forecast period.

**Chart 3.2: Bulk commodity spot prices**



**Chart 3.3: Terms of trade**



Source: Bloomberg and Global Coal (Chart 3.2). From September quarter 1959, quarterly data from ABS cat. no. 5206.0; prior to September quarter 1959, M W Butlin (1977) 'A Preliminary Annual Database 1900-01 to 1973-74', RBA Discussion Paper 7701 (Chart 3.3).

Dwelling investment is expected to remain subdued in the near term as tighter credit conditions and low levels of confidence act to constrain activity. Interest rate cuts, together with strong underlying demand and the First Home Owners Boost for new houses should support a recovery in dwelling investment over the forecast horizon.

Business investment growth is expected to remain solid in 2008-09, albeit lower than expected at Budget. The large amount of work already underway, both mining and non-mining, is expected to support growth in the near term and keep investment at historically high levels. As these projects are completed, growth is expected to slow, as fewer projects are added to the pipeline. Investment intentions have been revised down due to tighter credit conditions and the increased cost of equity funding after the recent sharp falls in the share market. This has been coupled with a weaker outlook for domestic and global activity and softer commodity prices, and means that business investment is expected to be flat in 2009-10.

The Australian dollar is often treated by the markets as a bellwether for global growth, and it falls sharply when global growth prospects deteriorate. As in earlier episodes of global weakness in 1997-98 and 2000-01, the sharp depreciation of the Australian dollar will help insulate Australia from some of the effects of the global slowdown by boosting the attractiveness of our exports and supporting production in import-competing industries. Export volumes have also exceeded expectations as a period of strong growth in mining investment has resulted in extra capacity coming on line. As a result, the outlook for the external sector has strengthened slightly, with a lower net export subtraction from growth expected than at Budget.

*Part 3: Economic outlook*

The marked deterioration in the global growth outlook, and the resulting slowdown in Australian economic growth, is forecast to result in employment growing more moderately than at Budget. As a consequence, the unemployment rate is forecast to rise to 5 per cent by the June quarter 2009, and to 5¾ per cent by the June quarter 2010.

Inflation is high, with headline inflation rising to 5 per cent through the year to the September quarter 2008. Inflationary pressures are expected to moderate over the forecast period as world growth slows, flowing through to lower global oil and food prices. Inflation is forecast to be 3 per cent through the year to the June quarter 2010.

### Box 1: Key developments in global financial markets

Emerging over a year ago from the US sub-prime mortgage market, the financial crisis has evolved into severe dislocations in broader credit and funding markets, affecting financial markets globally, and requiring extraordinary and unprecedented policy action from governments.

A deterioration in US lending standards, coupled with the revelation of perverse incentive structures in the lending market, led ultimately to a repricing of risk.

Under the originate-to-distribute model, commission-driven mortgage originators had reduced incentives to screen borrowers, as they could on-sell the full risk of mortgages to investors.

Following a period of rapid asset price growth and excessive financial sector risks, the collapse in the US housing market saw banks and other financial institutions around the world reveal large write-downs on sub-prime related debt from late 2007.

The first failure of a systemically important institution occurred with the collapse of Bear Stearns in mid-March, which led to its subsequent takeover by JPMorgan.

Shortly after the takeover of Bear Stearns, prompt intervention by the US Federal Reserve brought some stability back to financial markets. Financial markets remained relatively stable until early September when Fannie Mae and Freddie Mac were placed under conservatorship.

In mid-September, the crisis moved into its most virulent phase, triggered by the bankruptcy of Lehman Brothers, the fourth largest US investment bank. The absence of a bail-out package led to a pervasive lack of market confidence and placed considerable strains on the US financial system.

Soon after the collapse of Lehman Brothers, American International Group (AIG) was effectively nationalised. Merrill Lynch was taken over by Bank of America and JPMorgan assumed the banking operations of Washington Mutual, the collapse of which became the largest bank failure in US history.

Financial troubles spread to Europe in late September as Bradford & Bingley was partly nationalised and major financial institutions in the UK, Germany, France, Belgium and Iceland failed or required large injections of public capital.

Escalating financial stress led to a peak in interbank lending spreads (Chart 3.A), significantly lower global equity markets and sharp distortions in credit markets. More than 30 financial institutions around the world have failed or been bailed out.

In early October, US Congress passed a comprehensive financial rescue plan which provided US\$700 billion for the US Treasury to purchase troubled assets and take direct equity stakes in financial institutions.

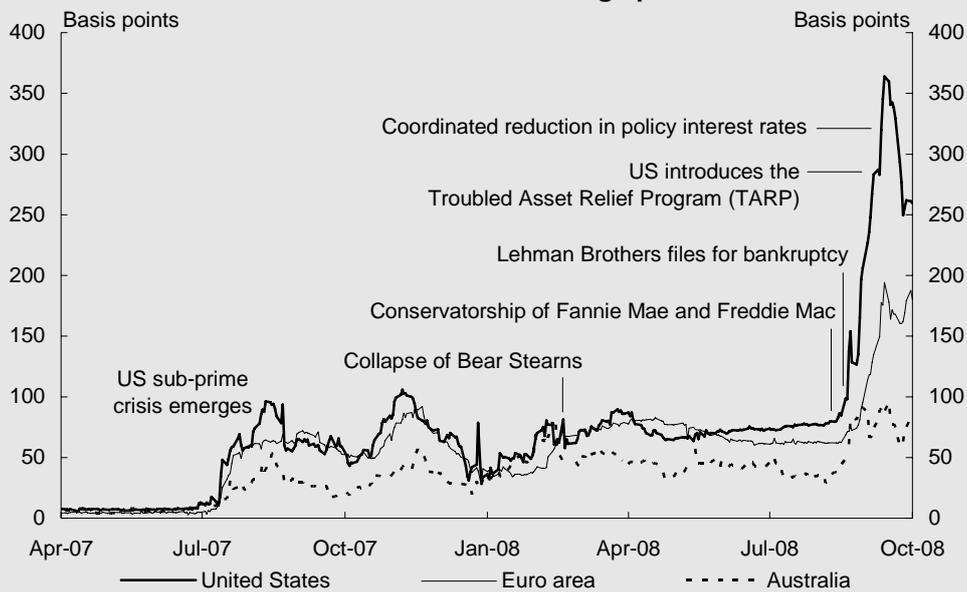
Part 3: Economic outlook

The UK Government announced a £50 billion facility to purchase preference shares and recapitalise UK banks, and other European governments announced similar financial rescue packages. Central banks around the world have also coordinated aggressive cuts in interest rates and undertaken significant

liquidity injections in order to support growth.

Following the IMF and G20 meetings in October, governments took action to guarantee deposits and wholesale funding to support global financial markets.

**Chart 3.A: Interbank lending spreads**



Note: Australia data are 90-day bank bill to OIS. United States and Euro area data are 3-month LIBOR to OIS.  
Source: Reuters and Reserve Bank of Australia.

**Box 2: The transmission of the global financial crisis to Australia**

The global financial crisis and its impact on world growth present a serious threat to Australia's economic outlook. The channels through which the crisis will affect Australia can be broadly classified as financial, trade and confidence.

The **financial** transmission channel is the impact of adverse debt and equity market developments on growth. The effect of the global financial crisis on the price and availability of credit has constrained the borrowing ability of Australian households and businesses. Sharply lower equity prices have reduced the financing capacity of businesses, in addition to their effect on households' financial wealth.

These financial impacts will reduce consumption and investment spending relative to what they would have been in the absence of the financial crisis. A further deterioration on global stock markets, or increased volatility, would present a downside risk to growth.

The **trade** transmission channel relates to the indirect effect of the global financial crisis on Australia through its impact on growth prospects for our trading partners. The outlook for world growth has been sharply reduced, with flat or falling activity levels possible in a number of large advanced economies.

Lower growth in global demand will constrain Australia's export volumes and prices. As a result, it is expected that the terms of trade will fall in 2009-10, after rising by a large amount in recent years. This turnaround has direct implications for nominal GDP, a major determinant of the tax base, and any further deterioration in the outlook for world growth would increase the downside risks.

The global financial crisis has seen **confidence** fall around the world, and Australia has not been immune. The effects of the crisis on confidence are the hardest to quantify, but arguably the most important. Beyond a certain point, the precautionary spending cuts that consumers and businesses make can become the primary factor behind worsening economic conditions. Governments and central banks around the world have taken decisive steps to support confidence by acting to stimulate economic growth and ensure that credit markets continue to function as freely as possible.

## INTERNATIONAL ECONOMIC OUTLOOK

Over the past four years, the world economy has expanded at its fastest pace since the mid-1970s, averaging nearly 5 per cent annual growth over this period. With advanced economies growing around trend, emerging market economies have accounted for almost two-thirds of world growth, with China contributing almost one quarter.

However, the prospects for global growth have deteriorated sharply with the intensification of the global financial crisis that first emerged more than a year ago. The rapid global growth over the past four years is set to come to an abrupt end, with only a gradual recovery expected in the second half of 2009.

World economic growth is forecast to be 3 per cent in 2009, with the G7 expected to grow by only  $\frac{1}{4}$  of a per cent (Table 3.1). For the G7, this would represent the lowest rate of growth in more than a quarter of a century. It is also becoming increasingly clear that emerging market economies will be materially affected by developments in global financial markets. Following several years of strong growth, emerging market economies are likely to enter a period of below-trend growth, primarily as a result of weak growth in the advanced economies and the effects of the global financial crisis. Export-dependent economies and countries which rely heavily on foreign financing will be most negatively affected.

**Table 3.1: International GDP growth forecasts<sup>(a)</sup>**

	Actual	Forecasts	
	2007	2008	2009
United States	2.0	1 $\frac{1}{4}$	0
Euro area	2.6	1 $\frac{1}{4}$	$\frac{1}{4}$
Japan	2.1	$\frac{1}{2}$	$\frac{1}{2}$
China(b)	11.9	9 $\frac{3}{4}$	8 $\frac{1}{2}$
India(b)	9.3	7 $\frac{3}{4}$	6 $\frac{3}{4}$
Other East Asia(c)	5.9	4 $\frac{1}{4}$	3 $\frac{1}{2}$
G7	2.2	1	$\frac{1}{4}$
Major trading partners	5.2	3 $\frac{1}{2}$	3
World	5.0	3 $\frac{3}{4}$	3

(a) World, G7 and euro area growth rates 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.

(b) Production-based measures of GDP.

(c) Other East Asia comprises the Newly Industrialised Economies (NIEs), which constitutes Hong Kong, South Korea, Singapore and Taiwan, and the Association of Southeast Asian Nations group of five (ASEAN-5) which constitutes Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Source: National statistical publications, IMF and Treasury.

The **US** economic outlook for 2009 has deteriorated markedly since Budget. Even before the recent intensification of the global financial crisis, economic activity was decelerating. Along with the financial markets, the US housing market continues to be a primary source of weakness in the economy, with a recovery only expected in the latter part of 2009.

The US economy is now expected to register zero growth in 2009, compared with 1½ per cent forecast at Budget. This would mark the weakest performance for the US economy since its 1990-91 recession. Although growth in 2008 is expected to be ½ of a percentage point stronger than forecast at Budget, much of this difference is the result of a resilient global economy in the first half of 2008, which provided a huge boost to US exports. This source of strength, however, is forecast to dissipate as growth outside the US weakens.

Amid the enormous erosion in wealth that has occurred from falling asset prices, combined with a rapidly deteriorating labour market and depressed levels of business and consumer confidence, the US economy is falling into recession. While lower oil and other commodity prices will provide some support by delivering a boost to household purchasing power, the stresses in financial markets will ultimately determine the trajectory of economic activity in the period ahead and, by implication, the depth and duration of the anticipated US recession.

Like the US, the outlook for the **euro area** has shifted dramatically since Budget. Growth has been revised down slightly to 1¼ per cent for 2008, but the 2009 forecast has been revised down sharply to ¼ of a per cent. The sharp reduction in growth prospects for 2009 largely reflects a slowing in the global industrial cycle, a tightening in financial conditions that is set to slow lending growth markedly, and concerns over future employment prospects that will dampen consumption considerably.

While the euro area is expected to post marginally positive growth in 2009, the **UK** is forecast to record negative growth – bringing to an end a sequence of 16 years of positive growth. Domestic demand is forecast to contract, while the slowing global economy is likely to restrain exports despite the depreciation of the UK's trade-weighted exchange rate.

The economic outlook for **Japan** has also deteriorated significantly since Budget, with forecasts revised down to ½ of a per cent in both 2008 and 2009. Although the global financial crisis has not significantly affected Japan's financial sector, growth has slowed in 2008 as export growth has weakened and the terms of trade reached their lowest level since 1980. Over the course of 2009, the economy is expected to recover gradually as investment and exports pick up and inflation moderates.

The outlook for growth in **China** has been downgraded since Budget, as a result of the weaker external environment. The Chinese economy is now forecast to grow by 9¾ per cent in 2008 and 8½ per cent in 2009, down ¼ and 1 percentage point since Budget. A rebalancing of growth towards domestic demand should occur as exports moderate in line with the slowdown in major developed economies.

Apart from sharp falls in the stock market, China's financial system has so far remained largely unaffected by the turbulence in global financial markets, reflecting both its lower level of integration into world capital markets and the absence of complex financial products. More broadly, the economy has not suffered significantly

### *Part 3: Economic outlook*

from the turmoil, but adverse effects on confidence and reduced trade flows are expected to slow GDP growth somewhat.

Financial market turbulence, weaker external demand and moderating inflation have shifted the Chinese Government's priority away from reducing high inflation to supporting growth. Authorities have eased monetary policy and are likely to provide further fiscal stimulus in order to sustain the momentum in growth.

**India's** reliance on internally-generated growth has insulated it somewhat from the financial crisis. However, falling foreign investment, high domestic inflation, along with an expanding fiscal deficit and rising input and financing costs, are expected to constrain GDP growth. India's economy is expected to grow by 7¾ per cent in 2008, before moderating to 6¾ per cent in 2009, slightly below potential. There appears to be little scope for the Indian Government to provide fiscal stimulus as high government spending has led to a large deterioration in the budget deficit, leaving very little fiscal space for counter-cyclical spending.

Expectations for growth in the rest of **East Asia** remain unchanged at 4¼ per cent in 2008 and have been revised down to 3½ per cent in 2009 – 1¼ percentage points lower than expected at Budget. The Newly Industrialised Economies (NIEs) have been most adversely affected by the global financial crisis so far, largely reflecting their greater exposure to developments in the external environment. The moderation in export growth is expected to extend more broadly throughout the ASEAN-5 economies and become more pronounced as global growth slows, flowing through to weaker domestic demand in the region. While strong capital inflows have supported growth over the past few years, increased risk aversion from investors arising from the global financial crisis has sparked concerns of a sharp reversal of capital that could curtail investment and act as a drag on growth in East Asia.

## **RISKS TO THE OUTLOOK**

The global financial crisis continues to present serious risks to the world and domestic economic outlook. Recent developments have demonstrated the acute sensitivity of financial markets to new information, as the crisis became more severe from mid-September. Markets have yet to move into a sustained period of stability, and the ultimate impact of recent events on the world and Australian economies remains difficult to quantify.

Although governments and central banks around the globe have acted swiftly to restore confidence in financial systems and bolster economic growth, it is yet to be seen whether these actions will be sufficient to stabilise financial markets. Further weakness in growth in the advanced economies beyond that currently anticipated remains a distinct possibility should financial markets not stabilise and confidence not be restored. This creates downside risks to growth in emerging economies through trade and financial linkages with the rest of the world, and there is a risk that a negative

feedback loop may exacerbate the downturn now underway and constrain the recovery in world growth anticipated for the second half of 2009.

The outlook for China remains critical for Australia. Should China slow more than expected, a more serious fall in export demand and commodity prices could result, which would slow growth in national income and activity.

The Government and the Reserve Bank of Australia have acted swiftly and decisively to support growth in Australia. Further, unlike many other advanced economies, Australian policy makers would have ample policy ammunition to respond to further negative developments should they materialise.

Alternatively, if stability returns to financial markets relatively quickly, stronger outcomes for world growth and the domestic economy are possible.

## **DETAIL OF SECTORAL FORECASTS FOR THE AUSTRALIAN ECONOMY**

The domestic economy forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level – a trade weighted index of around 54 and a United States dollar exchange rate of around 66 US cents. Interest rates are expected to decline broadly in line with market expectations. This is a departure from the usual assumption of unchanged interest rates, reflecting the fact that markets are forecasting a significant easing in the near term, and it would be unrealistic not to take this into account. Oil prices (Malaysian Tapis) are assumed to remain around US\$68 per barrel. The farm sector forecasts are based on an assumption of average seasonal conditions in the future, but take into account current low water storage levels.

The Government intends to introduce a Carbon Pollution Reduction Scheme in 2010. As the detailed design of the scheme is not yet finalised, an estimate of the scheme's impact has not been included in these forecasts.

The Australian economy is forecast to grow by 2 per cent in 2008-09 and 2¼ per cent in 2009-10. The key domestic economy forecasts are summarised in Table 3.2.

**Table 3.2: Domestic economy forecasts<sup>(a)</sup>**

	Outcomes(b)	Forecasts	
	2007-08	2008-09	
		Budget	MYEFO
<b>Panel A - Demand and output(c)</b>			
Household consumption	3.9	2 3/4	2
Private investment			
Dwellings	1.5	2	0
Total business investment(d)	11.7	8 1/2	5 1/2
Non-dwelling construction(d)	10.7	5 1/2	1/2
Machinery and equipment(d)	11.7	11	8
Private final demand(d)	5.2	4	2 1/2
Public final demand(d)	4.7	3	3 1/2
Total final demand	5.1	3 3/4	2 3/4
Change in inventories(e)	0.3	- 1/4	- 1/4
Gross national expenditure	5.4	3 1/2	2 1/4
Exports of goods and services	4.1	6	6 1/2
Imports of goods and services	12.2	9	7
Net exports(e)	-2.0	-1	- 1/2
Real gross domestic product	3.7	2 3/4	2
Non-farm product	3.7	2 1/4	1 3/4
Farm product	7.3	20	13
Nominal gross domestic product	8.1	9 1/4	7 3/4
<b>Panel B - Other selected economic measures</b>			
External accounts			
Terms of trade	5.8	16	10 3/4
Current account balance (per cent of GDP)	-6.0	-5	-4 1/2
Labour market			
Employment (labour force survey basis)(f)	2.5	3/4	1/2
Unemployment rate (per cent)(g)	4.3	4 3/4	5
Participation rate (per cent)(g)	65.3	65	65
Prices and wages			
Consumer Price Index(f)	4.5	3 1/4	3 1/2
Gross non-farm product deflator(f)	6.8	4 1/4	2
Wage Price Index(f)	4.2	4 1/4	4 1/4

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

(b) Calculated using original data from ABS cat. no. 5206.0

(Does not include revisions from ABS cat. no. 5204.0).

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

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

(e) Percentage point contribution to growth in GDP.

(f) Through the year growth rate to the June quarter for 2007-08 and 2008-09.

(g) Estimate for the June quarter.

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

**Household consumption** is expected to grow by 2 per cent in 2008-09, significantly weaker than Budget expectations of 2¾ per cent growth. Although household consumption growth was expected to slow at Budget, the outlook has deteriorated markedly since then, driven by the fallout from the global financial crisis. The crisis has reduced household wealth significantly, with Australian stock markets down around 40 per cent since the start of 2008, and the outlook for house prices softening due to lower activity. Australian households have also endured an extended period of relatively high interest rates, with the full impact on economic activity of recent cuts expected to take some time. Consumer confidence, already at low levels, has been driven down further by the fallout from the global financial crisis, and has made households more cautious about spending and borrowing.

The substantial fiscal stimulus from the Government's Economic Security Strategy, as well as interest rate cuts, will help counter these negative influences on consumption growth over the forecast horizon.

**Dwelling investment** is expected to be flat in 2008-09, down from the moderate growth of 2 per cent expected at Budget. The outlook in the near term is dominated by tighter credit conditions, weakness in household confidence and a consolidation of household balance sheets constraining the appetite for borrowing. However, dwelling investment growth is expected to strengthen in 2009-10, as the impact of lower interest rates and improved credit conditions, as well as activity prompted by the First Home Owners Boost, flow through the housing market. Investment will also be supported by strong underlying demand.

**Business investment** growth, which has been supporting strong growth in the Australian economy in recent years, is expected to slow to 5½ per cent in 2008-09, down from the 8½ per cent expected at Budget. Activity in the near term will be supported by momentum from the large number of projects, both mining and non-mining, that have already commenced. The majority of large mining projects appear likely to continue as planned and, while some smaller projects may not go ahead, this will free up resources for major projects currently facing labour and materials shortages.

Investment is expected to slow over the forecast horizon as fewer projects are added to the pipeline, weighed down by a softer outlook for GDP growth, difficult credit conditions and weakness in the outlook for commodity prices. Investment is forecast to be flat in 2009-10, although remaining at a high level. The slowdown is expected to be primarily in the non-mining sectors. Larger mining firms are expected to remain mostly insulated from financing concerns due to their more robust profit outlooks and lower gearing ratios.

The global financial crisis has greatly intensified the risks surrounding the investment outlook and, should this cause funding costs to rise further or the outlook for commodity prices to continue to deteriorate, it is possible that investment could be significantly lower than expected. However, measures by the Government and the

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Reserve Bank of Australia to increase liquidity and support the smooth operation of financial markets will help moderate the impact of the global financial crisis on investment.

**Public final demand** is expected to grow by 3½ per cent in 2008-09, slightly stronger than at Budget. Public consumption growth is expected to remain solid. A large number of infrastructure projects are expected to drive strong State and local government investment, despite some moderation in new investment growth in Queensland and New South Wales. Further project delays and tighter credit conditions remain a risk to the investment outlook.

**Net exports** are expected to subtract ½ of a percentage point from GDP growth in 2008-09, smaller than the 1 percentage point detraction forecast at Budget. The change largely reflects a weaker outlook for imports, as slowing domestic activity and a lower exchange rate act to slow demand for imports. In contrast, the outlook for exports is slightly stronger than at Budget, although this masks divergences at a sectoral level. Commodity exports are expected to account for around three-quarters of total export growth over 2008-09, as further capacity comes online and demand remains solid despite a sharp slowing in the global economy. In contrast, exports of elaborately transformed manufactures and services are expected to soften, as weaker world growth outweighs the boost from the sharp depreciation of the Australian dollar.

The **terms of trade** are still expected to rise strongly in 2008-09, albeit at a slower pace than at Budget, with growth of 10¾ per cent, before falling 8½ per cent in 2009-10. The strong gains in 2008-09 reflect previous increases in US dollar contract prices for iron ore (up around 85 per cent) and coal (up between 125 and 240 per cent), which are locked in until the end of March 2009. The outlook for commodity prices after this period has deteriorated, as the expected recession in advanced economies flows through to slowing growth in emerging economies, reducing demand. This impact has already been reflected in recent rapid falls in spot prices.

The **current account deficit** (CAD) is expected to narrow to 4½ per cent of GDP in 2008-09, lower than the 5 per cent of GDP forecast at Budget. The net income deficit (NID) is expected to narrow relative to estimates at Budget due to the sharp depreciation of the Australian dollar, which raises the Australian dollar value of foreign currency assets more than foreign currency liabilities. Slightly lower profits growth due to the weaker outlook for commodity prices also contributes to the narrowing in the NID as fewer profits are expatriated offshore. The trade balance is expected to be in surplus in 2008-09 as export growth strengthens and import growth slows.

From a saving and investment perspective, the narrowing of the CAD reflects higher saving as a share of GDP, particularly driven by households rebuilding their balance sheets, coupled with a slowdown in growth of national investment.

**Employment** growth is expected to slow to  $\frac{1}{2}$  of a per cent through the year to the June quarter 2009, slightly weaker than the  $\frac{3}{4}$  of a per cent expected at Budget. Strong outcomes to the September quarter 2008 mean that the year average figure is unchanged at  $1\frac{1}{4}$  per cent. The slowing is the result of the weaker outlook for the Australian economy ensuing from the global financial crisis. With the participation rate remaining at a high level, employment growth will not be sufficient to absorb all new entrants to the labour market. The unemployment rate is forecast to rise to 5 per cent by the June quarter 2009 and  $5\frac{3}{4}$  per cent by the June quarter 2010.

**Wages** are expected to grow by  $4\frac{1}{4}$  per cent through the year to the June quarter 2009, unchanged from Budget. The labour market has remained relatively tight and strong growth has continued in the States and industries most directly affected by mining and construction activity. The easing in the labour market will reduce the rate of wage growth, which is expected to slow to 4 per cent through the year to the June quarter 2010.

**Inflation** is forecast to fall from current high levels, to be  $3\frac{1}{2}$  per cent through the year to the June quarter 2009 and 3 per cent through the year to the June quarter 2010. Underlying inflation is also expected to ease to  $3\frac{1}{2}$  per cent and 3 per cent for the same periods. Inflationary pressures are expected to moderate over the forecast period as world growth slows, flowing through to lower global oil and food prices. The recent depreciation of the Australian dollar, which has fallen by around 30 per cent in trade-weighted terms from its July 2008 peak, will limit the speed at which inflation can fall. The recent volatility surrounding exchange rates and oil prices creates risk around these forecasts.

**Nominal GDP** is expected to grow by  $7\frac{3}{4}$  per cent in 2008-09, lower than the  $9\frac{1}{4}$  per cent expected at Budget. The downward revision reflects the weaker outlook for the terms of trade in 2008-09, partially offset by stronger domestic price pressures. The fall in commodity prices will principally be felt in 2009-10, with nominal GDP forecast to grow by 3 per cent.

Nominal GDP provides a measure of total income for the economy. It broadly comprises compensation of employees, gross operating surplus and gross mixed income. The lower than expected growth in nominal GDP in 2008-09 has flowed through to weaker growth across all these categories. Compensation of employees is forecast to grow by  $5\frac{3}{4}$  per cent in 2008-09, down  $\frac{1}{2}$  of a percentage point from the rate expected at Budget. This largely reflects the slightly softer outlook for the labour market, with wages growth expected to remain solid.

Growth in the gross operating surplus of private non-financial corporations, a broad measure of profits, is expected to remain strong at  $15\frac{3}{4}$  per cent in 2008-09, albeit slightly weaker than forecast at Budget, reflecting the strong gains in commodity prices that are locked in until March 2009. The weaker outlook for commodity prices after this, and the consequent slowing in nominal GDP growth, will principally be seen in weaker profits, which are forecast to fall by  $5\frac{3}{4}$  per cent in 2009-10.

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Expected growth in gross mixed income has been revised down to 5 per cent in 2008-09 from the 9½ per cent expected at Budget, driven by a weaker outlook for profits in the farm sector, on the back of softer export prices and lower output due to the continuing effects of the drought.

## **PART 4: FISCAL STRATEGY AND OUTLOOK**

### **THE GOVERNMENT'S MEDIUM-TERM FISCAL STRATEGY**

The Government's fiscal strategy was set out in the 2008-09 Budget. The fiscal strategy aims to ensure fiscal sustainability over the medium term. This provides the necessary flexibility for the budget balance to vary in line with economic conditions.

The key elements of the Government's medium-term fiscal strategy, as set out in the 2008-09 Budget, are:

- achieving budget surpluses, on average, over the medium term;
- keeping taxation as a share of GDP on average below the level for 2007-08; and
- improving the Government's net financial worth over the medium term.

The 2008-09 Budget was delivered at a time when strong countervailing forces were affecting the economic outlook.

The fiscal strategy for the 2008-09 Budget year was for a budget surplus of at least 1.5 per cent of GDP; to 'bank' rather than spend revisions to tax receipts; and to reorient spending and taxation arrangements so that new spending was fully offset by savings. This was designed to allow the automatic stabilisers to work.

The Government recognised the risks of deterioration in world economic conditions, and acted prudently to deliver a strong surplus – an important buffer against future uncertainties.

A strong surplus was required in the 2008-09 Budget in order to:

- bear down on the inflationary pressures in the economy by reducing public demand;
- provide funding through current and future budget surpluses for future capital investment in the infrastructure, education, health and hospital needs of the nation; and
- ensure a strong financial position at a time of heightened uncertainty in the international economy.

During September and October it became clear that the flow-through of global financial market developments to the economy was going to be much more severe than previously anticipated.

#### *Part 4: Fiscal strategy and outlook*

Accordingly, the Government has responded to these developments by adapting its fiscal policy settings for the 2008-09 Budget year by:

- allowing the 'automatic stabilisers' – the tendency for both revenue and spending to vary in line with economic conditions – to support economic stability;
- targeting a discretionary fiscal stimulus of about 1 per cent of GDP at areas of weakness in domestic demand; and
- maintaining a strong fiscal position, including by continuing to budget for a surplus, in order to provide flexibility to adapt the fiscal stance as needed.

The adapted fiscal policy settings for 2008-09 are consistent with the medium-term fiscal strategy. The surplus has been drawn down to help strengthen the Australian economy during the global financial crisis. The Government has delivered a \$10.4 billion discretionary fiscal stimulus, and it will allow the automatic stabilisers to operate to support the economy across the forward estimates.

#### **Automatic stabilisers**

A key element in the Government's medium-term fiscal strategy is that the budget balance should be able to vary in the short term in line with economic conditions.

The change in the economic outlook since the 2008-09 Budget has implications for both the revenue and expenditure sides of the budget; the revised parameters have lowered forecast revenue and raised forecast expenses. Were the Government to offset these variations it would be contributing to – rather than leaning against – the macroeconomic instability caused by the global financial crisis.

Instead, by allowing the 'automatic stabilisers' of the budget to operate, the Government's fiscal policy is playing an important complementary role to monetary policy in stabilising the economy from the effects of the global economic downturn.

#### **Targeted discretionary fiscal stimulus**

One of the reasons for maintaining a surplus when economic conditions are strong is to allow space for fiscal policy to support demand when conditions weaken.

Over the past two months the Reserve Bank of Australia (RBA) has shifted to a significantly less restrictive monetary policy stance and the exchange rate has depreciated sharply.

While the monetary policy response to changed global conditions will continue to be determined independently by the RBA, discretionary fiscal policy can play a complementary role.

With the growing prospect of a deep and prolonged global economic downturn there is a strong case for discretionary fiscal policy, particularly targeted at those areas of growing weakness in domestic demand.

Accordingly, the Government has taken action to strengthen the economy and support households during the global financial crisis by implementing an Economic Security Strategy, of around 1 per cent of GDP focused on 2008-09.

The package specifically bolsters recent weaker growth in household consumption and housing, and provides much-needed assistance to Australian pensioners and families.

### **Fiscal discipline: boosting productive capacity**

The Government has maintained a strong fiscal position, with the budget remaining well positioned to respond to the global financial crisis.

The Economic Security Strategy continues the Government's strategy of focusing ongoing expenditure on building the productive capacity of the economy.

The creation of new training opportunities will assist the labour force to adapt to more challenging economic conditions.

The Government is also accelerating the implementation of its nation building agenda to strengthen the economy.

## **FISCAL OUTLOOK**

The Australian Government's underlying cash surplus for 2008-09 is estimated to be \$5.4 billion, \$16.3 billion lower than the 2008-09 Budget estimate. In accrual terms, a fiscal surplus of \$5.8 billion is estimated for 2008-09. The fiscal outlook is for continuing underlying cash and fiscal surpluses over the forward estimates notwithstanding the deterioration in the global economy since the 2008-09 Budget.

The escalation in the severity of the global financial crisis and associated weaker global economic outlook has seriously impacted on the fiscal outlook, with variations in both receipts and expenditure substantially reducing the underlying cash and fiscal surpluses since the 2008-09 Budget. Altogether, parameter revisions have resulted in a decline in the underlying cash balance of \$5.2 billion in 2008-09 (see Table 4.3) and in the fiscal balance of \$5.8 billion in 2008-09 (see Table 4.6). The weaker economic outlook is responsible for almost all of the downward revisions to taxation receipts of around \$5 billion in 2008-09 and \$12 billion in 2009-10.

The magnitude of the crisis was such as to prompt a significant fiscal stimulus. That stimulus package was the major factor explaining the decrease in the underlying cash

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balance from policy decisions in 2008-09. Since the 2008-09 Budget, total policy decisions in 2008-09 have decreased the underlying cash balance by \$11.1 billion (see Table 4.3) and the fiscal balance by \$11.5 billion (see Table 4.6).

Beyond 2008-09, almost all of the deterioration is due to the operation of the automatic stabilisers. Discretionary fiscal policy has had little impact. The automatic stabilisers have led to an increase in expenditure, particularly over the forward estimates, however these movements are less significant than the changes to receipts.

**Table 4.1: Australian Government general government sector budget aggregates<sup>(a)</sup>**

	Estimates <sup>(b)</sup>			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>319.5</b>	<b>313.3</b>	<b>336.9</b>	<b>324.3</b>
Per cent of GDP	25.9	25.7	26.2	25.9
<b>Expenses (\$b)</b>	<b>292.5</b>	<b>303.6</b>	<b>310.5</b>	<b>311.7</b>
Per cent of GDP	23.8	24.9	24.2	24.8
Net operating balance (\$b)	27.0	9.6	26.4	12.6
Net capital investment (\$b)	3.9	3.8	4.1	5.5
<b>Fiscal balance (\$b)</b>	<b>23.1</b>	<b>5.8</b>	<b>22.4</b>	<b>7.1</b>
Per cent of GDP	1.9	0.5	1.7	0.6
<b>Underlying cash balance (\$b)(c)</b>	<b>21.7</b>	<b>5.4</b>	<b>19.7</b>	<b>3.6</b>
Per cent of GDP	1.8	0.4	1.5	0.3
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>23.6</b>	<b>7.1</b>	<b>20.9</b>	<b>5.5</b>
	Projections			
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
<b>Revenue (\$b)</b>	<b>350.9</b>	<b>336.6</b>	<b>366.9</b>	<b>355.5</b>
Per cent of GDP	26.2	25.7	26.1	26.1
<b>Expenses (\$b)</b>	<b>323.1</b>	<b>324.3</b>	<b>339.2</b>	<b>339.8</b>
Per cent of GDP	24.1	24.8	24.1	24.9
Net operating balance (\$b)	27.8	12.3	27.7	15.8
Net capital investment (\$b)	4.5	5.6	5.1	5.7
<b>Fiscal balance (\$b)</b>	<b>23.3</b>	<b>6.7</b>	<b>22.6</b>	<b>10.1</b>
Per cent of GDP	1.7	0.5	1.6	0.7
<b>Underlying cash balance (\$b)(c)</b>	<b>19.0</b>	<b>2.6</b>	<b>18.9</b>	<b>6.7</b>
Per cent of GDP	1.4	0.2	1.3	0.5
<i>Memorandum item:</i>				
Headline cash balance (\$b)	<b>20.5</b>	<b>4.5</b>	<b>20.5</b>	<b>8.5</b>

(a) Budget estimates, including the per cent of GDP, are as published in *Budget Paper No. 1, Budget Strategy and Outlook 2008-09*.

(b) For the 2008-09 MYEFO, 2009-10 has moved from a projection to an estimates year.

(c) Excludes expected Future Fund earnings.

### **Cash flows**

In 2008-09, an underlying cash surplus of \$5.4 billion is expected, compared with the Budget estimate of \$21.7 billion. A headline cash surplus of \$7.1 billion is forecast for 2008-09 compared with a surplus of \$23.6 billion at the 2008-09 Budget. The lower headline cash surplus largely reflects the decrease in the underlying cash balance.

Table 4.2 provides a summary of Australian Government general government sector cash flows.

Part 4: Fiscal strategy and outlook

**Table 4.2: Summary of Australian Government general government sector cash flows**

	Estimates			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
Cash receipts (\$b)				
Operating cash receipts				
excluding Future Fund earnings	309.0	303.2	326.6	313.3
Future Fund earnings	3.5	3.6	3.2	3.1
<i>Total operating receipts</i>	312.5	306.8	329.8	316.4
Capital cash receipts(a)	0.5	0.5	0.3	0.3
Total cash receipts	313.0	307.3	330.1	316.7
Cash payments (\$b)				
Operating cash payments	278.5	289.0	297.8	298.9
Capital cash payments(b)	8.8	8.8	9.5	11.1
Total cash payments	287.3	297.8	307.3	310.0
Finance leases and similar arrangements (\$b)(c)	-0.5	-0.5	0.0	0.0
<b>GFS cash surplus(+)/deficit(-) (\$b)</b>	<b>25.2</b>	<b>9.0</b>	<b>22.8</b>	<b>6.7</b>
Per cent of GDP	2.0	0.7	1.8	0.5
less Future Fund earnings (\$b)	3.5	3.6	3.2	3.1
<b>Underlying cash balance (\$b)(d)</b>	<b>21.7</b>	<b>5.4</b>	<b>19.7</b>	<b>3.6</b>
Per cent of GDP	1.8	0.4	1.5	0.3
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes (\$b)	-1.5	-1.9	-2.0	-1.2
plus Future Fund earnings (\$b)	3.5	3.6	3.2	3.1
<b>Headline cash balance (\$b)</b>	<b>23.6</b>	<b>7.1</b>	<b>20.9</b>	<b>5.5</b>
	Projections			
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
Cash receipts (\$b)				
Operating cash receipts				
excluding Future Fund earnings	340.1	326.0	355.4	344.2
Future Fund earnings	3.3	3.1	3.4	3.0
<i>Total operating receipts</i>	343.4	329.0	358.8	347.3
Capital cash receipts(a)	0.3	0.3	0.2	0.2
Total cash receipts	343.7	329.4	359.0	347.5
Cash payments (\$b)				
Operating cash payments	311.4	312.3	326.7	326.8
Capital cash payments(b)	10.0	11.4	10.0	10.9
Total cash payments	321.4	323.6	336.7	337.8
Finance leases and similar arrangements (\$b)(c)	0.0	0.0	0.0	0.0
<b>GFS cash surplus(+)/deficit(-) (\$b)</b>	<b>22.3</b>	<b>5.7</b>	<b>22.3</b>	<b>9.7</b>
Per cent of GDP	1.7	0.4	1.6	0.7
less Future Fund earnings (\$b)	3.3	3.1	3.4	3.0
<b>Underlying cash balance (\$b)(d)</b>	<b>19.0</b>	<b>2.6</b>	<b>18.9</b>	<b>6.7</b>
Per cent of GDP	1.4	0.2	1.3	0.5
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes (\$b)	-1.8	-1.2	-1.8	-1.2
plus Future Fund earnings (\$b)	3.3	3.1	3.4	3.0
<b>Headline cash balance (\$b)</b>	<b>20.5</b>	<b>4.5</b>	<b>20.5</b>	<b>8.5</b>

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

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

(c) 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.

(d) Excludes expected Future Fund earnings.

### Variations to the underlying cash balance estimates

The downward revision to the underlying cash balance in 2008-09 since Budget reflects a decrease of \$5.8 billion in receipts (excluding Future Fund earnings) and an increase in cash payments of \$10.6 billion.

The 2008-09 underlying cash balance is lower than estimated at the 2008-09 Budget by \$16.3 billion, while the fiscal balance decreased by \$17.3 billion compared to the Budget estimate.

Table 4.3 provides a reconciliation of the variations in the underlying cash balance estimates.

**Table 4.3: Reconciliation of general government underlying cash balance estimates**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>2008-09 Budget underlying cash balance</b>	<b>21,703</b>	<b>19,669</b>	<b>18,996</b>	<b>18,870</b>
<b>Changes from 2008-09 Budget to MYEFO</b>				
Effect of policy decisions(a)	-11,093	-1,634	-966	-810
Effect of parameter and other variations	-5,244	-14,440	-15,390	-11,371
<b>Total variations</b>	<b>-16,337</b>	<b>-16,074</b>	<b>-16,357</b>	<b>-12,181</b>
<b>2008-09 MYEFO underlying cash balance(b)</b>	<b>5,365</b>	<b>3,595</b>	<b>2,640</b>	<b>6,689</b>

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

(b) Excludes expected Future Fund earnings.

Since the 2008-09 Budget, total policy decisions in 2008-09 have decreased the underlying cash balance by \$11.1 billion (see Table 4.3). This is made up of \$9.7 billion as part of the Economic Security Strategy and \$1.4 billion in other decisions. Policy decisions have reduced receipts by \$100 million or less in each year across the forward estimates. Total policy decisions have decreased the fiscal balance by \$11.5 billion (see Table 4.6). The difference primarily reflects the timing impacts of government decisions. In particular, the Economic Security Strategy – one-off lump sum payment of \$1,000 per child to low income families – decreases the underlying cash balance by \$3.5 billion in 2008-09, but decreases the 2008-09 fiscal balance by \$3.9 billion.

Since the 2008-09 Budget, total parameter and other variations have decreased the underlying cash balance by \$5.2 billion in 2008-09 (see Table 4.3) and the fiscal balance by \$5.8 billion in 2008-09 (see Table 4.6).

Revisions to total receipts, excluding Future Fund earnings, have reduced the underlying cash balance by \$5.8 billion in 2008-09 and by \$13.3 billion in 2009-10. These downward revisions almost entirely reflect the impact of the global financial crisis and its consequences for the expected economic outlook over the forward estimates period.

*Part 4: Fiscal strategy and outlook*

The global financial crisis has particularly affected taxation receipts, through a number of channels:

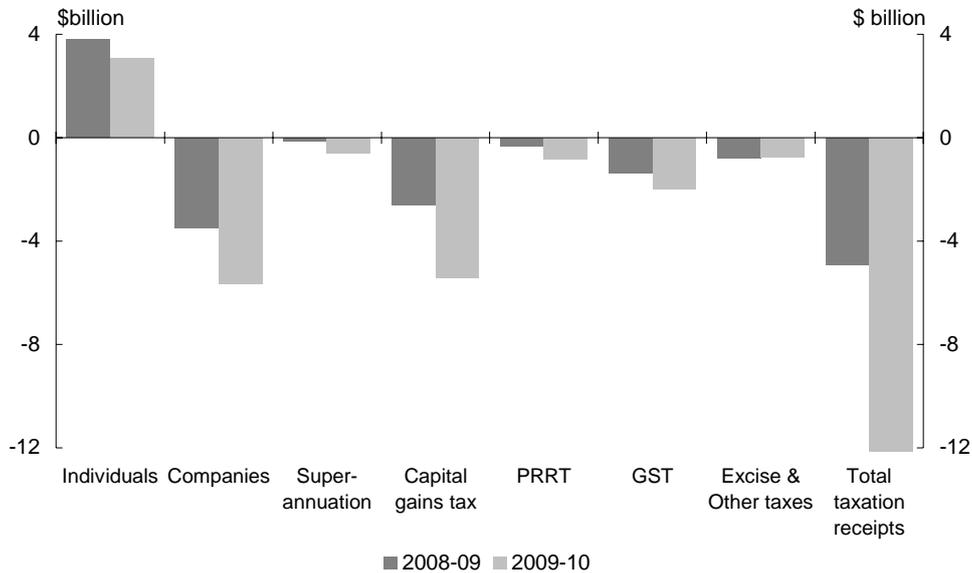
- recent dramatic falls in the value of global equity markets, affecting capital gains tax (CGT), which is a component of company, superannuation fund and individuals income taxes;
- slower consumption growth following the sharp decline in consumer confidence and tighter credit conditions affecting GST and income tax from companies and unincorporated business;
- falling terms of trade in 2009-10 affecting company tax; and
- reductions in oil prices, affecting petroleum resource rent tax (PRRT).

The largest revisions have been made to company tax (down \$4.2 billion in 2008-09 and \$7.7 billion in 2009-10), GST (down \$1.4 billion in 2008-09 and \$2.0 billion in 2009-10), superannuation fund income tax (down \$0.5 billion in 2008-09 and \$1.2 billion in 2009-10), and PRRT (down \$0.3 billion in 2008-09 and \$0.8 billion in 2009-10).

Notably, the largest revenue head, gross income tax withholding (ITW), has grown solidly ahead of budget expectations through early 2008-09 and so has been revised up in both 2008-09 and 2009-10. The forecast weakening in the labour market since Budget is expected to partly offset the higher collections by moderating future growth in ITW.

The revisions to revenue since Budget are illustrated in Chart 4.1. The chart includes a separate estimate of the total revision to CGT, with the revisions to individuals, company and superannuation taxes shown *excluding* CGT.

**Chart 4.1: Revisions to tax receipts since the 2008-09 Budget**



Source: Treasury estimates

Total payment parameter and other variations have increased the underlying cash balance by \$0.4 billion in 2008-09, which is largely consistent with the estimated increase in the fiscal balance of \$0.3 billion in 2008-09 from expenses and net capital investment. Further details in variations in expenses and net capital investments can be found later in this part.

Payment parameter and other variations have increased the underlying cash balance by \$0.4 billion in 2008-09 and decreased the underlying cash balance by \$1.2 billion in 2009-10, primarily reflecting:

- the impact of the lower GST payments to the States in 2008-09 of \$1.4 billion and \$2.0 billion in 2009-10 reflecting a lower estimate of GST receipts; offset by
- the impact of revised economic parameters, most notably relating to unemployment benefit recipients and foreign exchange movements, increasing payments for various programs by \$0.7 billion in 2008-09 and \$2.4 billion in 2009-10, and a reprogramming of a range of Defence capital projects of \$0.3 billion into 2009-10.

**Table 4.4: Australian Government general government sector receipts — 2008-09**

	2008-09		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes(a)				
Gross income tax withholding	116,530	118,800	2,270	1.9
Gross other individuals	29,950	30,460	510	1.7
less: Refunds	22,010	22,600	590	2.7
Total individuals and other withholding taxation	124,470	126,660	2,190	1.8
Fringe benefits tax	4,020	3,790	-230	-5.7
Superannuation funds	9,730	9,280	-450	-4.6
Company tax	71,720	67,520	-4,200	-5.9
Petroleum resource rent tax	2,630	2,320	-310	-11.8
<b>Income taxation receipts</b>	<b>212,570</b>	<b>209,570</b>	<b>-3,000</b>	<b>-1.4</b>
Sales taxes				
Goods and services tax	45,368	43,988	-1,380	-3.0
Wine equalisation tax	670	680	10	1.5
Luxury car tax	580	560	-20	-3.4
Other sales taxes	0	0	0	0.0
Total sales taxes	46,618	45,228	-1,390	-3.0
Excise duty				
Petrol	6,840	6,500	-340	-5.0
Diesel	6,860	6,950	90	1.3
Other fuel products	1,210	1,340	130	10.7
Crude oil	1,050	810	-240	-22.9
Beer	1,910	1,960	50	2.6
Potable spirits	190	210	20	10.5
Other excisable beverages(b)	1,430	990	-440	-30.8
Tobacco	5,550	5,660	110	2.0
Total excise duty receipts	25,040	24,420	-620	-2.5
Customs duty				
Textiles, clothing and footwear	990	990	0	0.0
Passenger motor vehicles	1,050	1,010	-40	-3.8
Excise-like goods	2,540	2,660	120	4.7
Other imports	1,550	1,550	0	0.0
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	5,750	5,830	80	1.4
Other indirect taxation				
Agricultural levies	595	592	-2	-0.4
Other taxes	2,071	2,107	35	1.7
Total other indirect taxation receipts	2,666	2,699	33	1.2
<b>Indirect taxation receipts</b>	<b>80,074</b>	<b>78,178</b>	<b>-1,897</b>	<b>-2.4</b>
<b>Taxation receipts</b>	<b>292,644</b>	<b>287,748</b>	<b>-4,897</b>	<b>-1.7</b>
Sales of goods and services	5,694	5,823	129	2.3
Dividends	4,637	3,238	-1,399	-30.2
Interest received	5,865	5,540	-325	-5.5
Other non-taxation receipts	4,121	4,958	838	20.3
<b>Non-taxation receipts(c)</b>	<b>20,316</b>	<b>19,559</b>	<b>-757</b>	<b>-3.7</b>
<b>Total receipts(c)</b>	<b>312,961</b>	<b>307,307</b>	<b>-5,654</b>	<b>-1.8</b>

(a) Includes Medicare levy estimates of \$8,570 million at MYEFO.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

**Table 4.5: Australian Government general government sector receipts — 2009-10**

	2009-10		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes(a)				
Gross income tax withholding	123,230	124,946	1,716	1.4
Gross other individuals	30,100	29,710	-390	-1.3
less: Refunds	23,130	24,080	950	4.1
Total individuals and other withholding taxation	130,200	130,576	376	0.3
Fringe benefits tax	4,100	4,030	-70	-1.7
Superannuation funds	10,430	9,210	-1,220	-11.7
Company tax	78,670	70,930	-7,740	-9.8
Petroleum resource rent tax	3,380	2,540	-840	-24.9
<b>Income taxation receipts</b>	<b>226,780</b>	<b>217,286</b>	<b>-9,494</b>	<b>-4.2</b>
Sales taxes				
Goods and services tax	48,365	46,385	-1,980	-4.1
Wine equalisation tax	680	700	20	2.9
Luxury car tax	610	590	-20	-3.3
Other sales taxes	0	0	0	0.0
Total sales taxes	49,655	47,675	-1,980	-4.0
Excise duty				
Petrol	6,760	6,390	-370	-5.5
Diesel	7,100	7,230	130	1.8
Other fuel products	1,380	1,520	140	10.1
Crude oil	1,060	770	-290	-27.4
Beer	1,960	2,030	70	3.6
Potable spirits	190	220	30	15.8
Other excisable beverages(b)	1,610	1,100	-510	-31.7
Tobacco	5,590	5,710	120	2.1
Total excise duty receipts	25,650	24,970	-680	-2.7
Customs duty				
Textiles, clothing and footwear	760	730	-30	-3.9
Passenger motor vehicles	830	780	-50	-6.0
Excise-like goods	2,710	2,800	90	3.3
Other imports	1,610	1,610	0	0.0
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	5,530	5,540	10	0.2
Other indirect taxation				
Agricultural levies	398	356	-42	-10.5
Other taxes	2,136	2,164	28	1.3
Total other indirect taxation receipts	2,534	2,520	-14	-0.5
<b>Indirect taxation receipts</b>	<b>83,368</b>	<b>80,705</b>	<b>-2,664</b>	<b>-3.2</b>
<b>Taxation receipts</b>	<b>310,148</b>	<b>297,990</b>	<b>-12,158</b>	<b>-3.9</b>
Sales of goods and services	5,913	6,025	112	1.9
Dividends	3,863	3,511	-352	-9.1
Interest received	6,381	5,384	-998	-15.6
Other non-taxation receipts	3,790	3,782	-7	-0.2
<b>Non-taxation receipts(c)</b>	<b>19,946</b>	<b>18,701</b>	<b>-1,245</b>	<b>-6.2</b>
<b>Total receipts(c)</b>	<b>330,095</b>	<b>316,692</b>	<b>-13,403</b>	<b>-4.1</b>

(a) Includes Medicare levy estimates of \$8,870 million at MYEFO.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

### Variations to the fiscal balance estimates

The downward revision in the fiscal balance of \$17.3 billion in 2008-09 since Budget reflects a decrease of \$6.2 billion in revenue, an increase in expense of \$11.2 billion and a decrease in net capital investment of \$0.1 billion.

Table 4.6 provides a reconciliation of the fiscal balance estimates.

**Table 4.6: Reconciliation of general government fiscal balance estimates(a)**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>2008-09 Budget fiscal balance</b>	<b>23,122</b>	<b>22,357</b>	<b>23,316</b>	<b>22,587</b>
Per cent of GDP	1.9	1.7	1.7	1.6
<b>Changes between 2008-09 Budget and MYEFO</b>				
Effect of policy decisions(b)				
Revenue	-100	-87	-23	0
Expenses	11,413	1,172	743	842
Net capital investment	2	91	76	-21
Total policy decisions impact on fiscal balance	-11,514	-1,350	-842	-821
Effect of parameter and other variations				
Revenue	-6,114	-12,488	-14,286	-11,382
Expenses	-258	58	456	-297
Net capital investment	-90	1,338	1,018	598
Total parameter and other variations impact on fiscal balance	-5,766	-13,884	-15,761	-11,682
<b>2008-09 MYEFO fiscal balance</b>	<b>5,842</b>	<b>7,123</b>	<b>6,713</b>	<b>10,085</b>
Per cent of GDP	0.5	0.6	0.5	0.7

(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.

### Variations in revenue estimates

The fragility of the global financial system has been a feature of the outlook for the past year or so. However, the marked deterioration in recent months and the recognition that its flow on effects on economic activity and incomes, both domestically and overseas, was going to be much more severe than previously anticipated, has required a significant reassessment in the outlook for revenue since the 2008-09 Budget.

As a consequence, estimated total revenue has been revised down in 2008-09 by \$6.2 billion and in 2009-10 by \$12.6 billion. These reductions have primarily come through lower capital gains, company and goods and services taxes.

Policy measures have only had a small effect on revenue since the Budget, reducing revenue by \$100 million in 2008-09 and \$87 million in 2009-10. Major policy decisions (taken up to and including 28 October 2008) affecting revenue over the four year period 2008-09 to 2011-12 include:

- modifications to the 2008-09 Budget measure increasing the Medicare levy surcharge (MLS) thresholds, increasing revenue by \$300 million over the forward estimates period;
- variations to the temporary residents' superannuation measure originally announced in the *2007-08 Mid-Year Economic and Fiscal Outlook*, reducing revenue by \$253 million over the forward estimates period;
- changes to prescribed private funds (PPFs), with 148 new funds approved as PPFs and three declared no longer to be PPFs, reducing revenue by \$131 million over the forward estimates period;
- extending eligibility for the exemption from interest withholding tax to bonds issued in Australia by State and Territory central borrowing authorities, reducing revenue by \$64 million over the forward estimates period; and
- introducing a 'fuel efficient car limit' that provides a higher luxury car tax threshold for cars with a fuel consumption of 7 litres per 100 kilometres or less with effect from 3 October 2008, reducing revenue by \$39 million over the forward estimates period.

A full list of revenue measures announced since the 2008-09 Budget is provided at Appendix A.

Detailed Australian Government general government sector revenue estimates for 2008-09 and 2009-10, compared with the estimates published in the 2008-09 Budget, are provided in Tables 4.7 and 4.8, respectively.

**Table 4.7: Australian Government general government sector revenue — 2008-09**

	2008-09		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes(a)				
Gross income tax withholding	117,410	119,680	2,270	1.9
Gross other individuals	31,300	31,620	320	1.0
less: Refunds	22,010	22,600	590	2.7
Total individuals and other withholding taxation	126,700	128,700	2,000	1.6
Fringe benefits tax	4,110	3,870	-240	-5.8
Superannuation funds	9,750	9,270	-480	-4.9
Company tax	73,490	68,990	-4,500	-6.1
Petroleum resource rent tax	2,920	2,400	-520	-17.8
<b>Income taxation revenue</b>	<b>216,970</b>	<b>213,230</b>	<b>-3,740</b>	<b>-1.7</b>
Sales taxes				
Goods and services tax	46,900	45,490	-1,410	-3.0
Wine equalisation tax	680	690	10	1.5
Luxury car tax	580	560	-20	-3.4
Other sales taxes	0	0	0	0.0
Total sales taxes	48,160	46,740	-1,420	-2.9
Excise duty				
Petrol	6,970	6,630	-340	-4.9
Diesel	6,860	6,950	90	1.3
Other fuel products	1,210	1,340	130	10.7
Crude oil	1,060	820	-240	-22.6
Beer	1,910	1,960	50	2.6
Potable spirits	190	210	20	10.5
Other excisable beverages(b)	1,430	990	-440	-30.8
Tobacco	5,550	5,660	110	2.0
Total excise duty revenue	25,180	24,560	-620	-2.5
Customs duty				
Textiles, clothing and footwear	990	990	0	0.0
Passenger motor vehicles	1,450	1,410	-40	-2.8
Excise-like goods	2,540	2,660	120	4.7
Other imports	1,560	1,562	2	0.1
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,300	6,382	82	1.3
Other indirect taxation				
Agricultural levies	595	592	-2	-0.4
Other taxes	2,031	2,123	93	4.6
Total other indirect taxation revenue	2,625	2,716	90	3.4
<b>Indirect taxation revenue</b>	<b>82,265</b>	<b>80,397</b>	<b>-1,868</b>	<b>-2.3</b>
<b>Taxation revenue</b>	<b>299,235</b>	<b>293,627</b>	<b>-5,608</b>	<b>-1.9</b>
Sales of goods and services	5,699	5,803	104	1.8
Dividends	4,637	3,238	-1,399	-30.2
Interest received	6,041	6,114	73	1.2
Other non-taxation revenue	3,852	4,468	616	16.0
<b>Non-taxation revenue(c)</b>	<b>20,229</b>	<b>19,623</b>	<b>-606</b>	<b>-3.0</b>
<b>Total revenue(c)</b>	<b>319,464</b>	<b>313,250</b>	<b>-6,214</b>	<b>-1.9</b>

(a) Includes Medicare levy estimates of \$8,570 million at MYEFO.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

**Table 4.8: Australian Government general government sector revenue — 2009-10**

	2009-10		Change on Budget	
	Budget \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes(a)				
Gross income tax withholding	124,180	125,996	1,816	1.5
Gross other individuals	31,500	31,060	-440	-1.4
less: Refunds	23,130	24,080	950	4.1
Total individuals and other withholding taxation	132,550	132,976	426	0.3
Fringe benefits tax	4,190	4,110	-80	-1.9
Superannuation funds	10,450	9,210	-1,240	-11.9
Company tax	80,770	72,900	-7,870	-9.7
Petroleum resource rent tax	3,470	2,660	-810	-23.3
<b>Income taxation revenue</b>	<b>231,430</b>	<b>221,856</b>	<b>-9,574</b>	<b>-4.1</b>
Sales taxes				
Goods and services tax	49,960	48,090	-1,870	-3.7
Wine equalisation tax	690	710	20	2.9
Luxury car tax	610	590	-20	-3.3
Other sales taxes	0	0	0	0.0
Total sales taxes	51,260	49,390	-1,870	-3.6
Excise duty				
Petrol	6,890	6,520	-370	-5.4
Diesel	7,100	7,230	130	1.8
Other fuel products	1,380	1,520	140	10.1
Crude oil	1,070	770	-300	-28.0
Beer	1,960	2,030	70	3.6
Potable spirits	190	220	30	15.8
Other excisable beverages(b)	1,610	1,100	-510	-31.7
Tobacco	5,590	5,710	120	2.1
Total excise duty revenue	25,790	25,100	-690	-2.7
Customs duty				
Textiles, clothing and footwear	760	730	-30	-3.9
Passenger motor vehicles	1,160	1,110	-50	-4.3
Excise-like goods	2,710	2,800	90	3.3
Other imports	1,620	1,622	2	0.1
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,010	6,022	12	0.2
Other indirect taxation				
Agricultural levies	398	356	-42	-10.5
Other taxes	2,070	2,192	122	5.9
Total other indirect taxation revenue	2,467	2,547	80	3.2
<b>Indirect taxation revenue</b>	<b>85,527</b>	<b>83,059</b>	<b>-2,468</b>	<b>-2.9</b>
<b>Taxation revenue</b>	<b>316,957</b>	<b>304,914</b>	<b>-12,043</b>	<b>-3.8</b>
Sales of goods and services	5,898	6,021	123	2.1
Dividends	3,863	4,011	148	3.8
Interest received	6,511	5,697	-814	-12.5
Other non-taxation revenue	3,691	3,702	10	0.3
<b>Non-taxation revenue(c)</b>	<b>19,963</b>	<b>19,430</b>	<b>-532</b>	<b>-2.7</b>
<b>Total revenue(c)</b>	<b>336,920</b>	<b>324,345</b>	<b>-12,575</b>	<b>-3.7</b>

(a) Includes Medicare levy estimates of \$8,870 million at MYEFO.

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(c) Includes Future Fund earnings.

Part 4: Fiscal strategy and outlook

The significant downward revisions to revenue have been driven almost entirely by the impact of the global financial crisis and its consequences for the expected economic outlook over the forward estimates period. The parameter and other variations discussed in this section represent revisions to expected revenue driven by recent economic outcomes and tax collections, and the updated economic outlook and explicitly exclude the impact of new policy decisions

The revenue estimates are based on the forecasts and projections of economic activity presented in Part 3. Revenue estimates for 2009-10 are now based on economic forecasts for that year whereas they were based on projections at the 2008-09 Budget. Revenue estimates for the current projection years – 2010-11 and 2011-12 – include the assumption that the prices of key non-rural commodities will fall further from their forecast levels in 2009-10.

The key economic parameters that influence revenue are shown in Table 4.9. The table shows effects on the Australian Government's main tax bases of the changed economic circumstances since the 2008-09 Budget. Growth in nominal non-farm GDP has been revised down by more than 1 percentage point in 2008-09 and 2009-10, with the growth rates for most of the other key revenue parameters being revised down in both years as well.

**Table 4.9: Key revenue parameters<sup>(a)</sup>**

	Outcome	Forecasts		Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12
	%	%	%	%	%
<b>Revenue parameters at 2008-09 MYEFO</b>					
Nominal gross domestic product (non-farm)	8.0	7.8	2.8	4 1/4	4 1/4
<i>Change since Budget</i>	0.3	-1.1	-1.5	0	-1
Compensation of employees (non-farm)(b)	7.6	5.8	4.8	5 1/4	5 1/4
<i>Change since Budget</i>	-0.3	-0.4	-0.5	0	0
Corporate gross operating surplus(c)	8.3	13.5	-4.5	1 1/2	1 1/2
<i>Change since Budget</i>	2.1	-2.9	-6.5	0	-3 3/4
Unincorporated business income (non-farm)	4.7	2.0	3.8	5 1/4	5 1/4
<i>Change since Budget</i>	-1.9	-2.1	-1.5	0	0
Property income(d)	21.4	11.0	5.8	5 1/4	5 1/4
<i>Change since Budget</i>	6.4	-1.3	0.5	0	0
Consumption subject to GST	6.4	3.5	2.5	5 1/4	5 1/4
<i>Change since Budget</i>	-0.8	-1.9	-2.8	0	0

(a) Current prices, per cent change on previous year.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate GOS is the National Accounts measure of company profits.

(d) Property income measures income derived from rent, dividends and interest.

As a result of the revisions to the economic and financial outlook, parameter and other variations have reduced revenue across the forward estimates since the 2008-09 Budget, contributing a decrease of \$6.1 billion in 2008-09 and \$12.5 billion in 2009-10.

Expected CGT revenue has been revised down significantly since Budget following large falls in equity prices over recent months – the S&P ASX 200 index traded under 4000 points in late October compared with around 5500 points in early May. These falls in equity prices since the Budget are likely to affect CGT for several years, reducing revenue by nearly \$3½ billion in 2008-09 and at least \$6 billion in 2009-10, with larger falls in the projection years. These falls are partly offset by revisions to the estimate of the CGT outcome in 2007-08, which is now estimated to have peaked at almost \$20 billion in 2007-08, around \$2½ billion higher than assumed at Budget. CGT is expected to reach a trough of just under \$12 billion in 2009-10.

Company tax in 2008-09 is expected to be \$4.5 billion lower than the 2008-09 Budget estimate, reflecting the flow-on effect of the lower than expected outcome in 2007-08 and a weaker 2008-09 forecast of corporate gross operating surplus (GOS). Weaker revenues are expected particularly from those companies affected by credit markets and financial asset price falls, by higher import prices from the depreciation in the Australian dollar and by weaker consumption.

Estimated company tax in 2009-10 has been revised downwards by \$7.8 billion because of a range of factors. Corporate GOS is now expected to contract in 2009-10, representing a large downward revision to the growth rate since the Budget driven by falling terms of trade (as commodity prices fall). In addition, weaker expectations for corporate net interest income (primarily due to the weaker outlook for credit growth) and capital gains income reduce company tax.

Gross income tax withholding (ITW) revenue is expected to be \$2.3 billion higher in 2008-09 as collections through late 2007-08 and early 2008-09 have been well ahead of budget-time expectations, reflecting employment growth being stronger than expected to the end of the September quarter. The growth rate in ITW is expected to moderate over the remainder of 2008-09 in line with weaker compensation of employees forecasts (owing to slightly weaker employment and wages forecasts). ITW has been revised up by \$1.8 billion in 2009-10, with the flow-on affect of the higher 2008-09 estimate being partly offset by weaker compensation of employee forecasts.

Gross other individuals' revenue is forecast to increase by around \$300 million since Budget as higher than expected incomes, including from capital gains, relating to the 2006-07 income year continued to generate higher revenues in the early part of 2008-09. The other individuals' estimate has been revised down by around \$500 million in 2009-10 due to lower forecast growth rates for income from capital gains, unincorporated businesses, interest and dividends.

Refunds from individuals are expected to increase by around \$600 million in 2008-09 and \$900 million in 2009-10 due to a stronger than expected employment growth in 2007-08 (more taxpayers typically generate greater aggregate refunds) and lower capital gains income.

*Part 4: Fiscal strategy and outlook*

In the 2008-09 Budget, the Government made a provision for its aspirational tax goals in 2011-12. The Government said that achieving its aspirational tax goals 'will depend on economic conditions and the need to maintain fiscal responsibility'. Given the dramatic deterioration in the global economic outlook and associated increased uncertainty, the provision will no longer be maintained. The Government will reconsider the policy parameters following an improvement in overall economic conditions.

The Government remains committed to comprehensive reform of the tax system. The Australia's Future Tax System review is due to deliver its findings late next year and the Government's response will follow.

Superannuation funds tax revenue has been revised down by around \$400 million in 2008-09 and \$1.2 billion in 2009-10, reflecting weakness in capital gains and other investment earnings and lower contributions (from both employers and employees as labour markets weaken). The recent falls in equity prices are expected to lead to significantly lower capital gains income and increases in capital losses.

Estimated revenue from petroleum resource rent tax (PRRT) has decreased by \$500 million in 2008-09 due to greater than expected production disruptions and falling oil prices. In 2009-10, PRRT is expected to decrease by around \$800 million due to lower forecast oil prices (down A\$21 per barrel since Budget).

GST revenue in 2008-09 has been revised down by \$1.4 billion since Budget, reflecting lower forecast growth for taxable consumption and private dwelling investment, although this has been supported by the Government's fiscal stimulus package announced on 14 October. In 2009-10, GST revenue is forecast to be lower by \$1.9 billion, with the expected further slowing in growth of consumption, partly offset by stronger growth in private dwelling investment (including in response to additional assistance through the First Home Owners Boost and lower interest rates).

In 2008-09 and 2009-10, revenue from excise and customs duty has been revised down by around \$500 million and \$700 million, respectively, partly reflecting downward revisions to expected consumption growth affecting a range of imports and excisable goods. Since Budget there has also been a significant fall in production of ready-to-drink beverages (RTDs) following an increase in their excise rate, which is only partly offset by a substitution towards domestically-produced and imported spirits and other excisable alcoholic beverages. In addition, crude oil excise has been revised downwards as condensate production is expected to generate less excise duty than assumed at Budget, partly owing to lower oil prices.

Analysis of the sensitivity of the taxation revenue estimates to changes in the economic outlook is provided in this part. The MYEFO revenue estimates have been prepared during a period of very substantial financial and economic uncertainty, meaning that there is an increased degree of uncertainty surrounding the forecasts as outlined in Appendix C.

Non-taxation revenue in 2008-09 is expected to be \$0.6 billion lower than forecast at the 2008-09 Budget, largely reflecting:

- a \$1.3 billion decrease in the Reserve Bank of Australia's dividend to be received in 2008-09, chiefly due to significant valuation losses in the June quarter 2008 as a result of the appreciation of the exchange rate and, to a lesser extent, the rise in global bond yields;
- a \$577 million increase in estimated total Offshore Petroleum Royalties revenue reflecting updated production forecasts by the Western Australian Department of Industry and Resources along with the effects of revised foreign exchange movements and oil and gas price adjustments. The expected increase in revenue also generates an estimated \$380 million increase in expenses in the form of higher royalty payments to the Western Australian Government; and
- a decrease of \$150 million in interest revenue primarily due to lower interest rates and lower levels of assets held by the Australian Office of Financial Management.

#### Variations in expense estimates

Since the 2008-09 Budget, estimated expenses for 2008-09 have increased by \$11.2 billion reflecting increased expenses from new policy decisions of \$11.4 billion, partially offset by net parameter and other variations of \$0.3 billion.

**Table 4.10: Reconciliation of general government sector expense estimates**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>2008-09 Budget expenses</b>	<b>292,470</b>	<b>310,513</b>	<b>323,083</b>	<b>339,241</b>
<b>Changes between 2008-09 Budget and MYEFO</b>				
Effect of policy decisions(a)	11,413	1,172	743	842
Effect of economic parameter variations				
Unemployment benefits	115	1,164	1,151	1,264
Prices and wages	22	-67	-234	-445
Interest and exchange rates	56	62	74	60
<i>Total economic parameter variations</i>	<i>194</i>	<i>1,159</i>	<i>991</i>	<i>880</i>
Public debt interest	298	264	227	121
Program specific parameter variations	-1,123	-1,163	-405	-157
Slippage in 2008-09 Budget decisions	138	0	0	0
Other variations	236	-202	-357	-1,142
<b>Total variations</b>	<b>11,154</b>	<b>1,230</b>	<b>1,200</b>	<b>544</b>
<b>2008-09 MYEFO expenses</b>	<b>303,624</b>	<b>311,742</b>	<b>324,283</b>	<b>339,785</b>

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

*Part 4: Fiscal strategy and outlook*

Major policy decisions since the 2008-09 Budget (up to and including 28 October 2008) have increased estimated expenses by \$11.4 billion in 2008-09 and include:

- \$4.9 billion in 2008-09, including administration costs, for a one-off payment to pensioners (\$1,400 for singles and \$2,100 for couples) who receive eligible pension payments, persons who receive Carer Allowance (\$1,000) or persons eligible for a Seniors Concession Allowance (\$1,400 for singles and \$2,100 for couples);
- \$3.9 billion in 2008-09, including administration costs, for a one-off payment of \$1,000 per child to families with an eligible child in their care who are entitled to Family Tax Benefit (A) or families with dependent children receiving Youth Allowance, Abstudy or Veterans' Children's Education Scheme payment;
- \$1.2 billion in 2008-09 (\$1.5 billion over two years to 2009-10) to introduce the temporary First Home Owners Boost to assist first home buyers entering the housing market;
- \$399 million in 2008-09 in funding for drought relief, including income support and interest rate subsidies to assist farmers and small businesses most affected by drought. This policy measure reflects the extension of Exceptional Circumstances assistance;
- \$162 million in 2008-09 (\$232 million over two years to 2009-10) to increase the Productivity Places Program by providing an additional 71,000 Job Seeker training places to provide specific retraining and targeted support for displaced workers;
- \$100 million in 2008-09 (\$400 million over four years) to establish a Global Carbon Capture and Storage Institute to accelerate the development of carbon capture technology by facilitating demonstration projects, and identifying and supporting necessary research on related topics; and
- \$100 million in 2008-09 for Australia's contribution to the World Bank's Clean Technology Fund, to fund transformative investment in low carbon technologies in developing countries, sectors or regions.

In 2008-09, parameter and other variations have reduced estimated expenses by \$0.3 billion since Budget largely reflecting:

- a reduction in forecast expenses of \$1.4 billion in relation to the provision of GST payments to the States and Territories due to downwards revisions in estimated GST receipts;
- a \$305 million reduction in forecast penalty remission expenses for company taxation, consistent with the lower than expected level of remissions recorded in the first quarter of the financial year;

- a \$133 million decrease in age pension estimates due to lower than expected growth in pension customer numbers. This decrease has been partially offset by an increase in estimated costs due to higher than forecast indexation of the pension and higher than expected pension bonus scheme payments;
- a \$104 million reduction in pharmaceutical and pharmaceutical services expenses, consistent with slightly slower than previously forecast growth in the purchase of drugs funded through the Pharmaceutical Benefits Scheme;
- a \$103 million reduction in estimated Family Tax Benefit (FTB) expenses due to lower than expected numbers of recipients of FTB, partially offset by higher than expected average rates paid to customers, driven by a higher proportion of customers receiving full payments;
- an \$88 million decrease in estimated parenting payment expenses due to lower average payment rates received by recipients than projected at Budget, partially offset by higher than forecast recipient numbers; and
- a reduction in expense estimates following the inclusion of a provision for underspends in 2008-09. 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 have been partially offset by:

- a change in the accounting treatment for concessional loans of \$755 million following the review foreshadowed in the 2008-09 Budget. The impact of this variation on the fiscal balance is offset in part by an increase of \$380 million in non-taxation revenue resulting from this accounting change, leaving a net budget impact of \$375 million;
- an increase of \$434 million in estimated Defence expenses largely due to a bring forward of operating expenditure from future years into 2008-09 and foreign exchange movements;
- a \$380 million increase in estimated expenses in the form of higher Offshore Petroleum Royalties payments to the Western Australian Government. This expected increase is generated as a result of a \$577 million increase in estimated revenue reflecting updated production forecasts by the Western Australian Department of Industry and Resources along with the effects of revised foreign exchange movements and oil and gas price adjustments;
- a \$298 million increase in forecast public debt interest expenses primarily due to the additional government securities on issue (as announced by the Treasurer on 20 May 2008);

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- a \$268 million increase in Disability Support Pension expenses as a result of an increase in customer numbers relative to expectations at Budget, mainly reflecting a lower than expected impact of the *Welfare to Work* measures announced in the 2005-06 Budget; and
- a \$137 million increase in forecast expenses associated with the continuation of the Medicare Chronic Disease Dental Scheme (CDDS). This scheme was to have been superseded by two measures announced at Budget – the Commonwealth Dental Health Program and the Medicare Teen Dental Plan. The determination to cease the CDDS was disallowed by Parliament, resulting in ongoing access to the scheme.

A full description of all policy measures since Budget can be found in Appendix A. Estimates of Australian Government general government expenses by function and sub-function can be found in Attachment C.

#### Variations in net capital investment estimates

In 2008-09, forecast net capital investment has decreased by \$88 million since Budget. This mainly reflects the net impact of a range of parameter and other variations, including:

- a \$331 million net reduction in estimated Defence net capital investment, stemming from estimated planned expenditure of \$715 million slipping from 2008-09 to later years (reflecting the slower than previously anticipated delivery of a range of Defence capital projects), partly offset by upwards variations in estimated net capital expenditure as a result of the depreciation in the Australian dollar; and
- a \$35 million increase in capital investment for the Australian Federal Police in relation to the fit-out of the Edmund Barton building, its new headquarters in Canberra.

**Table 4.11: Reconciliation of general government sector net capital investment estimates**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>2008-09 Budget net capital investment</b>	<b>3,872</b>	<b>4,050</b>	<b>4,462</b>	<b>5,094</b>
<b>Changes between 2008-09 Budget and MYEFO</b>				
Effect of policy decisions(a)	2	91	76	-21
Effect of parameter and other variations	-90	1,338	1,018	598
<b>Total variations</b>	<b>-88</b>	<b>1,429</b>	<b>1,094</b>	<b>577</b>
<b>2008-09 MYEFO net capital investment</b>	<b>3,784</b>	<b>5,480</b>	<b>5,556</b>	<b>5,670</b>

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

### **Net financial worth, net worth and net debt**

Net financial worth measures a government's holdings of financial assets and is a key indicator of financial sustainability. It is a broader measure of the financial position than net debt.

Net financial worth for the Australian Government general government sector is forecast to be -\$22.0 billion in 2008-09 and is expected to become positive in 2011-12.

The decline in estimated net financial worth in 2008-09 from the -\$3.6 billion that was estimated in the 2008-09 Budget primarily reflects:

- a decrease in the expected level of term deposits held as result of a lower estimated underlying cash balance; and
- a decrease in advances paid, mainly reflecting the change in accounting treatment for concessional loans incorporated in the *Final Budget Outcome 2007-08*.

Net worth is forecast to be \$70.0 billion in 2008-09, compared with \$86.0 billion estimated at the 2008-09 Budget. This decline primarily reflects the changes outlined above for net financial worth.

Since the 2008-09 Budget, the estimated level of net debt has improved from -\$45.0 billion to -\$47.2 billion. This primarily reflects the changes outlined above for net financial worth and, in addition, changes to assumptions relating to the financial asset composition of the Future Fund which involves an increase in investments that are included in the calculation of net debt. With this level of net debt, the Government is expected to earn net interest receipts of \$1.6 billion in 2008-09.

Table 4.12 provides a summary of Australian Government general government sector net financial worth, net worth, net debt and net interest payments.

**Table 4.12: Australian Government general government sector net financial worth, net worth, net debt and net interest payments**

	Estimates			
	2008-09		2009-10	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	212.1	203.6	237.3	213.5
Non-financial assets (\$b)	89.6	92.0	93.4	97.6
<b>Total assets (\$b)</b>	<b>301.7</b>	<b>295.6</b>	<b>330.7</b>	<b>311.1</b>
<b>Total liabilities (\$b)</b>	<b>215.7</b>	<b>225.5</b>	<b>219.3</b>	<b>228.8</b>
<b>Net worth (\$b)</b>	<b>86.0</b>	<b>70.0</b>	<b>111.4</b>	<b>82.3</b>
<b>Net financial worth (\$b)(a)</b>	<b>-3.6</b>	<b>-22.0</b>	<b>18.0</b>	<b>-15.3</b>
Per cent of GDP	-0.3	-1.8	1.4	-1.2
<b>Net debt (\$b)(b)</b>	<b>-45.0</b>	<b>-47.2</b>	<b>-65.4</b>	<b>-54.3</b>
Per cent of GDP	-3.7	-3.9	-5.1	-4.3
<b>Net interest payments (\$b)(c)</b>	<b>-2.2</b>	<b>-1.6</b>	<b>-2.8</b>	<b>-1.5</b>
Per cent of GDP	-0.2	-0.1	-0.2	-0.1
	Projections			
	2010-11		2011-12	
	Budget	MYEFO	Budget	MYEFO
Financial assets (\$b)	256.7	215.1	283.6	229.3
Non-financial assets (\$b)	97.8	103.5	103.0	109.5
<b>Total assets (\$b)</b>	<b>354.5</b>	<b>318.6</b>	<b>386.6</b>	<b>338.8</b>
<b>Total liabilities (\$b)</b>	<b>216.2</b>	<b>224.4</b>	<b>221.5</b>	<b>228.7</b>
<b>Net worth (\$b)</b>	<b>138.3</b>	<b>94.2</b>	<b>165.1</b>	<b>110.1</b>
<b>Net financial worth (\$b)(a)</b>	<b>40.4</b>	<b>-9.2</b>	<b>62.1</b>	<b>0.6</b>
Per cent of GDP	3.0	-0.7	4.4	0.0
<b>Net debt (\$b)(b)</b>	<b>-86.5</b>	<b>-61.6</b>	<b>-106.7</b>	<b>-72.4</b>
Per cent of GDP	-6.5	-4.7	-7.6	-5.3
<b>Net interest payments (\$b)(c)</b>	<b>-3.1</b>	<b>-0.6</b>	<b>-5.4</b>	<b>-1.7</b>
Per cent of GDP	-0.2	0.0	-0.4	-0.1

(a) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(b) 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.

(c) Net interest payments is calculated as the difference between cash interest received and cash interest paid.

## **SENSITIVITY OF FISCAL EXPENSES AND REVENUE TO ECONOMIC DEVELOPMENTS**

The estimates contained in the 2008-09 Mid-Year Economic and Fiscal Outlook are based on forecasts of the economic outlook. Changes to the economic assumptions underlying the estimates will affect receipts and payments, and hence the size of the underlying cash balance.

This section examines the affects on receipts and payments of altering some of the key economic assumptions underlying the estimates. Tables 4.14 and 4.16 illustrate the sensitivity of key components of receipts and payments to possible variations in the economic outlook. The two scenarios considered are:

- Scenario 1: a 1 per cent reduction in nominal GDP owing to a fall in the terms of trade.
- Scenario 2: a 1 per cent increase in real GDP driven by an equal increase in labour productivity and labour force participation.

The economic scenarios provide a rule of thumb indication of the impact on revenue, expenses and the underlying cash balance of changes in the economic outlook. They represent a partial economic analysis only and do not attempt to capture all the economic feedback and other policy responses related to changed economic conditions. In particular, the analysis assumes no change in the exchange rate, interest rates or discretionary policy. The impact of the two scenarios on the economic parameters would be different if the full feedback response on economic variables and likely policy actions were taken into account. The analysis does not aim to provide an alternate picture of the economic forecasts under these scenarios, but instead gives an indication of the sensitivity associated with different components of revenue and expenses to changes in the economy. As such, the changes in the economic variables and their impact on the fiscal outlook are merely illustrative.

The impacts shown in the tables below are broadly symmetrical. That is, impacts of around the same magnitude, but in the opposite direction, would apply if the terms of trade were to increase or if real GDP were to decrease.

### **Scenario 1**

The first scenario involves a permanent fall in world prices of non-rural commodity exports, which causes a fall in the terms of trade, consistent with a 1 per cent fall in nominal GDP by Year 2. The sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 4.13

are highly stylised and refer to per cent deviations from the baseline levels of the respective economic parameters.

**Table 4.13: Illustrative impact of a permanent commodity price fall consistent with a 1 per cent fall in nominal GDP in Year 2 (per cent deviation from the baseline level)**

	Year 1 Per cent	Year 2 Per cent
Real GDP	0	-¼
Non-farm GDP deflator	-¾	-¾
Employment	-¼	-½
Wages	0	-¼
CPI	0	-¼
Company profits	-3	-3
Consumption	-¼	-½

Assuming no change in exchange rates or interest rates, the fall in export prices leads directly to a lower non-farm GDP deflator (from the exports component of GDP) and lower domestic incomes. Lower domestic incomes cause both consumption and investment to fall, resulting in lower real GDP, lower employment and lower wages. The fall in aggregate demand puts downward pressure on domestic prices.

In reality, a fall in the terms of trade would be expected to put downward pressure on the exchange rate, although the magnitude is particularly difficult to model. In the event of a fall in the exchange rate, the real GDP effects would be damped through the stimulus to the external sector, and there would be some offsetting upward pressure on prices.

Given these assumptions, the overall impact of the fall in the terms of trade is a reduction in the underlying cash balance of around \$1.3 billion in Year 1 and around \$3.7 billion in Year 2 (see Table 4.14).

**Table 4.14: Illustrative sensitivity of the budget balance to a 1 per cent reduction in nominal GDP due to a fall in the terms of trade**

	Year 1	Year 2
	\$b	\$b
<b>Receipts</b>		
Individuals and other withholding taxation	-0.5	-1.7
Superannuation taxation	0.0	-0.1
Company tax	-0.8	-1.6
Goods and services tax	-0.1	-0.2
Excise and customs duty	-0.1	-0.1
Other taxation	0.0	0.0
<b>Total receipts</b>	<b>-1.5</b>	<b>-3.8</b>
<b>Payments</b>		
Income support	0.1	0.2
Other payments	-0.2	-0.2
GST payments	-0.1	-0.2
<b>Total payments</b>	<b>-0.2</b>	<b>-0.3</b>
Interest change on surplus change	0.0	-0.2
<b>Underlying cash balance impact</b>	<b>-1.3</b>	<b>-3.7</b>

On the receipts side, a fall in the terms of trade results in a fall in nominal GDP which reduces tax collections. The largest impact falls on company tax revenue as the fall in export income reduces company profits. Lower company profits are assumed to flow through to lower Australian equity prices, therefore reducing capital gains tax from individuals, companies and superannuation funds.

A slowing of the economy results in lower aggregate demand which flows through to lower employment and wages. For these reasons, individuals' income tax collections would fall and the reduction in disposable incomes would lead to lower consumption, which in turn results in a decrease in GST revenue (decreasing GST payments to the States by the same amount) and other indirect tax collections.

On the payments side, a significant proportion of government expenditure is partially indexed to movements in costs (as reflected in various price and wage measures). Some forms of expenditure, in particular income support payments, are also driven by the number of beneficiaries.

The overall estimated expenditure on income support payments (including pensions and allowances) increases owing to a higher number of unemployment benefit recipients. This is partly offset by lower expenditure on other income support payments (especially age pensions) reflecting lower growth in benefit rates flowing from lower wages growth. Other payments linked to inflation also fall in line with the reduced growth in prices.

The lower underlying cash balance also has a negative interest impact in both years due to interest forgone from reduced surpluses.

As noted above, under a floating exchange rate, the depreciation of the exchange rate would damp the effects of the fall in the terms of trade on real GDP, meaning the impact on the fiscal position could be substantially more subdued. Also, to the extent that the fall in the terms of trade is temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

## Scenario 2

The second scenario involves a combination of an equal 0.5 per cent increase in the participation rate and in labour productivity, resulting in a 1 per cent increase in real GDP by Year 2. Once again, the sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 4.15 are highly stylised and refer to per cent deviations from the baseline levels of the respective parameters.

The 1 per cent increase in real GDP increases nominal GDP by around the same amount but the magnitude of the effects on receipts, payments and the underlying cash balance differ from the first scenario because this variation in the outlook affects different parts of the economy in different ways.

**Table 4.15: Illustrative impact of an ongoing equal increase in both labour productivity and participation consistent with a 1 per cent increase in real GDP in Year 2 (per cent deviation from the baseline level)**

	Year 1 Per cent	Year 2 Per cent
Nominal GDP	$\frac{3}{4}$	$\frac{3}{4}$
Non-farm GDP deflator	$-\frac{1}{4}$	$-\frac{1}{4}$
Employment	$\frac{1}{2}$	$\frac{1}{2}$
Wages	$\frac{1}{4}$	$\frac{1}{4}$
CPI	$-\frac{1}{4}$	$-\frac{1}{4}$
Company profits	$1\frac{3}{4}$	$1\frac{3}{4}$
Consumption	1	1

The increases in labour force participation and labour productivity have the same impact on output, but different impacts on the labour market. Higher productivity leads to higher real GDP and higher real wages, while an increase in the participation rate increases employment and real GDP. Imports are higher in this scenario, reflecting higher domestic incomes.

Since the supply side of the economy expands, inflation falls relative to the baseline. The fall in domestic prices makes exports more attractive to foreigners, with the resulting increase in exports offsetting higher imports, leaving the trade balance unchanged. The exchange rate is assumed to be constant.

The overall impact of the increase in labour productivity and participation is an increase in the underlying cash balance of around \$2.4 billion in Year 1 and around \$3.3 billion in Year 2 (see Table 4.16).

**Table 4.16: Illustrative sensitivity of the budget balance to a 1 per cent increase in real GDP due to an equal increase in both productivity and participation**

	Year 1	Year 2
	\$b	\$b
<b>Receipts</b>		
Individuals and other withholding taxation	1.4	1.5
Superannuation taxation	0.0	0.0
Company tax	0.5	1.0
Goods and services tax	0.3	0.3
Excise and customs duty	0.3	0.3
Other taxation	0.0	0.0
<b>Total receipts</b>	<b>2.6</b>	<b>3.2</b>
<b>Payments</b>		
Income support	0.0	-0.1
Other payments	0.0	-0.1
GST payments	0.3	0.3
<b>Total payments</b>	<b>0.3</b>	<b>0.2</b>
Interest change on surplus change	0.1	0.2
<b>Underlying cash balance impact</b>	<b>2.4</b>	<b>3.3</b>

On the receipts side, an increase in the participation rate causes employment and nominal GDP to increase. Individuals' income tax collections increase because of the rise in number of wage earners and, additionally, higher real wages. The stronger labour market also increases superannuation fund taxes through greater contributions (including compulsory contributions) to superannuation funds. The increase in personal incomes leads to higher consumption which results in an increase in GST revenue (with the corresponding receipts passed on in higher GST payments to the States) and other indirect tax collections.

In addition, the stronger economy results in higher levels of corporate profitability, increasing company taxes. Higher profits are assumed to increase Australian equity prices, generating additional capital gains tax from individuals, companies and superannuation funds.

On the payments side, overall estimated expenditure on income support payments (including pensions and allowances) is slightly lower reflecting lower growth in benefit rates flowing from lower inflation. Other payments linked to inflation also fall due to the lower growth in prices.

The higher underlying cash balance also has a positive interest impact in both years due to interest earned from higher surpluses.

To the extent that the increases in productivity and participation are temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

## 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 4.17 contains estimates of aggregate tax expenditures for the period from 2004-05 to 2011-12. These estimates are consistent with tax expenditure data reported in the *2007 Tax Expenditures Statement*. Changes in GDP forecasts are reflected in the revised estimates of tax expenditures as a proportion of GDP.

**Table 4.17: Aggregate tax expenditures 2004-05 to 2011-12**

Year	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditure as a proportion of GDP (%)
2004-05 (est)	17,353	20,718	38,071	4.2
2005-06 (est)	23,065	23,376	46,441	4.8
2006-07 (est)	24,985	25,135	50,120	4.8
2007-08 (proj)	26,845	24,565	51,410	4.5
2008-09 (proj)	27,466	25,036	52,502	4.3
2009-10 (proj)	29,391	27,498	56,889	4.5
2010-11 (proj)	31,807	29,945	61,752	4.7
2011-12 (proj)	33,908	31,206	65,114	4.8

Updated tax expenditure estimates will be published in the *2008 Tax Expenditures Statement*, which will be released by 31 January 2009. This will include estimates for GST tax expenditures.

Care needs to be taken when analysing tax expenditure data: see Section 2.1 of the *2007 Tax Expenditures Statement* for a detailed discussion.

**SUPPLEMENTARY EXPENSE TABLE AND THE CONTINGENCY RESERVE**

**Expenses**

Table 4.18 shows estimates of Australian Government general government expenses by function and sub-function for 2008-09 and the forward years.

Table 4.18: Estimates of Australian Government general government expenses by function and sub-function

	Estimates						Projections					
	2008-09			2009-10			2010-11			2011-12		
	Budget \$m	MYEFO \$m	Change on Budget %									
<b>General public services</b>												
Legislative and executive affairs	792	804	2	813	827	2	963	976	1	842	854	1
Financial and fiscal affairs	5,701	5,600	-2	5,877	5,708	-3	5,988	5,798	-3	6,523	6,265	-4
Foreign affairs and economic aid	4,736	4,966	5	4,945	5,053	2	5,532	5,595	1	5,898	5,841	-1
General research	2,411	2,417	0	2,535	2,550	1	2,579	2,594	1	2,507	2,515	0
General services	724	724	0	731	735	1	734	730	-1	735	726	-1
Government superannuation benefits(a)	2,896	2,809	-3	2,925	2,834	-3	3,079	3,024	-2	3,149	3,092	-2
<b>Defence</b>	17,896	17,965	0	19,134	19,067	0	19,772	19,822	0	20,274	20,226	0
<b>Public order and safety</b>	3,807	3,857	1	3,830	3,951	3	3,895	3,905	0	3,881	3,913	1
<b>Education</b>	18,764	19,559	4	20,276	20,892	3	20,768	21,455	3	21,800	22,498	3
<b>Health</b>	46,032	46,647	1	48,071	48,593	1	50,220	50,817	1	52,190	52,805	1
<b>Social security and welfare</b>	102,439	111,439	9	105,561	107,029	1	109,657	111,709	2	114,077	116,828	2
<b>Housing and community amenities</b>	3,197	4,335	36	3,273	3,580	9	2,928	2,893	-1	2,917	2,844	-3
<b>Recreation and culture(b)</b>	2,907	3,013	4	2,862	2,944	3	2,777	2,874	3	2,736	2,846	4
<b>Fuel and energy</b>	5,574	5,811	4	5,822	5,887	1	5,939	6,038	2	6,080	6,183	2
<b>Agriculture, fisheries and forestry</b>	3,058	3,520	15	3,099	3,044	-2	2,874	2,882	0	3,119	3,125	0
<b>Mining, manufacturing and construction</b>	1,834	1,846	1	1,762	1,745	-1	1,576	1,632	4	1,515	1,463	-3
<b>Transport and communication</b>	4,727	4,808	2	4,994	5,013	0	4,677	4,696	0	5,265	5,288	0
<b>Other economic affairs</b>												
Tourism and area promotion	184	190	3	182	185	2	182	183	1	180	181	1
Labour and employment affairs	5,137	5,343	4	5,166	5,358	4	5,256	5,351	2	5,223	5,322	2
Other economic affairs nec	1,449	1,383	-5	1,470	1,440	-2	1,407	1,424	1	1,387	1,438	4

**Table 4.18: Australian Government expenses by function and sub-function (continued)**

	Estimates						Projections					
	2008-09			2009-10			2010-11			2011-12		
	Budget \$m	MYEFO \$m	Change on Budget %									
<b>Other purposes</b>												
Public debt interest	3,451	3,750	9	3,400	3,664	8	3,249	3,476	7	3,142	3,264	4
Nominal superannuation interest	6,508	6,470	-1	6,598	6,701	2	6,817	6,856	1	7,039	7,041	0
General purpose inter-government transactions	47,700	46,683	-2	51,057	49,041	-4	53,744	51,584	-4	56,552	54,016	-4
Natural disaster relief	93	93	0	92	93	1	92	93	1	92	93	1
Contingency reserve(c)	451	-407	-190	6,036	5,808	-4	8,379	7,875	-6	12,117	11,118	-8
<b>Total expenses</b>	<b>292,470</b>	<b>303,624</b>	<b>4</b>	<b>310,513</b>	<b>311,742</b>	<b>0</b>	<b>323,083</b>	<b>324,283</b>	<b>0</b>	<b>339,241</b>	<b>339,785</b>	<b>0</b>

- (a) Government superannuation benefits estimates differ from superannuation expense estimates disclosed in the operating statement (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 recreation and culture function is partly due to a reclassification of the Australian Communications and Media Authority's departmental expenses to the broadcasting sub-function. This increase is offset by a corresponding reduction in the transport and communication function.
- (c) Asset sale related expenses are treated as a component of the Contingency Reserve.

## **Contingency Reserve**

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The reserve ensures that the budget estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (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 2008-09 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. This allowance is known as the conservative bias allowance. At MYEFO it is set at 2 per cent of total general government sector expenses (excluding goods and services tax payments to the States) in the third year of the forward estimates period (2011-12); 1¼ per cent in the second year (2010-11); and ½ per cent in the first forward year (2009-10). This allowance is reviewed periodically;
- a provision for underspends in the current year reflecting the tendency for the expenses of some specific agencies or functions to be overstated in the budget year because expenditure targets are not all met;
- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately and programs that are yet to be renegotiated with State and Territory governments;
- 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 budget process and hence not able to be allocated to individual agencies or functions; and
- provision for events that are reasonably expected to affect the budget estimates but cannot be reliably allocated to individual programs. For example, the Contingency Reserve makes provision for the continuation of the Government's support for the Northern Territory Emergency Response beyond 2008-09.

The Contingency Reserve may also include any expenses associated with the Government's major asset sales and associated administration costs and major capital projects for which detailed planning approval has been given.

The Contingency Reserve also makes provision for future increases in Australia's official development assistance that have not yet been allocated to specific aid programs. However, in this attachment those expenses are allocated to the Foreign Affairs function.

The Contingency Reserve also includes a provision for anticipated expenditure from the new funds established in the 2008-09 Budget: the Building Australia Fund; the Health and Hospitals Fund; and the Education Investment Fund. The funding to be provided from these funds will be dependent on future budget consideration in line with prevailing macroeconomic conditions. Projects will be selected according to rigorous evaluation criteria and may depend on negotiations with State and Territory governments.

## **AUSTRALIA'S FEDERAL RELATIONS**

This part provides information on payments for specific purposes and general revenue assistance, including GST payments, provided to the States and Territories (the States).

### **A new framework for federal financial relations**

On 26 March 2008, the Council of Australian Governments (COAG) agreed to implement a new framework for federal financial relations that focuses on reducing Commonwealth prescriptions on service delivery by the States in conjunction with a significant rationalisation of payments for specific purposes, a clearer specification of roles and responsibilities of each level of government, and an improved focus on outcomes-based public accountability.

This will result in:

- increased flexibility for resources to be allocated to areas where they will produce the best overall outcomes for the community;
- genuinely collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a long-term policy focus and reduce blame and cost shifting;
- incentives for wide-ranging reforms;
- increased accountability of governments to the community; and
- reduced administration and compliance overheads.

In addition, the Commonwealth will provide National Partnership payments to the States to support delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms. The new financial arrangements provide a solid foundation for far-reaching economic and social reforms to be undertaken as part of COAG's economic and social reform agenda.

The Prime Minister and Treasurer, along with their State and Territory counterparts, will consider the details of the new framework, including outcomes, roles and responsibilities, performance indicators and funding, prior to the commencement of the new arrangements from 1 January 2009. The information provided in this part does not reflect any funding offer the Commonwealth may make to the States as part of those negotiations.

## Overview of payments to the States

The States receive significant financial support from the Commonwealth. In 2008-09, total payments to the States will be 26.1 per cent of total Commonwealth expenditure.

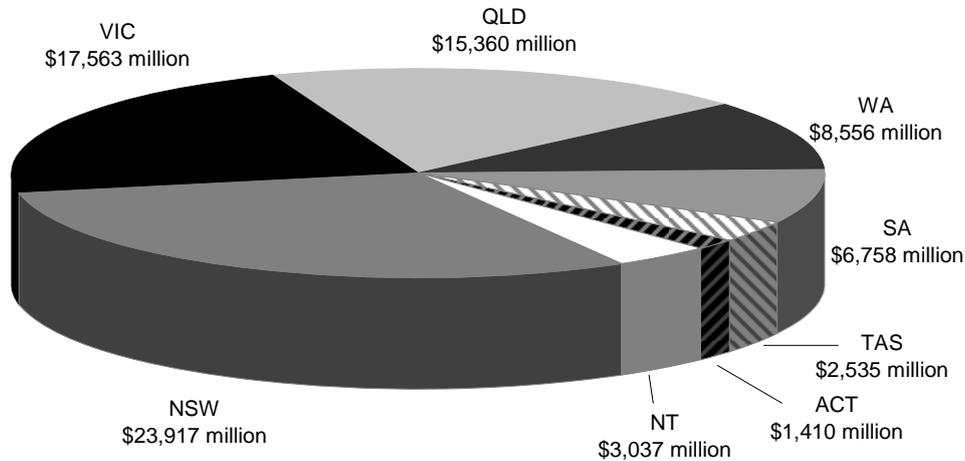
In 2008-09, the Commonwealth will provide the States with general revenue assistance, including all GST revenue, of \$44.2 billion and payments for specific purposes of \$34.9 billion, totalling \$79.1 billion. This represents a 6.2 per cent increase compared with 2007-08. Table 4.19 shows payments for specific purposes and general revenue assistance payments to the States.

**Table 4.19: Commonwealth payments to the States, 2008-09 to 2011-12**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
Payments for specific purposes	11,318	7,682	6,920	4,174	2,743	855	514	681	34,888
General revenue assistance	12,599	9,880	8,440	4,382	4,015	1,680	896	2,356	44,247
Total payments to the States	23,917	17,563	15,360	8,556	6,758	2,535	1,410	3,037	79,135
<b>2009-10</b>									
Payments for specific purposes	10,791	7,993	6,652	3,446	2,698	790	531	626	33,527
General revenue assistance	13,825	10,626	8,678	4,506	4,250	1,749	973	2,504	47,112
Total payments to the States	24,616	18,619	15,330	7,951	6,948	2,540	1,504	3,130	80,638
<b>2010-11</b>									
Payments for specific purposes	11,072	8,191	6,896	3,531	2,744	813	548	663	34,458
General revenue assistance	14,885	11,363	8,974	4,362	4,456	1,817	1,028	2,690	49,574
Total payments to the States	25,956	19,554	15,870	7,893	7,200	2,630	1,576	3,353	84,033
<b>2011-12</b>									
Payments for specific purposes	11,730	8,719	7,261	3,659	2,857	853	584	495	36,159
General revenue assistance	15,731	12,081	9,391	4,293	4,672	1,897	1,068	2,807	51,938
Total payments to the States	27,461	20,800	16,651	7,952	7,529	2,750	1,652	3,302	88,097

Chart 4.2 shows the state shares of total payments from the Commonwealth in 2008-09.

**Chart 4.2: State shares of Commonwealth payments, 2008-09**



### Payments for specific purposes

The Commonwealth provides payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States. Payments to the States for specific purposes will be 11.5 per cent of total Commonwealth expenditure in 2008-09.

In 2008-09, the States will receive \$34.9 billion in payments for specific purposes, an increase of 8.9 per cent compared with the \$32.0 billion the States received in 2007-08. Payments for specific purposes for 2009-10 and later years may change upon agreement with the States of the new financial framework and funding package.

Payments for specific purposes decline in 2009-10 by 3.9 per cent, primarily due to:

- the reclassification of Highly Specialised Drugs (\$597 million in 2008-09) as a Commonwealth own purpose expense from 1 July 2009;
- the reclassification of royalties (\$1.1 billion in 2008-09), Snowy Hydro Ltd tax compensation (\$47 million in 2008-09), and ACT municipal services (\$34 million in 2008-09) as general revenue assistance from 1 January 2009; and
- the phasing out of the First Home Owners Boost (\$1.2 billion in 2008-09 and \$354 million in 2009-10).

Payments direct 'to' local government appear to decline in 2009-10, primarily due to AusLink funding to local government (\$560 million in 2008-09) not yet being agreed.

Table 4.20 shows total payments for specific purposes by function.

**Table 4.20: Payments for specific purposes, 2008-09 to 2011-12**

\$million	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
Health	11,263	10,893	11,552	11,837
Education	11,192	11,796	12,434	13,349
Community services	2,022	2,196	2,396	2,618
Housing	2,750	1,977	1,658	1,262
Infrastructure	3,577	3,928	3,675	4,308
Environment	276	281	198	163
Local government(a)	1,888	1,962	2,043	2,111
Other	1,919	493	502	510
<b>Total payments for specific purposes</b>	<b>34,888</b>	<b>33,527</b>	<b>34,458</b>	<b>36,159</b>
<i>less payments 'through' the States</i>	9,448	9,005	9,201	9,808
<i>less payments direct 'to' local government</i>	606	44	45	46
Total payments 'to' States for own purpose expenses	24,833	24,477	25,213	26,305

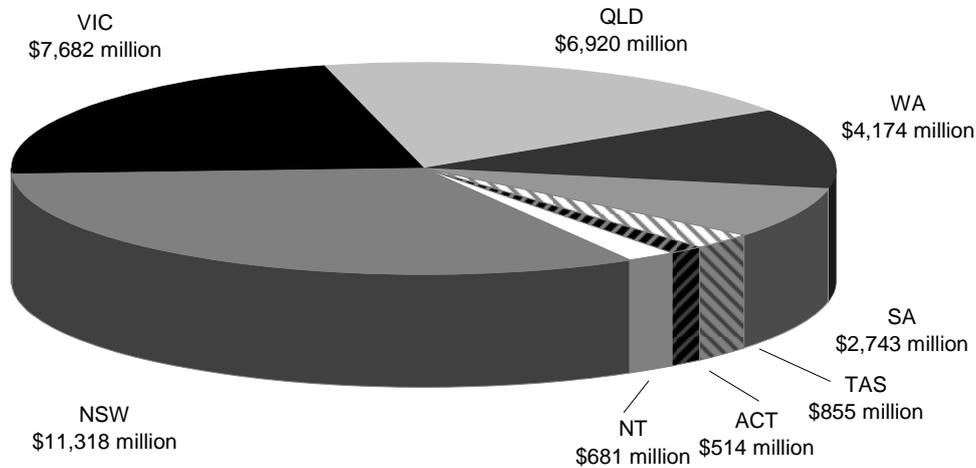
(a) General revenue assistance components of payments to local government only. Other payments to local government are categorised under the relevant sector.

Of the \$34.9 billion to be provided to the States for specific purposes in 2008-09:

- \$24.8 billion will be provided 'to' the States to help fund State government functions;
- \$9.4 billion will be paid 'through' the States, where the State governments distribute the payments to other organisations – this includes payments for non-government schools and financial assistance grants for local governments; and
- \$606 million will be paid direct 'to' local governments.

Chart 4.3 shows the state shares of payments for specific purposes from the Commonwealth in 2008-09.

**Chart 4.3: State shares of payments for specific purposes, 2008-09**



Payments for specific purposes cover most functional areas of State and local government activity – including health, education, community services, housing, infrastructure and environment. Detailed tables of payments for specific purposes, including State shares of each payment are provided in Annex A.

### **Health**

In 2008-09, the States will receive \$11.3 billion to support state health services. Most of this (\$9.7 billion) is paid under the Australian Health Care Agreements, which assist with the provision of public hospital services free of charge to eligible persons. From 1 July 2009, the Commonwealth will provide a financial contribution to support state health services under the new National Healthcare Agreement.

### **Education**

In 2008-09, the States will receive \$11.2 billion to support state education services. Of this, \$6.3 billion is allocated to non-government schools and \$3.4 billion is allocated to government schools. From 1 January 2009, the Commonwealth will provide a financial contribution to support state and non-government school services under the new National Education Agreement and a financial contribution to support vocational education and training under the National Skills and Workforce Agreement.

### **Community services**

In 2008-09, the States will receive \$2.0 billion to support state community services. Of this, \$764 million was to have been paid under the terms of the Commonwealth State/Territory Disability Agreements, through the disabilities services program, to assist in the provision of accommodation support and other services for people with disabilities. From 1 January 2009, the Commonwealth will provide a financial

contribution to support state disabilities services under the new National Disabilities Services Agreement.

### **Housing**

In 2008-09, the States will receive \$2.7 billion to support state housing services. Of this, \$985 million was to have been paid under the Commonwealth State Housing Agreement to provide public rental housing, crisis accommodation, community housing and assist Indigenous people to access rental housing. From 1 January 2009, the Commonwealth will provide a financial contribution to support state housing services under the new National Affordable Housing Agreement.

#### **First Home Owners Boost**

As part of its \$10.4 billion Economic Security Strategy, the Australian Government has introduced the First Home Owners Boost to stimulate housing activity and give first home buyers a better chance to enter the housing market. The First Home Owners Boost will provide an additional \$7,000 to first home buyers purchasing established homes and an additional \$14,000 to first home buyers who purchase a new home.

This will mean that total grants (which includes the First Home Owners Scheme grant) to first home buyers will increase to \$14,000 for those purchasing an established home and \$21,000 for a newly constructed home.

To be eligible to receive the First Home Owners Boost, first home buyers must meet the eligibility requirements for the existing \$7,000 First Home Owners Scheme grant and must enter into a contract to purchase a home between 14 October 2008 and 30 June 2009.

The Commonwealth will fully fund the First Home Owners Boost, to be administered by the States, which also administer the existing First Home Owners Scheme.

The First Home Owners Boost will build on the Australian Government's \$2.2 billion worth of housing initiatives in the 2008-09 Budget. These initiatives include the National Rental Affordability Scheme to build 50,000 new affordable rental properties, a Housing Affordability Fund to reduce the cost of bringing new homes to market and First Home Saver Accounts to encourage young people to save for a new home.

### **Infrastructure**

In 2008-09, the States will receive \$3.6 billion to support state infrastructure provision. Of this, \$3.5 billion will be paid under AusLink for the development, construction and maintenance of land transport projects on the national land transport network, some

continuing projects off the network, 'black spots' projects and roads in unincorporated areas. From 1 January 2009, Commonwealth financial contributions to support state infrastructure provision will be provided through National Partnership payments to invest in infrastructure of national priority.

### Environment

In 2008-09, the States will receive \$276 million to support state environmental services. Of this, \$159 million will be paid under the Caring for our Country program. From 1 January 2009, payments to support state environmental services will be provided through National Partnership payments to achieve outcomes in areas of national priority.

### General revenue assistance

General revenue assistance is a broad category of payments, including GST payments, which are provided to the States without conditions to spend according to their own budget priorities. In 2008-09, total general revenue assistance to the States will be 14.6 per cent of total Commonwealth expenditure.

In 2008-09, the States will receive \$44.2 billion in general revenue assistance from the Commonwealth comprising \$43.9 billion in GST payments and \$328 million of other general revenue assistance. This is a 4.2 per cent increase in general revenue assistance, compared with the \$42.5 billion the States received in 2007-08. Table 4.21 shows general revenue assistance payments to the States.

**Table 4.21: General revenue assistance, 2008-09 to 2011-12**

\$million	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
GST payments	43,919	46,270	48,750	51,170
Other payments				
Budget balancing assistance	0	-	-	-
Royalties	542	698	684	627
Compensation				
Crude oil excise condensate	55	60	57	57
GST policy decisions	-309	1	1	1
Snowy Hydro Ltd tax compensation	23	47	47	47
ACT municipal services	17	35	36	37
Total other	328	842	824	768
Total general revenue assistance	44,247	47,112	49,574	51,938

### GST payments

GST revenue variations since the 2008-09 Budget

Table 4.22 is a reconciliation of the GST revenue estimates since the 2008-09 Budget. The reconciliation accounts for policy decisions, parameter and other variations. There have been no policy decisions since Budget that have had a direct effect on GST revenue.

GST revenue in 2008-09 has been revised down by \$1.4 billion since Budget, reflecting lower forecast growth for taxable consumption and dwelling investment. In 2009-10, GST revenue is forecast to be lower by \$1.9 billion, in line with the expected slowing in growth of consumption subject to GST, but partly offset by expected stronger growth in dwelling investment in response to the housing stimulus.

**Table 4.22: Reconciliation of GST revenue estimates since 2008-09 Budget**

\$million	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
GST revenue at 2008-09 Budget	46,900	49,960	52,680	55,560
<i>Changes between 2008-09 Budget and MYEFO</i>				
Effect of policy decisions	0	0	0	0
Effect of parameter and other variations	-1,410	-1,870	-2,010	-2,380
Total variations	-1,410	-1,870	-2,010	-2,380
GST revenue at 2008-09 MYEFO	45,490	48,090	50,670	53,180

#### Reconciling GST revenue and GST payments to the States

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Commonwealth 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. In 2008-09, GST payments will be \$43.9 billion – an increase of \$1.6 billion (3.8 per cent) from 2007-08.

The Commissioner of Taxation estimates the level of GST receipts in June, prior to the end of each financial year. That estimate forms the basis of GST payments to the States for that financial year. A balancing adjustment is usually made in the following financial year to ensure that the States receive their full entitlement of GST payments for a financial year.

GST revenue for a financial year also varies from the amount of GST payments to the States for that year because of:

- GST revenues which are recognised on a Commonwealth whole of government basis, but are not recognised by the Commissioner of Taxation in his June determination, because the revenues will not be remitted to the Australian Taxation Office until the following financial year; and
- penalties, other than general interest charge penalties, which are not included in the definition in the *Intergovernmental Agreement* of GST to be paid to the States.

The reconciliation of GST revenue and GST payments to the States is provided in Table 4.23.

**Table 4.23: GST revenue and GST payments to the States**

\$million	Outcome	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12
GST revenue	44,381	45,490	48,090	50,670	53,180
less change in GST receivables	1,957	1,502	1,705	1,801	1,882
GST receipts	42,424	43,988	46,385	48,869	51,298
less non-GIC penalties collected	110	110	110	120	130
less GST collected by Commonwealth agencies but not yet remitted to the ATO	-85	8	5	-1	-2
plus variation from the Commissioner's determination(a)	-49				
plus prior year balancing adjustment	-20	49			
GST payments to the States	42,330	43,919	46,270	48,750	51,170

(a) The Commissioner's determination for 2007-08 was \$49 million lower than the final outcome. This underpayment will be paid in 2008-09.

#### Distribution of GST payments among the States

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

#### GST relativities

The Commission recommends state revenue sharing relativities (the GST relativities) to be used in calculating each State's share of GST payments such that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard.

#### Applying the GST relativities to the GST pool

The *Intergovernmental Agreement* defines the GST pool for a financial year to consist of GST payments plus unquarantined health care grants provided by the Commonwealth under the Australian Health Care Agreements.

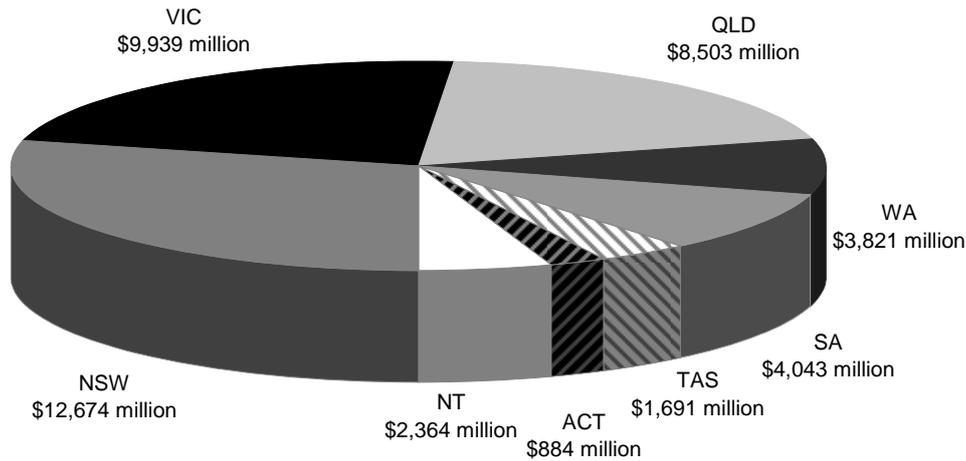
The GST relativities are applied to estimated state populations in order to determine an adjusted population for each State. Each State's share of the adjusted population is then applied to the combined pool of GST payments and unquarantined health care grants to estimate weighted shares of the GST pool. The final distribution of GST payments is determined by deducting the unquarantined health care grants, which are separately provided to the States, from each State's share of the GST pool. The calculations for the distribution of the GST pool are shown in Table 4.24.

**Table 4.24: Distribution of the GST pool, 2008-09**

	Estimated 31 December population (1)	State revenue sharing relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population per cent (4)	Share of GST pool \$million (5)	Unquarantined health care grants \$million (6)	GST payments (5) - (6) \$million (7)
NSW	7,004,100	0.91060	6,377,933	29.6	15,757.2	3,083.6	12,673.6
VIC	5,330,624	0.92540	4,932,959	22.9	12,187.3	2,248.1	9,939.1
QLD	4,325,812	0.96508	4,174,755	19.4	10,314.1	1,811.0	8,503.1
WA	2,180,327	0.88288	1,924,967	8.9	4,755.8	934.6	3,821.2
SA	1,608,779	1.20856	1,944,306	9.0	4,803.6	760.5	4,043.1
TAS	499,611	1.52994	764,375	3.6	1,888.5	197.4	1,691.1
ACT	346,331	1.17205	405,917	1.9	1,002.9	118.6	884.3
NT	221,231	4.51835	999,599	4.6	2,469.6	105.6	2,364.0
Total	21,516,815	n/a	21,524,812	100.0	53,178.8	9,259.4	43,919.4

State shares of GST payments for 2008-09 are shown in Chart 4.4.

**Chart 4.4: State shares of GST payments, 2008-09**



**GST administration costs**

Because the GST has a national tax base, the *Intergovernmental Agreement* provides for the Australian Taxation Office to administer the GST on behalf of the States. As all GST revenue is provided to the States, the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST, as shown in Table 4.25.

**Table 4.25: GST administration budget, 2007-08 to 2011-12**

\$million	Actual	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office budget	633.0	631.2	620.6	626.8	631.7
less prior year adjustment	32.8	1.6			
<i>equals</i> State government payments	600.2	629.6	620.6	626.8	631.7
less Australian Taxation Office outcome(a)	631.4				
<i>equals</i> Commonwealth budget impact	-31.2				
<i>plus</i> prior year adjustment	32.8				
<i>equals</i> following year adjustment	1.6	0.0	0.0	0.0	0.0

(a) Preliminary outcome for 2007-08 pending confirmation by the Australian National Audit Office.

The preliminary outcome for the 2007-08 GST administration expenses of \$631.4 million differs from the amount paid by the States and the prior year adjustment by \$1.6 million. Once the outcome for GST administration in 2007-08 is audited, this difference will be incorporated into the States' administration costs for 2008-09.

## Other general revenue assistance

### Budget balancing assistance

In the *Intergovernmental Agreement*, the Commonwealth guaranteed that the budget position of each State would be no worse than it would have been had tax reform not been implemented. The guaranteed minimum amount is an estimate of the revenue that each State would have received under the previous system of Commonwealth grants and if their own taxes had not been abolished as part of the reforms.

The Commonwealth will pay budget balancing assistance to the States during the transitional period if a State's share of GST payments in a financial year is less than its guaranteed minimum amount for that year. No budget balancing assistance is payable when GST payments exceed the guaranteed minimum amount. The transitional period will expire on 30 June 2009.

In 2008-09, all States will receive GST payments that exceed their guaranteed minimum amount, as shown in Table 4.26. Consequently, no State will require budget balancing assistance.

**Table 4.26: Guaranteed minimum amount, GST payments and budget balancing assistance, 2008-09**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed minimum amount	12,073	9,257	7,755	3,463	3,833	1,621	802	2,313	41,118
GST payments	12,674	9,939	8,503	3,821	4,043	1,691	884	2,364	43,919
Budget balancing assistance	0	0	0	0	0	0	0	0	0

## **Royalties**

The Commonwealth makes payments to Western Australia for royalties collected in respect of the North West Shelf oil and gas project. The Commonwealth collects these royalties because it has jurisdiction over off-shore areas. These royalties are shared between the Commonwealth (one third) and Western Australia (two thirds) and paid in accordance with section 129 of the *Petroleum (Submerged Lands) Act 1967*.

The Commonwealth also pays grants to the Northern Territory in lieu of royalties on uranium mining due to the Commonwealth's ownership of uranium in the Northern Territory. The grant is payable at the royalty rate of 1.25 per cent of net proceeds of sales. These royalties are paid under a continuing agreement, as established under the 1978 Memorandum of Understanding between the Commonwealth and the Northern Territory.

Royalties will be paid as general revenue assistance from 1 January 2009.

## **Compensation**

### **Compensation for impact on royalties of excise amendment**

In the 2008-09 Budget, the Commonwealth removed the exemption of condensate from crude oil excise. This has resulted in a consequential reduction in revenue from the off-shore petroleum royalty.

As the Commonwealth pays two thirds of the royalty revenues to Western Australia, the Government decided to provide compensation for the loss of royalty revenue. Payments will be equal to the impact on Western Australia's share of royalties of removing the condensate exemption. In 2008-09, these payments are estimated to be \$55 million.

### **GST compensation for small business concession**

In 2004-05, the Commonwealth and the States agreed to allow small businesses and non-profit organisations which voluntarily registered for the GST to pay and report GST on an annual rather than monthly or quarterly basis. The measure was designed to reduce the compliance costs faced by these organisations and has the effect of deferring some GST revenue from one financial year to the next. The Commonwealth agreed to compensate the States for this deferral of GST revenue.

Final tax return data for 2004-05 indicated that the impact of the measure on GST revenue was much lower than forecast. Therefore the Commonwealth and the States agreed to suspend annual payments from 2006-07.

By 2006-07, the Commonwealth had paid the States a total of \$346 million in compensation. Subsequent tax return data indicate that the cost of deferral of GST revenue since its introduction to be \$37 million, resulting in a cumulative overpayment of \$309 million. This overpayment will be repaid by the States in 2008-09. From

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2009-10, the Commonwealth will recommence providing annual compensation payments to the States according to revised estimates.

**Snowy Hydro Ltd — company tax compensation**

On 28 June 2002, the Snowy Mountains Hydro-Electric Authority was corporatised. The assets and business of the Authority were transferred to Snowy Hydro Limited, a company jointly owned by the Commonwealth, New South Wales and Victoria (with 13 per cent, 58 per cent and 29 per cent shareholdings respectively).

The Commonwealth provides compensation to New South Wales and Victoria for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the States' shareholdings. These taxes would have previously been payable to the States through tax equivalence regime payments. Company tax compensation will be paid to States as general revenue assistance from 1 January 2009.

**Australian Capital Territory — municipal services**

Funding is provided to the Australian Capital Territory to assist in meeting the additional municipal costs which arise from Canberra's role as the national capital.

The Commonwealth also provides funding to compensate the Australian Capital Territory for additional costs resulting from the national capital planning influences on the provision of water and sewerage services.

The level of funding for both of these payments is based upon the findings of the Commonwealth Grants Commission, in its second and third reports on financing for the Australian Capital Territory, prior to the move to self-government in 1989. Australian Capital Territory municipal services will be paid as general revenue assistance from 1 January 2009.

## **PAYMENTS TO THE STATES**

This annex provides accrual estimates of Commonwealth payments to the States and local governments. This includes Commonwealth advances (loans) to the States, including new advances, interest on advances and repayments of advances. Most of these advances were funded from borrowings made on behalf of the States under previous Australian Loan Council arrangements.

Each table presents estimated payments to the States for the period 2008-09 to 2011-12 as follows:

A.1 – general revenue assistance;

A.2 – health;

A.3 – education;

A.4 – community services;

A.5 – housing;

A.6 – infrastructure;

A.7 – environment;

A.8 – other purposes;

A.9 – contingent liabilities;

A.10 – local government; and

A.11 – other financial flows.

**Table A.1: Estimated general revenue assistance payments to the States, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
GST revenue	12,673,559	9,939,134	8,503,119	3,821,154	4,043,073	1,691,069	884,277	2,364,013	43,919,398
Budget balancing assistance	0	0	0	0	0	0	0	0	0
Royalties(a)	0	0	0	537,100	0	0	0	4,401	541,501
Compensation(a)									
Crude oil excise condensate	0	0	0	55,000	0	0	0	0	55,000
GST deferral	-89,999	-66,649	-63,176	-31,500	-28,221	-11,399	-5,574	-12,882	-309,400
Snowy Hydro Ltd	15,562	7,781	0	0	0	0	0	0	23,343
ACT municipal services(a)	0	0	0	0	0	0	17,131	0	17,131
<b>Total</b>	<b>12,599,122</b>	<b>9,880,266</b>	<b>8,439,943</b>	<b>4,381,754</b>	<b>4,014,852</b>	<b>1,679,670</b>	<b>895,834</b>	<b>2,355,532</b>	<b>44,246,972</b>
<b>2009-10</b>									
GST revenue	13,793,625	10,610,427	8,677,926	3,759,049	4,250,001	1,749,452	938,271	2,491,249	46,270,000
Royalties	0	0	0	686,000	0	0	0	12,409	698,409
Compensation									
Crude oil excise condensate	0	0	0	60,400	0	0	0	0	60,400
GST deferral	298	229	188	81	92	38	20	54	1,000
Snowy Hydro Ltd	31,123	15,562	0	0	0	0	0	0	46,685
ACT municipal services	0	0	0	0	0	0	35,154	0	35,154
<b>Total</b>	<b>13,825,046</b>	<b>10,626,218</b>	<b>8,678,114</b>	<b>4,505,530</b>	<b>4,250,093</b>	<b>1,749,490</b>	<b>973,445</b>	<b>2,503,712</b>	<b>47,111,648</b>
<b>2010-11</b>									
GST revenue	14,853,247	11,346,727	8,973,677	3,633,800	4,456,325	1,817,180	991,741	2,677,303	48,750,000
Royalties	0	0	0	671,000	0	0	0	12,626	683,626
Compensation									
Crude oil excise condensate	0	0	0	57,100	0	0	0	0	57,100
GST deferral	305	233	184	75	91	37	20	55	1,000
Snowy Hydro Ltd	31,123	15,562	0	0	0	0	0	0	46,685
ACT municipal services	0	0	0	0	0	0	35,856	0	35,856
<b>Total</b>	<b>14,884,675</b>	<b>11,362,522</b>	<b>8,973,861</b>	<b>4,361,975</b>	<b>4,456,416</b>	<b>1,817,217</b>	<b>1,027,617</b>	<b>2,689,984</b>	<b>49,574,267</b>

**Table A.1: Estimated general revenue assistance payments to the States, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
GST revenue	15,699,430	12,064,748	9,390,598	3,619,391	4,671,537	1,897,115	1,031,573	2,795,608	51,170,000
Royalties	0	0	0	616,000	0	0	0	10,966	626,966
Compensation									
Crude oil excise condensate	0	0	0	57,100	0	0	0	0	57,100
GST deferral	307	236	183	71	91	37	20	55	1,000
Snowy Hydro Ltd	31,123	15,562	0	0	0	0	0	0	46,685
ACT municipal services	0	0	0	0	0	0	36,574	0	36,574
Total	15,730,860	12,080,546	9,390,781	4,292,562	4,671,628	1,897,152	1,068,167	2,806,629	51,938,325

(a) Royalties, some compensation payments and ACT municipal services are reclassified as general revenue assistance with effect from 1 January 2009. Consequently, estimates are for half their annual amounts with the other half reported in Table A.8.

**Table A.2: Estimated payments to support state health services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>Election commitments</b>									
Commonwealth dental health program(a)	~	~	~	~	~	~	~	~	92,000
Elective surgery waiting list reduction plan	30,633	48,000	42,300	14,300	8,200	6,400	1,667	3,500	155,000
Health infrastructure grants (capital)	2,500	1,000	9,500	0	0	27,340	0	0	40,340
Supporting nurses back into the workforce - incentive payments	789	594	480	240	180	54	39	24	2,400
Supporting nurses back into the workforce - training payments	274	206	166	83	62	19	14	8	832
<b>Existing payments</b>									
Essential vaccines(c)	117,701	84,368	69,586	36,646	22,731	8,739	5,664	4,624	350,059
Health care grants	3,222,263	2,354,658	1,903,840	976,683	802,072	212,840	127,401	125,038	9,724,795
Health program grants	0	1,211	0	0	0	0	0	0	1,211
Helping public patients in hospitals waiting for nursing home places	12,810	8,140	6,500	3,970	4,490	990	300	300	37,500
Highly specialised drugs(d)	206,012	151,014	102,585	59,761	46,045	14,589	10,192	7,088	597,286
National public health	75,902	57,545	47,169	22,221	18,863	7,928	4,908	5,366	239,902
Organ and tissue donation	0	0	0	0	0	0	0	0	0
Organ transplantation services	1,452	0	0	0	412	0	0	0	1,864
Organ transplantation services (capital)	181	0	0	0	52	0	0	0	233
Repatriation general hospitals	919	53	0	0	955	154	0	0	2,081
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	13,674	13,674
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,300	0	0	0	0	0	0	0	1,300
Youth health services	875	649	454	236	214	66	61	61	2,616
<b>Total</b>	<b>3,703,559</b>	<b>2,730,230</b>	<b>2,201,076</b>	<b>1,123,462</b>	<b>911,155</b>	<b>281,255</b>	<b>151,727</b>	<b>160,629</b>	<b>11,263,093</b>

**Table A.2: Estimated payments to support state health services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2009-10</b>									
<b>National Healthcare SPP</b>	3,487,067	2,554,148	2,076,938	1,067,033	866,002	231,297	139,691	136,813	10,558,989
<b>National Partnership payments</b>									
Helping public patients in hospitals waiting for nursing home places	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Indigenous early childhood development	3,750	750	4,200	2,400	750	450	150	2,550	15,000
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	14,002	14,002
<i>including Election commitments</i>									
Commonwealth dental health program(a)	~	~	~	~	~	~	~	~	96,600
Elective surgery waiting list reduction plan(b)	~	~	~	~	~	~	~	~	150,000
Health infrastructure grants (capital)	0	0	0	0	0	4,440	0	0	4,440
Supporting nurses back into the workforce - incentive payments	1,674	1,263	1,020	511	384	114	84	52	5,102
Supporting nurses back into the workforce - training payments	354	268	216	108	82	24	17	11	1,080
<b>Existing payments</b>									
Essential vaccines(c)	1,207	805	841	410	262	95	55	98	3,773
Health program grants	0	1,244	0	0	0	0	0	0	1,244
Organ transplantation services	1,479	0	0	0	420	0	0	0	1,899
Organ transplantation services (capital)	185	0	0	0	53	0	0	0	238
Repatriation general hospitals	898	52	0	0	842	150	0	0	1,942
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,300	0	0	0	0	0	0	0	1,300
<b>Total</b>	<b>3,601,821</b>	<b>2,623,405</b>	<b>2,140,410</b>	<b>1,096,802</b>	<b>890,260</b>	<b>241,627</b>	<b>143,140</b>	<b>155,643</b>	<b>10,893,109</b>

**Table A.2: Estimated payments to support state health services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Healthcare SPP</b>	3,664,907	2,692,242	2,204,018	1,133,606	908,746	242,730	147,766	144,910	11,138,925
<b>National Partnership payments</b>									
Helping public patients in hospitals waiting for nursing home places	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Indigenous early childhood development	5,000	1,000	5,600	3,200	1,000	600	200	3,400	20,000
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	14,282	14,282
<i>including Election commitments</i>									
Commonwealth dental health program(a)	~	~	~	~	~	~	~	~	101,400
Elective surgery waiting list reduction plan(b)	~	~	~	~	~	~	~	~	220,000
Health infrastructure grants (capital)	0	0	0	0	0	2,700	0	0	2,700
Supporting nurses back into the workforce - incentive payments	1,968	1,488	1,197	600	453	135	99	60	6,000
Supporting nurses back into the workforce - training payments	444	335	268	135	101	32	22	13	1,350
<b>Existing payments</b>									
Essential vaccines(c)	1,195	801	836	409	257	92	54	100	3,744
Health program grants	0	1,270	0	0	0	0	0	0	1,270
Organ transplantation services	1,479	0	0	0	420	0	0	0	1,899
Organ transplantation services (capital)	185	0	0	0	53	0	0	0	238
Repatriation general hospitals	899	52	0	0	741	151	0	0	1,843
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,300	0	0	0	0	0	0	0	1,300
<b>Total</b>	<b>3,794,021</b>	<b>2,786,341</b>	<b>2,284,152</b>	<b>1,174,288</b>	<b>938,884</b>	<b>254,773</b>	<b>153,616</b>	<b>166,376</b>	<b>11,552,451</b>

**Table A.2: Estimated payments to support state health services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
<b>National Healthcare SPP</b>	3,848,928	2,835,424	2,337,120	1,203,235	952,942	254,560	156,182	153,187	11,741,578
<b>National Partnership payments</b>									
Helping public patients in hospitals waiting for nursing home places	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Indigenous early childhood development	5,750	1,150	6,440	3,680	1,150	690	230	3,910	23,000
Royal Darwin Hospital - equipped, prepared and ready	0	0	0	0	0	0	0	14,552	14,552
<i>including Election commitments</i>									
Health infrastructure grants (capital)	0	0	0	0	0	1,550	0	0	1,550
Supporting nurses back into the workforce - incentive payments	2,361	1,785	1,431	720	543	171	116	72	7,199
Supporting nurses back into the workforce - training payments	536	405	325	164	124	41	26	18	1,639
<b>Existing payments</b>									
Essential vaccines(c)	1,198	801	841	409	257	92	54	102	3,754
Health program grants	0	1,298	0	0	0	0	0	0	1,298
Organ transplantation services	1,479	0	0	0	420	0	0	0	1,899
Organ transplantation services (capital)	185	0	0	0	53	0	0	0	238
Repatriation general hospitals	900	52	0	0	641	151	0	0	1,744
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,300	0	0	0	0	0	0	0	1,300
<b>Total</b>	<b>3,875,627</b>	<b>2,850,435</b>	<b>2,352,907</b>	<b>1,211,528</b>	<b>959,460</b>	<b>258,245</b>	<b>156,908</b>	<b>172,141</b>	<b>11,837,251</b>

- (a) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.
- (b) The total state allocations are yet to be agreed. Unallocated amounts are reflected in state totals indicatively on an equal per capita basis.
- (c) The responsibility for purchasing vaccines will transfer from the States to the Commonwealth effective 2009-10, while some responsibilities relating to the delivery of essential vaccines will remain with the States. Therefore, payments to the States under this program will fall substantially from 2009-10 onwards.
- (d) This amount excludes \$29.2 million for the provision of Sensipar®, a highly specialised drug, which has been classified as an Australian Government own-purpose expense. As of 1 July 2009, all highly specialised drugs will be classified as an Australian Government own-purpose expense.

Table A.3: Estimated payments to support state education services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Schools SPP</b>	1,430,658	1,079,712	855,634	430,328	341,763	98,846	80,167	52,108	4,369,214
Government schools	327,888	235,503	199,949	97,868	71,094	27,205	16,294	12,093	987,894
Government schools (capital)	70,006	50,439	42,217	21,613	15,602	5,708	3,370	2,666	211,621
Indigenous education strategic initiatives program - government	12,798	3,657	12,743	9,585	5,984	1,662	388	8,587	55,402
Targeted programs - government schools and joint	102,145	63,491	42,586	23,891	24,271	7,241	2,716	5,069	271,410
*Non-government schools	938,010	736,996	581,003	287,087	230,925	59,964	58,911	23,260	2,916,156
*Non-government schools (capital)	42,715	33,625	23,058	12,463	9,717	2,623	2,864	2,760	129,825
*Targeted programs - non-government schools	44,246	32,538	18,405	10,788	9,638	2,064	1,629	1,410	120,718
<b>National Skills and Workforce Development SPP</b>	218,289	162,441	126,996	65,603	49,414	15,372	11,226	6,839	656,177
Skilling Australia's Workforce	218,289	162,441	126,996	65,603	49,414	15,372	11,226	6,839	656,177
<b>National Partnership payments</b>									
Indigenous early childhood development	4,459	994	4,487	2,528	1,505	483	483	2,528	17,467
<i>including Election commitments</i>									
Early childhood education and care(a)	~	~	~	~	~	~	~	~	40,000
National action plan for literacy and numeracy(a)	~	~	~	~	~	~	~	~	94,188
National secondary schools computer fund(a)	~	~	~	~	~	~	~	~	390,246
Trade training centres in schools(a)	~	~	~	~	~	~	~	~	233,142
<b>Payments to local government</b>									
Children's services	12,660	13,927	5,175	1,933	1,263	1,878	0	5,250	42,086
<b>Total</b>	<b>3,668,766</b>	<b>2,763,446</b>	<b>2,191,553</b>	<b>1,106,054</b>	<b>867,231</b>	<b>256,008</b>	<b>201,468</b>	<b>137,197</b>	<b>11,191,722</b>
<i>Memorandum item</i>									
Support for government schools	1,151,873	804,388	673,175	345,079	262,698	92,112	51,948	60,436	3,441,709
*Support for non-government schools	2,050,175	1,609,346	1,246,683	621,256	499,947	129,863	125,941	54,895	6,338,106

**Table A.3: Estimated payments to support state education services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2009-10</b>									
<b>National Schools SPP</b>	3,136,671	2,352,901	1,892,333	943,279	751,883	216,371	176,423	111,422	9,581,283
<b>National Skills and Workforce Development SPP</b>	445,994	332,017	259,744	134,095	100,836	31,377	22,930	13,945	1,340,938
<b>National Partnership payments</b>									
Indigenous early childhood development	19,031	4,243	19,153	10,790	6,425	2,060	2,060	10,790	74,552
<i>including Election commitments</i>									
Early childhood education and care(a)	~	~	~	~	~	~	~	~	80,000
National action plan for literacy and numeracy(a)	~	~	~	~	~	~	~	~	156,632
National secondary schools computer fund(a)	~	~	~	~	~	~	~	~	277,142
Trade training centres in schools(a)	~	~	~	~	~	~	~	~	242,934
<b>Payments to local government</b>									
Children's services	12,870	14,157	5,261	1,965	1,284	1,909	0	5,336	42,782
<b>Total</b>	<b>3,859,735</b>	<b>2,890,801</b>	<b>2,329,654</b>	<b>1,167,342</b>	<b>916,711</b>	<b>269,145</b>	<b>213,595</b>	<b>149,280</b>	<b>11,796,263</b>
<i>Memorandum item</i>									
Support for government schools	1,195,375	833,585	699,452	358,787	272,839	95,785	53,847	63,833	3,573,503
*Support for non-government schools	2,160,545	1,686,978	1,329,851	653,542	529,377	136,172	133,470	54,553	6,684,488
<b>2010-11</b>									
<b>National Schools SPP</b>	3,354,295	2,511,901	2,031,775	1,005,249	805,038	230,723	189,261	118,341	10,246,583
<b>National Skills and Workforce Development SPP</b>	453,311	337,465	264,006	136,295	102,490	31,892	23,306	14,174	1,362,939
<b>National Partnership payments</b>									
Indigenous early childhood development	17,309	3,859	17,420	9,813	5,843	1,874	1,874	9,813	67,805
<i>including Election commitments</i>									
Early childhood education and care(a)	~	~	~	~	~	~	~	~	100,000
National action plan for literacy and numeracy(a)	~	~	~	~	~	~	~	~	159,761
National secondary schools computer fund(a)	~	~	~	~	~	~	~	~	200,000
Trade training centres in schools(a)	~	~	~	~	~	~	~	~	253,137
<b>Payments to local government</b>									
Children's services	13,067	14,373	5,340	1,994	1,304	1,937	0	5,417	43,432
<b>Total</b>	<b>4,067,898</b>	<b>3,044,232</b>	<b>2,463,790</b>	<b>1,226,589</b>	<b>967,428</b>	<b>282,713</b>	<b>225,919</b>	<b>155,088</b>	<b>12,433,657</b>
<i>Memorandum item</i>									
Support for government schools	1,240,388	864,085	725,532	372,118	282,977	99,531	55,807	66,455	3,706,894
*Support for non-government schools	2,311,571	1,799,673	1,431,117	696,095	567,414	145,195	143,322	58,199	7,152,587

**Table A.3: Estimated payments to support state education services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
<b>National Schools SPP</b>	3,580,992	2,685,039	2,169,113	1,070,903	858,860	245,678	202,566	122,468	10,935,619
<b>National Skills and Workforce Development SPP</b>	461,695	343,704	268,887	138,815	104,385	32,482	23,737	14,436	1,388,141
<b>National Partnership payments</b>									
Indigenous early childhood development	14,082	3,141	14,172	7,984	4,754	1,524	1,524	7,984	55,165
<i>including Election commitments</i>									
Early childhood education and care(a)	~	~	~	~	~	~	~	~	300,000
National action plan for literacy and numeracy(a)	~	~	~	~	~	~	~	~	162,538
National secondary schools computer fund(a)	~	~	~	~	~	~	~	~	200,000
Trade training centres in schools(a)	~	~	~	~	~	~	~	~	263,700
<b>Payments to local government</b>									
Children's services	13,278	14,604	5,426	2,025	1,325	1,968	0	5,505	44,131
<b>Total</b>	<b>4,367,423</b>	<b>3,275,983</b>	<b>2,647,525</b>	<b>1,315,514</b>	<b>1,037,520</b>	<b>302,644</b>	<b>242,742</b>	<b>159,943</b>	<b>13,349,294</b>
<i>Memorandum item</i>									
Support for government schools	1,296,809	905,603	757,074	386,971	294,593	103,816	58,442	66,385	3,869,692
*Support for non-government schools	2,485,241	1,934,600	1,540,450	748,695	610,375	156,055	154,208	62,540	7,692,165

\* Items so marked are classified as payments through the States.

(a) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

**Table A.4: Estimated payments to support state community services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Disabilities Services SPP</b>	131,878	90,707	75,390	33,743	41,778	12,943	5,666	4,273	396,378
Disability services	127,223	87,250	72,649	32,352	40,721	12,426	5,441	4,132	382,194
Young people with disabilities	4,664	3,457	2,739	1,389	1,056	516	223	139	14,183
<b>National Partnership payments</b>									
Aged care assessment	24,878	17,275	12,144	7,187	6,678	1,923	740	1,033	71,858
Children's services	1,037	1,078	540	469	5,269	336	2	4	8,735
Unaccompanied humanitarian minors	84	1,502	460	8	1,183	0	0	0	3,237
<i>including Election commitments</i>									
National reciprocal transport concession(a)	~	~	~	~	~	~	~	~	12,500
<b>Payments to local government</b>									
Disability services	201	633	720	0	0	0	0	0	1,554
<b>Existing payments</b>									
Family violence partnership	0	0	0	0	0	0	0	9,500	9,500
Home and community care	330,001	266,923	251,621	110,981	93,615	29,196	13,420	8,106	1,103,863
Home and community care services for veterans(b)	6,000	4,141	3,421	1,361	1,411	558	241	44	17,177
National action plan to build on social cohesion, harmony and security	315	276	206	0	43	45	42	32	959
<b>Total</b>	<b>630,350</b>	<b>476,339</b>	<b>422,403</b>	<b>188,757</b>	<b>192,689</b>	<b>58,233</b>	<b>25,976</b>	<b>27,392</b>	<b>2,022,138</b>

Table A.4: Estimated payments to support state community services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2009-10</b>									
<b>National Disabilities Services SPP</b>	294,491	202,928	167,328	75,640	90,585	27,496	12,737	9,444	880,649
<b>National Partnership payments</b>									
Aged care assessment	26,050	18,085	12,717	7,523	6,995	2,014	774	1,079	75,237
Children's services	1,064	1,113	556	480	5,375	345	2	9	8,944
Unaccompanied humanitarian minors	87	1,561	472	9	1,228	0	0	0	3,357
<i>including Election commitments</i>									
National reciprocal transport concession(a)	~	~	~	~	~	~	~	~	12,500
<b>Payments to local government</b>									
Disability services	205	652	740	0	0	0	0	0	1,597
<b>Existing payments</b>									
Family violence partnership	1	3	6	1	3	0	0	2	16
Home and community care	353,784	285,789	280,136	120,383	100,927	31,681	14,434	8,566	1,195,700
Home and community care services for veterans(b)	6,295	4,344	3,589	1,428	1,480	586	253	47	18,022
<b>Total</b>	<b>686,027</b>	<b>517,572</b>	<b>468,074</b>	<b>206,739</b>	<b>207,523</b>	<b>62,410</b>	<b>28,401</b>	<b>19,276</b>	<b>2,196,022</b>

**Table A.4: Estimated payments to support state community services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Disabilities Services SPP</b>	325,770	226,588	185,530	84,879	98,628	30,627	14,252	10,753	977,027
<b>National Partnership payments</b>									
Aged care assessment	27,258	18,922	13,306	7,872	7,320	2,105	809	1,127	78,719
Children's services	1,077	1,133	565	489	5,473	352	2	10	9,101
Unaccompanied humanitarian minors	89	1,602	484	9	1,260	0	0	0	3,444
<i>including Election commitments</i>									
National reciprocal transport concession(a)	~	~	~	~	~	~	~	~	12,500
<b>Payments to local government</b>									
Disability services	211	669	758	0	0	0	0	0	1,638
<b>Existing payments</b>									
Family violence partnership	2	4	7	2	5	0	0	2	22
Home and community care	378,721	305,510	311,614	130,585	108,936	34,477	15,632	9,264	1,294,739
Home and community care services for veterans(b)	6,496	4,483	3,704	1,475	1,528	605	261	48	18,600
<b>Total</b>	<b>743,655</b>	<b>562,008</b>	<b>518,515</b>	<b>226,595</b>	<b>224,075</b>	<b>68,452</b>	<b>31,157</b>	<b>21,333</b>	<b>2,395,790</b>

**Table A.4: Estimated payments to support state community services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
<b>National Disabilities Services SPP</b>	365,592	255,451	207,305	96,288	108,570	33,832	16,409	12,166	1,095,613
<b>National Partnership payments</b>									
Aged care assessment	28,480	19,770	13,899	8,225	7,649	2,198	845	1,177	82,243
Children's services	1,092	1,153	576	498	5,572	358	2	10	9,261
Unaccompanied humanitarian minors	90	1,629	492	9	1,282	0	0	0	3,502
<i>including Election commitments</i>									
National reciprocal transport concession(a)	~	~	~	~	~	~	~	~	12,500
<b>Payments to local government</b>									
Disability services	217	688	778	0	0	0	0	0	1,683
<b>Existing payments</b>									
Family violence partnership	2	4	8	2	5	0	0	2	23
Home and community care	407,231	328,816	337,908	141,097	116,271	36,769	16,740	9,812	1,394,644
Home and community care services for veterans(b)	6,504	4,488	3,708	1,476	1,529	605	262	48	18,620
<b>Total</b>	<b>813,221</b>	<b>615,096</b>	<b>567,237</b>	<b>248,888</b>	<b>241,798</b>	<b>74,045</b>	<b>34,459</b>	<b>23,344</b>	<b>2,618,089</b>

(a) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

(b) Prior to 2008-09, payments for home and community care services for veterans under the Veterans' Home Care program were classified as Australian Government own-purpose expenses.

**Table A.5: Estimated payments to support state housing services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Affordable Housing SPP</b>	185,534	129,772	114,448	61,016	46,326	16,844	12,785	20,478	587,203
Commonwealth-State Housing Agreement block assistance/base funding (capital)	126,576	94,004	74,442	37,745	28,770	11,178	8,708	6,828	388,251
Community housing (capital)	11,399	8,463	6,702	3,398	2,590	815	547	342	34,256
Crisis accommodation assistance (capital)	7,064	5,246	4,153	2,105	1,605	506	338	213	21,230
Housing assistance for indigenous people (capital)	9,489	1,930	13,570	8,480	4,455	350	0	10,443	48,717
Supported accommodation assistance	31,022	20,126	15,581	9,284	8,902	3,992	3,189	2,651	94,747
<b>National Partnership payments</b>									
*First Home Owners Boost(b)	376,473	321,144	230,102	127,502	78,346	22,672	19,037	9,607	1,184,883
Indigenous housing and infrastructure including Election commitments	11,082	1,435	80,114	100,743	28,853	529	42	140,574	363,372
Homes for the homeless (capital)(a)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
<b>Existing payments</b>									
Social housing subsidy program (capital)	1,995	0	0	0	0	0	0	0	1,995
<b>Total</b>	<b>767,005</b>	<b>586,973</b>	<b>544,977</b>	<b>353,079</b>	<b>201,664</b>	<b>57,886</b>	<b>45,646</b>	<b>192,424</b>	<b>2,749,654</b>
<b>2009-10</b>									
<b>National Affordable Housing SPP</b>	379,580	265,480	234,265	124,811	94,766	34,404	26,094	41,856	1,201,256
<b>National Partnership payments</b>									
*First Home Owners Boost(b)	112,353	95,841	68,671	38,052	23,381	6,766	5,681	2,867	353,612
Indigenous housing and infrastructure including Election commitments	12,175	1,447	85,791	106,872	30,728	533	91	157,641	395,278
Homes for the homeless (capital)(a)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
<b>Existing payments</b>									
Social housing subsidy program (capital)	1,995	0	0	0	0	0	0	0	1,995
<b>Total</b>	<b>512,474</b>	<b>367,621</b>	<b>394,592</b>	<b>272,541</b>	<b>150,692</b>	<b>42,703</b>	<b>32,866</b>	<b>203,652</b>	<b>1,977,141</b>

**Table A.5: Estimated payments to support state housing services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Affordable Housing SPP</b>	385,257	269,438	237,727	126,675	96,200	34,934	26,499	42,475	1,219,205
<b>National Partnership payments</b>									
Indigenous housing and infrastructure including <b>Election commitments</b>	14,590	725	91,043	95,394	26,429	266	111	183,544	412,102
Homes for the homeless (capital)(a)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
<b>Existing payments</b>									
Social housing subsidy program (capital)	1,995	0	0	0	0	0	0	0	1,995
<b>Total</b>	<b>408,213</b>	<b>275,016</b>	<b>334,635</b>	<b>224,875</b>	<b>124,446</b>	<b>36,200</b>	<b>27,610</b>	<b>227,307</b>	<b>1,658,302</b>
<b>2011-12</b>									
<b>National Affordable Housing SPP</b>	390,270	272,910	240,768	128,308	97,466	35,406	26,858	43,013	1,234,999
<b>National Partnership payments</b>									
including <b>Election commitments</b>									
Homes for the homeless (capital)(a)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
<b>Existing payments</b>									
Social housing subsidy program (capital)	1,995	0	0	0	0	0	0	0	1,995
<b>Total</b>	<b>398,636</b>	<b>277,763</b>	<b>246,633</b>	<b>131,114</b>	<b>99,283</b>	<b>36,406</b>	<b>27,858</b>	<b>44,301</b>	<b>1,261,994</b>

\* Items so marked are classified as payments through the States.

(a) The Australian Government is providing \$150 million over the five years to 2012-13 to assist the States to provide up to 600 homes across Australia for families and individuals who are homeless.

(b) The Australian Government has introduced the First Home Owners Boost to provide an additional \$7,000 to eligible first home buyers purchasing established homes and an additional \$14,000 to eligible first home buyers who purchase a new home. The Australian Government will fully fund the First Home Owners Boost which is to be administered by the States and Territories.

**Table A.6: Estimated payments to support state infrastructure services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Partnership payments</b>									
AusLink (capital)(a)	1,015,654	279,122	757,924	437,388	252,878	93,075	15,377	80,829	2,932,247
Interstate road transport	27,970	16,276	5,763	2,408	7,364	303	303	303	60,690
<i>including Election commitments</i>									
Kings Highway - upgrade (capital)	16,300	0	0	0	0	0	7,000	0	23,300
<b>Payments to local government</b>									
AusLink (capital)	165,447	100,174	157,381	78,738	35,159	16,294	0	6,843	560,036
Funding for road projects other than under									
AusLink (capital)	0	200	0	0	0	0	0	0	200
<b>Existing payments</b>									
Federation fund projects - NSW/VIC (capital)	0	1,000	0	0	0	0	0	0	1,000
<b>Total</b>	<b>1,225,371</b>	<b>396,772</b>	<b>921,068</b>	<b>518,534</b>	<b>295,401</b>	<b>109,672</b>	<b>22,680</b>	<b>87,975</b>	<b>3,577,473</b>
<b>2009-10</b>									
<b>National Partnership payments</b>									
AusLink (capital)(a)(b)(c)	~	~	~	~	~	~	~	~	3,850,445
Interstate road transport	29,478	17,152	6,073	2,538	7,759	320	320	320	63,960
<b>Payments to local government</b>									
AusLink (capital)	~	~	~	~	~	~	~	~	~
<b>Existing payments</b>									
Federation fund projects - NSW/VIC (capital)	0	14,000	0	0	0	0	0	0	14,000
<b>Total</b>	<b>1,276,999</b>	<b>985,142</b>	<b>785,431</b>	<b>395,430</b>	<b>294,149</b>	<b>89,002</b>	<b>62,306</b>	<b>39,946</b>	<b>3,928,405</b>

**Table A.6: Estimated payments to support state infrastructure services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Partnership payments</b>									
AusLink (capital)(a)(b)(c)	~	~	~	~	~	~	~	~	3,607,674
Interstate road transport	31,092	18,092	6,406	2,677	8,182	337	337	337	67,460
<b>Payments to local government</b>									
AusLink (capital)	~	~	~	~	~	~	~	~	~
<b>Total</b>	<b>1,194,597</b>	<b>911,960</b>	<b>741,449</b>	<b>373,304</b>	<b>275,143</b>	<b>82,759</b>	<b>58,423</b>	<b>37,499</b>	<b>3,675,134</b>
<b>2011-12</b>									
<b>National Partnership payments</b>									
AusLink (capital)(a)(b)(c)	~	~	~	~	~	~	~	~	4,236,490
Interstate road transport	32,798	19,084	6,757	2,823	8,630	356	356	356	71,160
<b>Payments to local government</b>									
AusLink (capital)	~	~	~	~	~	~	~	~	~
<b>Total</b>	<b>1,392,955</b>	<b>1,068,763</b>	<b>875,458</b>	<b>440,942</b>	<b>320,551</b>	<b>96,370</b>	<b>68,574</b>	<b>44,038</b>	<b>4,307,650</b>

(a) Funding to the States for road projects other than under AusLink has been incorporated into the AusLink program.

(b) State allocations for some payments are yet to be determined, but are reflected in State totals indicatively on an equal per capita basis.

(c) Payments show total AusLink funding, including funding that will be paid to local government.

**Table A.7: Estimated payments to support state environmental services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Partnership payments</b>									
Exotic disease preparedness program	79	56	56	56	35	35	35	35	387
Water initiatives									
Great artesian basin sustainability initiative	3,371	0	4,928	0	0	0	0	0	8,299
Improving water Information(a)	~	~	~	~	~	~	~	~	20,000
The living Murray initiative	37,696	11,019	0	0	0	0	0	0	48,715
Renewable remote power generation (capital)	2,553	0	0	22,102	2,310	2,809	0	10,226	40,000
<i>including Election commitments</i>									
Caring for our country(b)	41,010	32,375	25,760	29,420	18,980	5,830	1,350	4,275	159,000
<b>Total</b>	<b>91,219</b>	<b>48,405</b>	<b>34,765</b>	<b>53,605</b>	<b>22,820</b>	<b>9,138</b>	<b>1,707</b>	<b>14,742</b>	<b>276,401</b>
<b>2009-10</b>									
<b>National Partnership payments</b>									
Exotic disease preparedness program	79	56	56	56	35	35	35	35	387
Water initiatives									
Great artesian basin sustainability initiative	5,952	0	7,886	0	1,042	0	0	0	14,880
Improving water Information(a)	~	~	~	~	~	~	~	~	20,000
The living Murray initiative	18,708	17,187	0	0	31,191	0	0	0	67,086
Renewable remote power generation (capital)	5,000	0	0	16,307	5,077	5,000	0	9,076	40,460
<i>including Election commitments</i>									
Caring for our country(a)(b)	~	~	~	~	~	~	~	~	138,000
<b>Total</b>	<b>80,930</b>	<b>56,389</b>	<b>39,922</b>	<b>32,485</b>	<b>49,097</b>	<b>8,674</b>	<b>2,579</b>	<b>10,737</b>	<b>280,813</b>

**Table A.7: Estimated payments to support state environmental services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Partnership payments</b>									
Exotic disease preparedness program	80	57	57	57	36	36	36	36	395
Water initiatives									
Great artesian basin sustainability initiative	5,948	0	7,881	0	1,041	0	0	0	14,870
Improving water Information(a)	~	~	~	~	~	~	~	~	20,000
The living Murray initiative	0	0	0	0	0	0	0	0	0
Renewable remote power generation (capital)	5,000	0	0	5,000	5,000	5,000	0	5,000	25,000
<i>including Election commitments</i>									
Caring for our country(a)(b)	~	~	~	~	~	~	~	~	138,000
<b>Total</b>	<b>61,984</b>	<b>39,204</b>	<b>40,130</b>	<b>21,289</b>	<b>17,769</b>	<b>8,646</b>	<b>2,580</b>	<b>6,664</b>	<b>198,265</b>
<b>2011-12</b>									
<b>National Partnership payments</b>									
Exotic disease preparedness program	81	58	58	58	37	37	37	37	403
Water initiatives									
Great artesian basin sustainability initiative	5,943	0	7,874	0	1,040	0	0	0	14,857
Improving water Information(a)	~	~	~	~	~	~	~	~	10,000
The living Murray initiative	0	0	0	0	0	0	0	0	0
Renewable remote power generation (capital)	0	0	0	0	0	0	0	0	0
<i>including Election commitments</i>									
Caring for our country(a)(b)	~	~	~	~	~	~	~	~	138,000
<b>Total</b>	<b>53,541</b>	<b>36,728</b>	<b>38,280</b>	<b>15,363</b>	<b>11,974</b>	<b>3,391</b>	<b>2,420</b>	<b>1,563</b>	<b>163,260</b>

(a) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

(b) Estimates of State distributions are subject to further negotiation. From 2008-09, Landcare is being delivered directly to industry and community groups under the Australian Government's Caring for our country program.

**Table A.8: Estimated payments to support other state services, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Partnership payments</b>									
*Bushfire mitigation package (capital)	1,370	965	965	550	425	275	200	250	5,000
Extension of fringe benefits	76,421	54,631	38,147	19,209	21,734	6,980	1,552	1,063	219,737
Legal aid	49,413	32,896	34,424	15,257	13,737	5,337	4,081	4,228	159,373
North East Tasmania micro capital scheme	0	0	0	0	0	300	0	0	300
Standard business reporting program	1,160	2,180	1,088	1,200	1,164	1,150	1,164	1,164	10,270
<b>Payments to local government</b>									
*Financial assistance grants									
General purpose assistance	424,016	321,124	258,822	130,430	97,446	30,348	20,863	13,317	1,296,366
Untied local roads grants	166,893	118,592	107,778	87,955	31,614	30,483	18,445	13,475	575,235
Supplementary funding to SA councils for local roads	0	0	0	0	14,267	0	0	0	14,267
Strengthening Tasmania	0	0	0	0	0	2,460	0	0	2,460
<b>Existing payments</b>									
ACT national capital influences	0	0	0	0	0	0	12,218	0	12,218
Assistance to the ACT for water and sewerage	0	0	0	0	0	0	4,914	0	4,914
Compensation - Snowy Hydro Ltd	15,562	7,781	0	0	0	0	0	0	23,343
CrimTrac police reference system	155	108	1,000	0	1,039	250	0	2,196	4,748
* Natural disaster mitigation package	10,975	2,405	10,087	3,685	4,011	1,404	1,065	968	34,600
Film and literature classification	106	106	108	109	107	105	106	103	850
Improving policing in very remote areas	0	0	4,255	13,000	4,183	0	0	4,874	26,312
Royalties	0	0	0	537,100	0	0	0	4,401	541,501
Sydney Cricket Ground - new grandstand (capital)	10,000	0	0	0	0	0	0	0	10,000
<b>Total</b>	<b>756,071</b>	<b>540,788</b>	<b>456,674</b>	<b>808,495</b>	<b>189,727</b>	<b>79,092</b>	<b>64,607</b>	<b>46,039</b>	<b>2,941,492</b>

**Table A.8: Estimated payments to support other state services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2009-10</b>									
<b>National Partnership payments</b>									
*Bushfire mitigation package (capital)	1,377	970	970	553	427	276	201	251	5,025
Extension of fringe benefits	79,149	56,584	39,510	19,893	22,510	7,230	1,608	1,101	227,585
Legal aid	51,361	34,229	35,506	15,712	14,066	5,458	4,176	3,687	164,195
Standard business reporting program	150	830	150	1,240	150	150	150	150	2,970
<i>including Election commitments</i>									
Albert Hall, Canberra - restoration assistance grant	0	0	0	0	0	0	502	0	502
<b>Payments to local government</b>									
*Financial assistance grants									
General purpose assistance	439,308	334,090	270,564	136,718	100,912	31,347	21,801	13,868	1,348,608
Untied local roads grants	173,620	123,372	112,121	91,499	32,887	31,712	19,189	14,018	598,418
Supplementary funding to SA councils for local roads	0	0	0	0	14,842	0	0	0	14,842
<b>Existing payments</b>									
Film and literature classification	108	108	110	111	109	107	108	106	867
Improving policing in very remote areas	0	0	0	0	0	0	0	384	384
<b>Total</b>	<b>745,073</b>	<b>550,183</b>	<b>458,931</b>	<b>265,726</b>	<b>185,903</b>	<b>76,280</b>	<b>47,735</b>	<b>33,565</b>	<b>2,363,396</b>

**Table A.8: Estimated payments to support other state services, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>National Partnership payments</b>									
*Bushfire mitigation package (capital)	1,378	971	971	553	427	277	201	251	5,029
Extension of fringe benefits	81,889	58,542	40,878	20,583	23,290	7,479	1,662	1,138	235,461
Legal aid	53,219	35,439	36,202	15,947	14,347	5,571	4,264	3,764	168,753
<b>Payments to local government</b>									
*Financial assistance grants									
General purpose assistance	455,545	347,899	283,440	143,409	104,564	32,394	22,719	14,471	1,404,441
Untied local roads grants	180,807	128,480	116,763	95,287	34,249	33,025	19,983	14,598	623,192
Supplementary funding to SA councils for local roads	0	0	0	0	15,457	0	0	0	15,457
<b>Existing payments</b>									
Film and literature classification	110	110	113	113	111	109	110	108	884
<b>Total</b>	<b>772,948</b>	<b>571,441</b>	<b>478,367</b>	<b>275,892</b>	<b>192,445</b>	<b>78,855</b>	<b>48,939</b>	<b>34,330</b>	<b>2,453,217</b>
<b>2011-12</b>									
<b>National Partnership payments</b>									
*Bushfire mitigation package (capital)	1,379	972	972	554	428	277	201	252	5,035
Extension of fringe benefits	83,692	59,830	41,777	21,038	23,802	7,643	1,700	1,164	240,646
Legal aid	54,672	36,554	36,165	16,183	14,620	5,597	4,348	3,839	171,978
<b>Payments to local government</b>									
*Financial assistance grants									
General purpose assistance	472,330	362,216	296,811	150,365	108,341	33,473	23,669	15,098	1,462,303
Untied local roads grants	188,257	133,773	121,574	99,213	35,660	34,385	20,806	15,200	648,868
Supplementary funding to SA councils for local roads	0	0	0	0	0	0	0	0	0
<b>Existing payments</b>									
Film and literature classification	110	110	113	113	111	109	110	108	884
<b>Total</b>	<b>800,440</b>	<b>593,455</b>	<b>497,412</b>	<b>287,466</b>	<b>182,962</b>	<b>81,484</b>	<b>50,834</b>	<b>35,661</b>	<b>2,529,714</b>

\* Items so marked are classified as payments through the States.

**Table A.9: Estimated contingent payments to the States, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>National Partnership payments</b>									
Exceptional circumstances assistance	437,772	137,805	99,081	13,567	58,955	3,290	0	523	750,993
Hepatitis C settlement fund	1,106	0	0	42	154	0	42	56	1,400
Native title(a)	0	0	0	0	0	0	0	0	0
Natural disaster relief	27,000	1,540	35,000	8,500	3,000	500	0	14,000	89,540
<b>Existing payments</b>									
Eradication of red imported fire ant	0	0	3,274	0	0	0	0	0	3,274
Equine influenza emergency response	10,100	0	10,000	0	0	0	0	0	20,100
Plant disease and eradication	0	0	408	0	0	0	0	0	408
<b>Total</b>	<b>475,978</b>	<b>139,345</b>	<b>147,763</b>	<b>22,109</b>	<b>62,109</b>	<b>3,790</b>	<b>42</b>	<b>14,579</b>	<b>865,715</b>
<b>2009-10</b>									
<b>National Partnership payments</b>									
Exceptional circumstances assistance	0	0	0	0	0	0	0	0	0
Hepatitis C settlement fund	1,106	0	0	42	154	0	42	56	1,400
Native title(a)	0	0	0	0	0	0	0	0	0
Natural disaster relief	27,132	1,547	35,171	8,542	3,015	502	0	14,068	89,977
<b>Total</b>	<b>28,238</b>	<b>1,547</b>	<b>35,171</b>	<b>8,584</b>	<b>3,169</b>	<b>502</b>	<b>42</b>	<b>14,124</b>	<b>91,377</b>
<b>2010-11</b>									
<b>National Partnership payments</b>									
Exceptional circumstances assistance	0	0	0	0	0	0	0	0	0
Hepatitis C settlement fund	1,106	0	0	42	154	0	42	56	1,400
Native title(a)	0	0	0	0	0	0	0	0	0
Natural disaster relief	27,159	1,046	35,206	8,550	3,521	503	0	14,082	90,067
<b>Total</b>	<b>28,265</b>	<b>1,046</b>	<b>35,206</b>	<b>8,592</b>	<b>3,675</b>	<b>503</b>	<b>42</b>	<b>14,138</b>	<b>91,467</b>

**Table A.9: Estimated contingent payments to the States, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
<b>National Partnership payments</b>									
Exceptional circumstances assistance	0	0	0	0	0	0	0	0	0
Hepatitis C settlement fund	1,106	0	0	42	154	0	42	56	1,400
Native title(a)	0	0	0	0	0	0	0	0	0
Natural disaster relief	27,185	1,047	35,240	8,559	3,524	503	0	14,096	90,154
Total	28,291	1,047	35,240	8,601	3,678	503	42	14,152	91,554

(a) Consistent with Part 9 of the *Native Title Act 1993*, the Australian Government has made a commitment to assist the States to meet their potential compensation liabilities for the extinguishment or impairment of native title. No agreements have been concluded and as a result there are unlikely to be any payments made in the immediate future. Mechanisms are in place to enable funds to be made available as agreements are made and payments fall due.

**Table A.10: Estimated payments to support local government, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
AusLink	165,447	100,174	157,381	78,738	35,159	16,294	0	6,843	560,036
Children's services	12,660	13,927	5,175	1,933	1,263	1,878	0	5,250	42,086
Disability services	201	633	720	0	0	0	0	0	1,554
*Financial assistance grants									
General purpose assistance	424,016	321,124	258,822	130,430	97,446	30,348	20,863	13,317	1,296,366
Untied local roads grants	166,893	118,592	107,778	87,955	31,614	30,483	18,445	13,475	575,235
Supplementary funding to SA councils for local roads	0	0	0	0	14,267	0	0	0	14,267
Strengthening Tasmania	0	0	0	0	0	2,460	0	0	2,460
Funding for road projects other than under AusLink	0	200	0	0	0	0	0	0	200
<b>Total</b>	<b>769,217</b>	<b>554,650</b>	<b>529,876</b>	<b>299,056</b>	<b>179,749</b>	<b>81,463</b>	<b>39,308</b>	<b>38,885</b>	<b>2,492,204</b>
<b>2009-10</b>									
AusLink(a)	~	~	~	~	~	~	~	~	~
Children's services	12,870	14,157	5,261	1,965	1,284	1,909	0	5,336	42,782
Disability services	205	652	740	0	0	0	0	0	1,597
*Financial assistance grants									
General purpose assistance	439,308	334,090	270,564	136,718	100,912	31,347	21,801	13,868	1,348,608
Untied local roads grants	173,620	123,372	112,121	91,499	32,887	31,712	19,189	14,018	598,418
Supplementary funding to SA councils for local roads	0	0	0	0	14,842	0	0	0	14,842
<b>Total</b>	<b>626,003</b>	<b>472,271</b>	<b>388,686</b>	<b>230,182</b>	<b>149,925</b>	<b>64,968</b>	<b>40,990</b>	<b>33,222</b>	<b>2,006,247</b>
<b>2010-11</b>									
AusLink(a)	~	~	~	~	~	~	~	~	~
Children's services	13,067	14,373	5,340	1,994	1,304	1,937	0	5,417	43,432
Disability services	211	669	758	0	0	0	0	0	1,638
*Financial assistance grants									
General purpose assistance	455,545	347,899	283,440	143,409	104,564	32,394	22,719	14,471	1,404,441
Untied local roads grants	180,807	128,480	116,763	95,287	34,249	33,025	19,983	14,598	623,192
Supplementary funding to SA councils for local roads	0	0	0	0	15,457	0	0	0	15,457
<b>Total</b>	<b>649,630</b>	<b>491,421</b>	<b>406,301</b>	<b>240,690</b>	<b>155,574</b>	<b>67,356</b>	<b>42,702</b>	<b>34,486</b>	<b>2,088,160</b>

**Table A.10: Estimated payments to support local government, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12</b>									
AusLink(a)	~	~	~	~	~	~	~	~	~
Children's services	13,278	14,604	5,426	2,025	1,325	1,968	0	5,505	44,131
Disability services	217	688	778	0	0	0	0	0	1,683
*Financial assistance grants									
General purpose assistance	472,330	362,216	296,811	150,365	108,341	33,473	23,669	15,098	1,462,303
Untied local roads grants	188,257	133,773	121,574	99,213	35,660	34,385	20,806	15,200	648,868
Supplementary funding to SA councils for local roads	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>674,082</b>	<b>511,281</b>	<b>424,589</b>	<b>251,603</b>	<b>145,326</b>	<b>69,826</b>	<b>44,475</b>	<b>35,803</b>	<b>2,156,985</b>

\* Items so marked are classified as payments through the States.

(a) Payments in 2009-10 may not represent total funding, as not all funding has been allocated. Payments in 2010-11 and 2011-2012 are not quantifiable as local government AusLink funding is not yet agreed. Total AusLink funding is reported in Table A.6.

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
<b>Advances</b>									
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Contingent liabilities									
Natural disaster relief	1,500	0	3,000	0	0	0	0	500	5,000
<b>Repayments</b>									
Housing									
Housing for servicemen	-1,046	0	-633	-194	-29	0	0	0	-1,902
CSHA loans	-34,125	0	-9,122	-8,801	-11,885	-4,494	0	-609	-69,036
Other housing	0	0	0	0	0	0	-7,025	-2,671	-9,696
Infrastructure									
Sewerage	-3,793	0	-884	0	-673	0	0	0	-5,350
War Services Land Settlement Scheme	-534	-569	0	0	0	0	0	0	-1,103
Railway projects	-93	-93	0	-384	0	0	0	0	-570
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-5	0	0	0	0	0	0	0	-5
Other purposes									
Australian Capital Territory debt repayments	0	0	0	0	0	0	-4,647	0	-4,647
Loan Council - housing nominations	-6,589	0	-2,424	-4,203	-3,946	-1,766	0	-2,193	-21,121
Contingent liabilities									
Natural disaster relief	-1,622	0	-11,078	0	0	0	0	-455	-13,155
<b>Interest</b>									
Housing									
Housing nominations	-22,464	0	-8,062	-13,802	-13,531	-5,941	0	-7,774	-71,574
Housing for servicemen	-2,270	0	-1,284	-257	-98	0	0	0	-3,909
CSHA loans	-44,090	0	-12,351	-11,682	-18,850	-6,078	0	-1,556	-94,607
Other housing	0	0	0	0	0	0	-8,971	-3,469	-12,440

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09 (continued)</b>									
Infrastructure									
Sewerage	-3,975	0	-1,035	0	-817	0	0	0	-5,827
War Services Land Settlement Scheme	-87	-90	0	0	0	0	0	0	-177
Railway projects	-14	-14	0	-203	0	0	0	0	-231
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-596	-596
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
Other purposes									
Australian Capital Territory Government debt	0	0	0	0	0	0	-6,220	0	-6,220
Contingent liabilities									
Natural disaster relief	-333	0	-2,427	0	0	0	0	-58	-2,818
Net financial flow	-119,540	-766	-46,300	-39,526	-49,829	-18,279	-26,863	-19,017	-320,120
<b>2009-10</b>									
<b>Advances</b>									
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Contingent liabilities									
Natural disaster relief	1,500	0	3,000	0	0	0	0	500	5,000
<b>Repayments</b>									
Housing									
Housing for servicemen	-1,123	0	-677	-206	-32	0	0	0	-2,038
CSHA loans	-34,766	0	-9,283	-8,798	-12,409	-4,685	0	-636	-70,577
Other housing	0	0	0	0	0	0	-7,258	-2,798	-10,056
Infrastructure									
Sewerage	-4,178	0	-973	0	-751	0	0	0	-5,902
Railway projects	-83	-83	0	-386	0	0	0	0	-552

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2009-10 (continued)</b>									
<b>Environment</b>									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-5	0	0	0	0	0	0	0	-5
War Services Land Settlement Scheme	-417	-450	0	0	0	0	0	0	-867
<b>Other purposes</b>									
Australian Capital Territory debt repayments	0	0	0	0	0	0	-4,647	0	-4,647
Loan Council - housing nominations	-6,885	0	-2,533	-4,392	-4,123	-1,846	0	-2,292	-22,071
<b>Contingent liabilities</b>									
Natural disaster relief	-1,810	0	-11,453	0	0	0	0	-518	-13,781
<b>Interest</b>									
<b>Housing</b>									
Housing nominations	-22,213	0	-7,969	-13,638	-13,378	-5,872	0	-7,691	-70,761
Housing for servicemen	-2,225	0	-1,256	-248	-97	0	0	0	-3,826
CSHA loans	-42,479	0	-11,926	-11,266	-18,310	-5,870	0	-1,530	-91,381
Other housing	0	0	0	0	0	0	-8,655	-3,342	-11,997
<b>Infrastructure</b>									
Sewerage	-3,533	0	-923	0	-740	0	0	0	-5,196
War Services Land Settlement Scheme	-57	-59	0	0	0	0	0	0	-116
Railway projects	-10	-10	0	-181	0	0	0	0	-201
<b>Environment</b>									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-589	-589
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
<b>Other purposes</b>									
Australian Capital Territory Government debt	0	0	0	0	0	0	-5,690	0	-5,690
<b>Contingent liabilities</b>									
Natural disaster relief	-372	0	-2,514	0	0	0	0	-71	-2,957
<b>Net financial flow</b>	<b>-118,656</b>	<b>-602</b>	<b>-46,507</b>	<b>-39,115</b>	<b>-49,840</b>	<b>-18,273</b>	<b>-26,250</b>	<b>-19,103</b>	<b>-318,346</b>

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State  
(continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11</b>									
<b>Advances</b>									
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Contingent liabilities									
Natural disaster relief	1,500	0	3,000	0	0	0	0	500	5,000
<b>Repayments</b>									
Housing									
Housing for servicemen	-1,186	0	-721	-210	-35	0	0	0	-2,152
CSHA loans	-35,290	0	-9,459	-8,933	-12,955	-4,739	0	-664	-72,040
Other housing	0	0	0	0	0	0	-7,368	-2,932	-10,300
Infrastructure									
Sewerage	-4,602	0	-1,072	0	-838	0	0	0	-6,512
Railway projects	-61	-61	0	-389	0	0	0	0	-511
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-136	-136
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
War Services Land Settlement Scheme	-292	-328	0	0	0	0	0	0	-620
Other purposes									
Australian Capital Territory debt repayments	0	0	0	0	0	0	-1,813	0	-1,813
Loan Council - housing nominations	-7,195	0	-2,647	-4,590	-4,309	-1,929	0	-2,395	-23,065
Contingent liabilities									
Natural disaster relief	-1,810	0	-11,828	0	0	0	0	-518	-14,156
<b>Interest</b>									
Housing									
Housing nominations	-21,949	0	-7,869	-13,464	-13,216	-5,799	0	-7,602	-69,899
Housing for servicemen	-2,175	0	-1,227	-239	-95	0	0	0	-3,736
CSHA loans	-40,822	0	-11,490	-10,849	-17,739	-5,650	0	-1,503	-88,053
Other housing	0	0	0	0	0	0	-8,329	-3,208	-11,537

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2010-11 (continued)</b>									
Infrastructure									
Sewerage	-3,048	0	-800	0	-653	0	0	0	-4,501
War Services Land Settlement Scheme	-33	-33	0	0	0	0	0	0	-66
Railway projects	-5	-5	0	-158	0	0	0	0	-168
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-582	-582
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
Other purposes									
Australian Capital Territory Government debt	0	0	0	0	0	0	-5,191	0	-5,191
Contingent liabilities									
Natural disaster relief	-372	0	-2,601	0	0	0	0	-71	-3,044
Net financial flow	-117,340	-427	-46,714	-38,832	-49,840	-18,117	-22,701	-19,111	-313,082
<b>2011-12</b>									
<b>Advances</b>									
Environment									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Contingent liabilities									
Natural disaster relief	1,500	0	3,000	0	0	0	0	500	5,000
<b>Repayments</b>									
Housing									
Housing for servicemen	-1,254	0	-767	-221	-39	0	0	0	-2,281
CSHA loans	-35,810	0	-9,578	-9,047	-13,527	-4,796	0	-694	-73,452
Other housing	0	0	0	0	0	0	-7,592	-3,072	-10,664
Infrastructure									
Sewerage	-5,069	0	-1,180	0	-935	0	0	0	-7,184
Railway projects	-33	-33	0	-365	0	0	0	0	-431

**Table A.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2011-12 (continued)</b>									
<b>Environment</b>									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-136	-136
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
War Services Land Settlement Scheme	-153	-165	0	0	0	0	0	0	-318
<b>Other purposes</b>									
Australian Capital Territory debt repayments	0	0	0	0	0	0	-554	0	-554
Loan Council - housing nominations	-7,519	0	-2,766	-4,796	-4,502	-2,016	0	-2,503	-24,102
<b>Contingent liabilities</b>									
Natural disaster relief	-1,810	0	-12,203	0	0	0	0	-518	-14,531
<b>Interest</b>									
<b>Housing</b>									
Housing nominations	-21,667	0	-10,113	-13,280	-13,046	-5,723	0	-7,508	-71,337
Housing for servicemen	-2,124	0	-1,195	-203	-94	0	0	0	-3,616
CSHA loans	-39,122	0	-8,693	-10,421	-17,133	-5,425	0	-1,475	-82,269
Other housing	0	0	0	0	0	0	-7,997	-3,068	-11,065
<b>Infrastructure</b>									
Sewerage	-2,515	0	-663	0	-556	0	0	0	-3,734
War Services Land Settlement Scheme	-17	-14	0	0	0	0	0	0	-31
Railway projects	-2	-2	0	-136	0	0	0	0	-140
<b>Environment</b>									
Urban water supply and treatment	0	0	0	0	0	0	0	0	0
Northern Territory - water and sewerage assistance	0	0	0	0	0	0	0	-576	-576
Captains Flat (Abatement of Pollution) Agreement	0	0	0	0	0	0	0	0	0
<b>Other purposes</b>									
Australian Capital Territory Government debt	0	0	0	0	0	0	-5,032	0	-5,032
<b>Contingent liabilities</b>									
Natural disaster relief	-372	0	-2,688	0	0	0	0	-71	-3,131
<b>Net financial flow</b>	<b>-115,967</b>	<b>-214</b>	<b>-46,846</b>	<b>-38,469</b>	<b>-49,832</b>	<b>-17,960</b>	<b>-21,175</b>	<b>-19,121</b>	<b>-309,584</b>



## APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2008-09 BUDGET

### Revenue Measures

**Table A1: Revenue measures since the 2008-09 Budget<sup>(a)</sup>**

Page		2007-08	2008-09	2009-10	2010-11	2011-12
		\$m	\$m	\$m	\$m	\$m
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Australian Customs Service</i>					
119	Australia-Chile Free Trade Agreement	-	-1.9	-4.0	-4.3	-4.5
	<b>Portfolio total</b>	-	<b>-1.9</b>	<b>-4.0</b>	<b>-4.3</b>	<b>-4.5</b>
	<b>FINANCE AND DEREGULATION</b>					
	<i>Department of Finance and Deregulation</i>					
160	National intergovernmental telepresence system(b)	-	0.4	1.4	1.4	1.4
	<b>Portfolio total</b>	-	<b>0.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
	<b>HEALTH AND AGEING</b>					
	<i>Department of Health and Ageing</i>					
171	Pharmaceutical Benefits Scheme – extension to the listing of Humira® (adalimumab)(b)	-	nfp	nfp	nfp	nfp
	<b>Portfolio total</b>	-	-	-	-	-
	<b>IMMIGRATION AND CITIZENSHIP</b>					
	<i>Department of Immigration and Citizenship</i>					
155	Pacific Seasonal Worker Pilot Scheme – establishment(b)	-	..	0.1	0.2	0.3
176	Work and Holiday visa – expansion(b)	-	0.3	0.3	0.3	0.3
	<b>Portfolio total</b>	-	<b>0.3</b>	<b>0.4</b>	<b>0.6</b>	<b>0.7</b>
	<b>TREASURY</b>					
	<i>Australian Office of Financial Management</i>					
191	Purchase of residential mortgage-backed securities(c)	-	*	*	*	*
	<i>Australian Securities and Investments Commission</i>					
184	Council of Australian Governments – implementing a national approach to the regulation of consumer credit(b)	-	*	*	*	*
	<i>Australian Taxation Office</i>					
120	Capital gains tax – amend the application date of the earlier measure relating to employee share schemes	..	..	..	..	..
120	– demutualisation of friendly societies	-	*	*	*	*
121	– increase access to the small business concessions	*	*	*	*	*
121	– removal of trust cloning exception	-	*	*	*	*
121	– variations to the demutualisation of health insurer amendments	-	-	-2.0	-1.0	-1.0

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A1: Revenue measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>TREASURY (continued)</b>					
143	Drought assistance – Exceptional Circumstances assistance for primary producers and small business – definition of income(b)	-	-	*	*	*
147	Family Law amendments – State references of power on de facto property and spouse maintenance(b)	-	-2.5	-5.0	-5.0	-5.0
124	Interest withholding tax – extending eligibility for exemption to state government bonds	-	-7.0	-17.0	-19.0	-21.0
150	Iraq – contribution to international stabilisation activities(b)	-	-10.8	-	-	-
	Luxury car tax					
124	– fuel efficient car limit	-	-8.5	-9.2	-10.1	-11.0
124	– other amendments	-	*	*	*	*
125	– refunds for primary producers and eligible tourist operators	-	*	*	*	*
125	Means testing of government support – expanded definitions of income to include reportable fringe benefits	-	-	-	-3.5	-3.5
126	Personal income tax – increasing the Medicare levy surcharge thresholds	-	-	90.0	110.0	100.0
	Philanthropy					
126	– changes to prescribed private funds	-	-6.7	-73.2	-25.1	-26.1
126	– updating the list of deductible gift recipients	-	-	-1.5	-1.6	-1.7
127	Superannuation – variations to the temporary residents' superannuation measure	-	-64.0	-67.0	-76.0	-46.0
151	Timor-Leste – reduced Australian Defence Force presence(b)	-	0.8	0.1	-	-
	<i>Department of the Treasury</i>					
122	Guarantee of deposits of authorised deposit-taking institutions	-	*	*	*	*
123	Guarantee of wholesale funding of authorised deposit-taking institutions	-	*	*	*	*
	<b>Portfolio total</b>	-	<b>-98.7</b>	<b>-84.8</b>	<b>-31.3</b>	<b>-15.3</b>
	<b>Decisions taken but not yet announced</b>	-	-	-	<b>10.8</b>	<b>17.6</b>
	<b>Total impact of revenue measures(d)</b>	-	<b>-99.8</b>	<b>-87.0</b>	<b>-22.9</b>	<b>-0.1</b>

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

(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 Capital Measures.

(d) Measures may not add due to rounding.

## ATTORNEY-GENERAL'S

### Australia-Chile Free Trade Agreement

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Customs Service	-	-1.9	-4.0	-4.3	-4.5

On 27 May 2008, the governments of Australia and Chile concluded negotiations on the Australia-Chile Free Trade Agreement. Under the Agreement, both parties agreed to eliminate tariffs on all imports from the other country by 2015. Both parties are committed to completing their respective domestic processes so as to give effect to the agreement from 1 January 2009. The cost to revenue is estimated at \$14.7 million over the forward estimates period.

Under the agreement, most agricultural and manufactured goods imported into Australia from Chile will be duty-free from 1 January 2009. Remaining tariffs will be phased out from 1 January 2009, with all goods imported from Chile duty-free by 2015.

## TREASURY

### Capital gains tax — amend the application date of the earlier measure relating to employee share schemes

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	..	..	..	..	..

The Government has amended the application date of the 2008-09 Budget measure removing double taxation that arises in relation to certain employee share schemes that use an employee share trust. This measure applied to capital gains tax (CGT) events occurring after 7.30 pm (AEST) on 13 May 2008.

The existing application time and date will be retained but, in relation to earlier CGT events, taxpayers will be provided with a choice to apply the Budget amendment for assessments for the 1998-99 and later income years.

This change will ensure that the measure to remove double taxation applies appropriately to earlier transactions.

### Capital gains tax — demutualisation of friendly societies

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will provide relief from capital gains tax (CGT) when friendly societies, including joint health and life insurers, demutualise to for-profit entities, with effect from 1 July 2008.

The Government will disregard any capital gains or losses that arise to the friendly society's policyholders when they receive shares in the demutualised entity. In addition, the Government will provide a cost base for these shares that reflects the market value of the health insurance business and the embedded value of any other business of the friendly society.

To ensure neutrality between policyholders who receive shares under the demutualisation and policyholders who receive cash, the Government will provide an equivalent cost base to any rights that a policyholder exchanges for this payment.

To provide flexibility in how the friendly society may choose to demutualise, the Government will also provide CGT relief for a number of transactions that are related to its demutualisation.

**Capital gains tax — increase access to the small business concessions**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	*	*	*	*	*

The Government will treat an individual's spouse or child (under 18 years of age) as an affiliate of the individual for the purposes of determining whether the individual is eligible for the small business capital gains tax (CGT) concessions. The change applies where one entity owns a CGT asset and that asset is used, or held ready for use, in the course of carrying on a business by another entity. This change modifies the measure announced in the 2008-09 Budget so that it operates more effectively, with effect from 1 July 2007.

The Government will make a number of other minor changes to refine and clarify aspects of the existing small business CGT concessions to remove anomalies and ensure that the concessions operate as intended.

**Capital gains tax — removal of trust cloning exception**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will remove the capital gains tax (CGT) trust cloning exception to CGT events E1 and E2, with effect after 31 October 2008.

The trust cloning exception provides that when a trust is created over an asset (CGT event E1) or an asset is transferred from one trust to another (CGT event E2), no CGT taxing point arises, on the condition that the beneficiaries and terms of both the trusts are the same. This allows for a change in the effective economic ownership of the asset, without triggering a CGT taxing point. Removing the trust cloning exception will clarify and simplify the CGT law and ensure that CGT is payable where the effective economic ownership of a trust asset changes.

**Capital gains tax — variations to the demutualisation of health insurer amendments**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-2.0	-1.0	-1.0

The Government has improved and clarified the tax relief that is available when a health insurer demutualises to a for-profit entity, with effect from 1 July 2007.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

This measure disregards from capital gains tax (CGT) all capital gains and losses that arise to policyholders under their insurer's demutualisation, including those that arise when a policyholder receives a cash payment. All policyholders who receive shares in the demutualised private health insurer will receive a market value cost base for those shares.

In addition, this measure extends the CGT relief to the executor and beneficiary of a deceased policyholder's estate. The measure also extends the exemption to the share capital tainting rules that applies to demutualisations so that it covers health insurer demutualisations.

Other amendments refine and clarify aspects of the relief and provide flexibility in how the health insurer may choose to demutualise.

**Guarantee of deposits of authorised deposit-taking institutions**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Treasury	-	*	*	*	*

The Government has introduced a guarantee of deposits in authorised deposit-taking institutions in Australia. This measure will ensure that depositors in authorised deposit-taking institutions have absolute confidence that they will have timely access to their money, having regard to the current global financial market turmoil.

Until midnight on 27 November 2008, all deposits held in eligible institutions will be guaranteed without charge. From 28 November 2008, a threshold of \$1.0 million will be applied per customer. Deposits below this threshold will continue to be guaranteed without charge. Deposits above this threshold and any deposits held in foreign bank branches will only be guaranteed if the institution has applied for the guarantee and agreed to pay the relevant fee.

The guarantee fee for deposits above the \$1.0 million threshold will initially be set at 70 basis points per annum for AA-rated institutions, 100 basis points for A-rated institutions, and 150 basis points for BBB-rated and unrated institutions. This schedule may be revised in light of market developments and advice from financial regulators.

The amount of revenue collected from the guarantee fee cannot be quantified at this time. Revenue collections will depend on the level of uptake by institutions.

This measure creates a remote and unquantifiable contingent liability. For further details see Appendix C: Statement of risks.

Further information can be found in the press release of 12 October 2008 issued by the Prime Minister and the press release of 24 October 2008 issued by the Treasurer.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Guarantee of wholesale funding of authorised deposit-taking institutions**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Treasury	-	*	*	*	*

The Government has introduced a guarantee of eligible wholesale funding of authorised deposit-taking institutions in Australia. This initiative is designed to maintain institutions' access to new funding during the international financial market turbulence and support continued lending to Australian corporations, businesses and households.

Until midnight on 27 November 2008, all eligible wholesale funding will be guaranteed without charge. From 28 November 2008, wholesale funding will only be guaranteed if the institution has applied for the guarantee and agreed to pay the relevant fee.

The guarantee fee will initially be set at 70 basis points per annum for AA-rated institutions, 100 basis points for A-rated institutions, and 150 basis points for BBB-rated and unrated institutions. This schedule may be revised in light of market developments and advice from financial regulators.

The amount of revenue collected from the guarantee fee cannot be quantified at this time. Revenue collections will depend on the duration of the guarantee facility and the level of uptake by institutions.

This measure creates a remote and unquantifiable contingent liability. For further details see Appendix C: Statement of risks.

Further information can be found in the press release of 12 October 2008 issued by the Prime Minister and the press release of 24 October 2008 issued by the Treasurer.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Interest withholding tax — extending eligibility for exemption to state government bonds**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-7.0	-17.0	-19.0	-21.0

The Government will extend eligibility for exemption from interest withholding tax to bonds issued in Australia by State and Territory central borrowing authorities. This measure will apply to interest paid on or after the date of Royal Assent of the enabling legislation. This measure is estimated to have a cost to revenue of \$64 million over the forward estimates period.

This initiative will improve depth and liquidity in state government bond markets, contributing to financial market stability.

Further information can be found in the press release of 20 May 2008 issued by the Treasurer.

**Luxury car tax — fuel efficient car limit**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-8.5	-9.2	-10.1	-11.0

The Government has introduced a 'fuel efficient car limit' that provides a higher luxury car tax threshold for cars with a fuel consumption of 7 litres per 100 kilometres or less, with effect from 3 October 2008. This measure is estimated to have a cost to revenue of \$38.8 million over the forward estimates period.

The fuel efficient car limit is initially set at a threshold of \$75,000 for 2008-09 and indexed annually in the same manner as the general luxury car tax threshold (currently \$57,180). Fuel consumption is determined as the combined rating under vehicle standards in force under Section 7 of the *Motor Vehicle Standards Act 1989*.

**Luxury car tax — other amendments**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government agreed to a number of amendments to the 2008-09 Budget measure, *Increasing the Luxury Car Tax*. These amendments were:

- an exemption from the luxury car tax increase for contracts to make the taxable supply or taxable importation of a luxury car that were entered into before 7.30 pm on 13 May 2008; and

Appendix A: Policy decisions taken since the 2008-09 Budget

- on and after 1 July 2012, the luxury car tax threshold will be indexed by the Consumer Price Index unless Parliament agrees to another approach. The threshold is currently indexed by the motor vehicle purchase component of the Consumer Price Index.

The future operation and indexation of the luxury car tax will be considered by the Australia's Future Tax System review.

**Luxury car tax — refunds for primary producers and eligible tourist operators**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government agreed to an amendment to the 2008-09 Budget measure *Increasing the Luxury Car Tax*, so that from 1 July 2008, a refund of the increase in the luxury car tax rate is available when an eligible four-wheel or all-wheel drive car is acquired by a primary producer or eligible tourist operator. The refund is limited to \$3,000 per annum for one vehicle for primary producers and \$3,000 per vehicle for tourist operators.

**Means testing of government support — expanded definitions of income to include reportable fringe benefits**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-3.5	-3.5

The Government has varied the 2008-09 Budget measure *Means testing of government support – expanded definitions of income to include reportable fringe benefits* so that the non-grossed value of fringe benefits is included in relevant income tests with effect from 1 July 2009. This variation has an ongoing cost to revenue which is estimated to be \$7.0 million over the forward estimates period.

The variation will affect the income tests used to determine eligibility for the senior Australians tax offset, pensioner tax offset and dependency tax offsets.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Personal income tax — increasing the Medicare levy surcharge thresholds**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	90.0	110.0	100.0
<i>Related expense (\$m)</i>					
<i>Department of Health and Ageing</i>	-	140.8	50.5	26.5	1.4

The Government has increased the Medicare levy surcharge (MLS) threshold to \$70,000 for singles and \$140,000 for members of a family, with effect from 1 July 2008. In future years, the singles threshold will be indexed by Average Weekly Ordinary Time Earnings (AWOTE) and will increase in \$1,000 increments (rounding down). The threshold for families will be double the threshold for singles. Under transitional arrangements taxpayers who were exempted from the MLS under the thresholds as announced at the 2008-09 Budget will avoid the MLS for the period 1 July 2008 through to 31 December 2008 if they obtain appropriate private health cover before 1 January 2009.

This measure is estimated to increase revenue by \$300 million and increase expenditure on the private health insurance rebate by \$219.2 million over the forward estimates period.

**Philanthropy — changes to prescribed private funds**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-6.7	-73.2	-25.1	-26.1

Since the 2008-09 Budget, 148 funds have been approved for prescription as prescribed private funds (PPFs), and three funds have been declared no longer to be PPFs. These changes are estimated to have a cost to revenue of \$131.1 million over the forward estimates period.

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

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-1.5	-1.6	-1.7

Taxpayers may claim an income tax deduction for certain gifts of money or property to deductible gift recipients (DGRs). Since the 2008-09 Budget there have been:

- Thirty admissions to, and six removals from, the Register of Environmental Organisations;

*Appendix A: Policy decisions taken since the 2008-09 Budget*

- Thirty-four admissions to, and seven removals from, the Register of Cultural Organisations;
- Five admissions to the Register of Harm Prevention Charities; and
- Eight admissions to the Overseas Aid Gift Deduction Scheme.

These changes are estimated to have a cost to revenue of \$4.8 million over the forward estimates period.

The Register of Environmental Organisations can be found on the Department of Environment, Water, Heritage and the Arts website at [www.environment.gov.au](http://www.environment.gov.au). The Register of Cultural Organisations can be found on the Department of Environment, Water, Heritage and the Arts website at [www.arts.gov.au](http://www.arts.gov.au). The Register of Harm Prevention Charities can be found on the Department of Families, Housing, Community Services and Indigenous Affairs website at [www.fahcsia.gov.au](http://www.fahcsia.gov.au). The list of developing country relief funds on the Overseas Aid Gift Deduction Scheme can be found on the AusAID website at [www.ausaid.gov.au](http://www.ausaid.gov.au).

**Superannuation — variations to the temporary residents' superannuation measure**

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-64.0	-67.0	-76.0	-46.0

The Government has varied the temporary residents' superannuation measure originally announced by the previous government in the *2007-08 Mid-Year Economic and Fiscal Outlook*. The key differences between the previous measure and the current measure are that the unclaimed superannuation of temporary residents will be paid to the Commonwealth after they depart Australia (and not while they are still in the country), and there will be no time limit for them to claim back their money. This measure is estimated to have a cost to revenue of \$253.0 million over the forward estimates period.

The superannuation of a temporary resident (who is not a New Zealand citizen, retirement visa holder or applying for permanent residency) will be deemed to be 'unclaimed' after they have left Australia, ceased to hold a temporary visa, and at least six months has passed and they have not taken their superannuation. Temporary residents can claim back their unclaimed superannuation at any time, subject to the existing departing Australia superannuation payment (DASP) tax. The DASP tax rates will be increased by 5 per cent.

Key features of the measure will commence from the date of proclamation of the enabling legislation.

## Expense Measures

**Table A2: Expense measures since the 2008-09 Budget<sup>(e)</sup>**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>AGRICULTURE, FISHERIES AND FORESTRY</b>					
	<i>Department of Agriculture, Fisheries and Forestry</i>					
	Drought assistance					
143	– Exceptional Circumstances assistance for primary producers	3.8	361.5	-	-	-
143	– Exceptional Circumstances assistance for primary producers and small business – definition of income	-	-	*	*	*
144	– Exceptional Circumstances assistance for small business	0.1	20.9	-	-	-
145	Small block irrigators – exit grant package	-	0.5	-	-	-
145	Tackling Climate Change – Climate Change Research Program	-	-	-	-	-
146	Wheat exports – transitional package	-	-	-	-	-
	<b>Portfolio total</b>	<b>3.9</b>	<b>383.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Attorney-General's Department</i>					
147	Family Law amendments – State references of power on de facto property and spouse maintenance	-	-	1.4	1.4	1.4
147	National Security – enhancing chemicals security	-	1.4	4.8	6.2	-
	<b>Portfolio total</b>	<b>-</b>	<b>1.4</b>	<b>6.3</b>	<b>7.6</b>	<b>1.4</b>
	<b>CLIMATE CHANGE</b>					
	<i>Department of Climate Change</i>					
148	Climate change – raising public awareness	-	14.0	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>14.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
149	Afghanistan – helicopter capability	-	3.0	-	-	-
149	Australian Strategic Policy Institute – continuation of funding	-	-	-	-	-
150	Electronic countermeasures equipment	-	-	-	-	-
150	Iraq – contribution to international stabilisation activities	-	87.8	-	-	-
150	Operations in the Middle East – relocation project	-	-	-	-	-
151	Timor-Leste – reduced Australian Defence Force presence	-	-5.1	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>85.6</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS</b>						
<i>Department of Education, Employment and Workplace Relations</i>						
152	Closing the Gap – Indigenous early childhood development – children and family centres	-	17.5	74.6	67.8	55.2
	Drought assistance					
143	– Exceptional Circumstances assistance for primary producers	0.1	9.9	-	-	-
144	– Exceptional Circumstances assistance for small business	..	0.5	-	-	-
152	Early childhood education and care – information for parents	-	2.6	1.9	-	-
	Economic Security Strategy					
140	– lump sum payment to pensioners, seniors and carers	-	92.0	-	-	-
139	– Productivity Places Program – 56,000 additional places	-	117.3	69.9	-	-
153	Indigenous non-government school education programs – application of indexation	-	1.4	3.9	6.0	8.4
153	Indigenous secondary scholarships corporate partnership	-	-	12.5	2.5	5.0
154	Maximum level of socio-economic status funding entitlement for non-government schools with a high proportion of Indigenous students	-	0.5	1.2	1.4	1.5
154	Non-Government Schools Establishment Assistance – offset	-	-0.5	-1.2	-1.4	-1.4
155	Pacific Seasonal Worker Pilot Scheme – establishment	-	1.0	1.3	1.6	1.6
155	Productivity Places Program – 15,000 additional places	-	44.9	-	-	-
158	Retention of current fringe benefit tax treatment for family assistance customers	-	4.3	4.4	4.5	4.6
156	Transitional project assistance – National Indigenous Literacy and Numeracy Strategy – offset	-	-	-	-	-0.1
	<i>Office of the Workplace Ombudsman</i>					
155	Pacific Seasonal Worker Pilot Scheme – establishment	-	0.5	1.0	1.4	1.5
	<b>Portfolio total</b>	<b>0.1</b>	<b>291.9</b>	<b>169.4</b>	<b>83.8</b>	<b>76.2</b>
<b>ENVIRONMENT, WATER, HERITAGE AND THE ARTS</b>						
<i>Department of the Environment, Water, Heritage and the Arts</i>						
145	Small block irrigators – exit grant package	-	57.1	-57.1	-	-
157	Solar Homes and Communities Plan – additional funding	-	101.0	-33.0	-	-
164	Special Envoy – Whale Conservation	-	0.1	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>158.2</b>	<b>-90.1</b>	<b>-</b>	<b>-</b>

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>					
	<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>					
152	Closing the Gap – Indigenous early childhood development – children and family centres	-	-	-	-	-
	Economic Security Strategy					
140	– lump sum payment to pensioners, seniors and carers	-	4,372.9	-	-	-
141	– one-off lump sum payment of \$1,000 per child to low and middle income families	-	3,851.0	..	-	-
186	Partner Service Pension – age related arrangements for married partners of veterans who are separated but not divorced	-	-4.2	-9.4	-10.4	-11.5
158	Retention of current fringe benefit tax treatment for family assistance customers	-	57.5	59.0	60.5	62.1
	<b>Portfolio total</b>	<b>-</b>	<b>8,277.2</b>	<b>49.6</b>	<b>50.1</b>	<b>50.5</b>
	<b>FINANCE AND DEREGULATION</b>					
	<i>Comsuper</i>					
190	Australian Government Superannuation – termination of information technology project(f)	-	0.1	-0.1	-0.4	-
159	Australian Government Superannuation Schemes – consolidation of governance and administration arrangements	-	0.3	0.8	-	-
	<i>Department of Finance and Deregulation</i>					
159	Australian Government Superannuation Schemes – consolidation of governance and administration arrangements	-	2.8	-	-	-
159	Government communications advice	-	1.3	1.7	1.7	1.8
160	National intergovernmental telepresence system	-	3.2	4.2	2.4	2.4
160	Property management – improved framework	-	1.8	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>9.6</b>	<b>6.6</b>	<b>3.8</b>	<b>4.2</b>
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>AusAID</i>					
164	World Bank Clean Technologies Fund – Australia's contribution	-	100.0	-	-	-
165	World Bank Global Food Crisis Trust Fund – Australia's contribution	-	50.0	-	-	-
	<i>Department of Foreign Affairs and Trade</i>					
161	Asia Pacific Community – regional consultations	-	0.5	-	-	-
161	Australian Embassy to the Holy See – appointment of a resident Ambassador	-	1.5	2.2	2.2	2.2

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>FOREIGN AFFAIRS AND TRADE (continued)</b>					
162	Bali Democracy Forum – Australian contribution	-	1.9	-	-	-
162	Fiji – upgrade of security at Australian High Commission	-	0.5	0.5	0.5	0.5
163	International Commission on Nuclear Non-Proliferation and Disarmament – establishment	-	3.5	-	-	-
163	Pacific Engagement Strategy – implementation	-	1.3	-	-	-
155	Pacific Seasonal Worker Pilot Scheme – establishment	-	0.4	0.4	0.3	0.3
164	Special Envoy – Whale Conservation	-	0.3	-	-	-
164	United Nations Security Council – candidacy	-	1.9	-	-	-
	<b>Portfolio total</b>	-	<b>161.7</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>
	<b>HEALTH AND AGEING</b>					
	<i>Cancer Australia</i>					
168	National Breast Cancer Foundation – cohort study	-	-	-	-	-
	<i>Department of Health and Ageing</i>					
166	Antenatal care for Indigenous women – increasing access	-	-	15.4	20.2	23.3
	Drought assistance					
143	– Exceptional Circumstances assistance for primary producers	-	2.1	-	-	-
144	– Exceptional Circumstances assistance for small business	-	0.1	-	-	-
166	Health and Hospital Reform – additional places for the Prevocational General Practice Placement Program	-	-	-	-	-
167	Life Saving Drugs Program – funding for Elaprase® (idursulfase)	-	4.2	8.0	8.5	8.9
167	Medicare Benefits Schedule – new and revised listings	-	9.6	13.4	13.9	14.3
168	National Immunisation Program – purchase of vaccines	-	2.2	0.3	-	-
169	Organ and tissue donation – national plan to increase organ donation and save lives	-	17.4	37.7	39.0	40.4
126	Personal income tax – increasing the Medicare levy surcharge thresholds(g)	-	140.8	50.5	26.5	1.4
	Pharmaceutical Benefits Scheme					
170	– changes to the administration of funding for Highly Specialised Drugs	-	-	-2.8	-8.0	-14.0
170	– extension of access to the safety net to include couples separated by illness	-	0.1	1.0	1.0	1.0
171	– extension to the listing of Humira® (adalimumab)	-	14.6	26.6	40.1	50.7
172	– minor new listings	-	17.0	21.5	23.7	26.1

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>HEALTH AND AGEING (continued)</b>					
173	Pharmaceutical Benefits Scheme and National Diabetes Services Scheme – extension of access to government employees living overseas	-	0.3	0.3	0.3	0.3
173	Reciprocal health care agreement with Slovenia	-	..	..	..	..
	<b>Portfolio total</b>	-	<b>208.3</b>	<b>172.0</b>	<b>165.3</b>	<b>152.3</b>
	<b>HUMAN SERVICES</b>					
	<i>Centrelink</i>					
	Drought assistance					
143	– Exceptional Circumstances assistance for primary producers	-	3.6	-	-	-
144	– Exceptional Circumstances assistance for small business	-	0.1	-	-	-
	Economic Security Strategy					
140	– lump sum payment to pensioners, seniors and carers	-	8.4	-	-	-
141	– one-off lump sum payment of \$1,000 per child to low and middle income families	-	7.9	0.6	0.2	-
158	Retention of current fringe benefit tax treatment for family assistance customers	-	0.3	-	-	-
145	Small block irrigators – exit grant package	-	4.0	-	-	-
	<i>Department of Human Services</i>					
174	Fraud and non-compliance – Department of Human Services coordination	-	0.3	0.7	0.7	0.7
	<i>Medicare Australia</i>					
167	Medicare Benefits Schedule – new and revised listings	-	0.1	0.1	0.1	0.1
	Pharmaceutical Benefits Scheme					
170	– changes to the administration of funding for Highly Specialised Drugs	-	1.0	2.0	1.7	1.6
171	– extension to the listing of Humira® (adalimumab)	-	0.1	0.1	0.2	0.2
172	– minor new listings	-	0.4	0.3	0.2	0.2
173	Pharmaceutical Benefits Scheme and National Diabetes Services Scheme – extension of access to government employees living overseas	-	..	..	..	..
	<b>Portfolio total</b>	-	<b>26.1</b>	<b>3.7</b>	<b>3.0</b>	<b>2.7</b>
	<b>IMMIGRATION AND CITIZENSHIP</b>					
	<i>Department of Immigration and Citizenship</i>					
175	Australian Multicultural Advisory Council – establishment	-	-	-	-	-
175	Non-statutory refugee status assessment process – improvement	-	1.1	0.7	0.7	0.7
155	Pacific Seasonal Worker Pilot Scheme – establishment	-	1.5	3.1	3.9	3.8
176	Work and Holiday visa – expansion	-	..	..	..	..
	<b>Portfolio total</b>	-	<b>2.6</b>	<b>3.8</b>	<b>4.6</b>	<b>4.5</b>

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT</b>					
	<i>Department of Infrastructure, Transport, Regional Development and Local Government</i>					
177	Transport review – heavy vehicles, rail safety and maritime safety	-	4.7	-	-	-
	<b>Portfolio total</b>	-	<b>4.7</b>	-	-	-
	<b>INNOVATION, INDUSTRY, SCIENCE AND RESEARCH</b>					
	<i>Australian Research Council</i>					
178	Australian Laureate Fellowships	-	-	-	-	-
	<i>Department of Innovation, Industry, Science and Research</i>					
178	Automotive Components Limited (ACL Bearings) – additional assistance	-	-	-	-	-
179	Global financial crisis – assistance for small businesses	-	2.0	2.0	-	-
179	Green Car Innovation Fund – Toyota Australia	-	-	20.0	15.0	-
180	North East Tasmania development program	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>2.0</b>	<b>22.0</b>	<b>15.0</b>	-
	<b>PRIME MINISTER AND CABINET</b>					
	<i>Australian National Audit Office</i>					
159	Government communications advice	-	0.6	0.6	0.6	0.6
	<i>Department of the Prime Minister and Cabinet</i>					
181	Australia Day 2009 events – additional funding	-	0.9	-	-	-
	<i>Office of the Commonwealth Ombudsman</i>					
175	Non-statutory refugee status assessment process – improvement	-	0.3	0.3	0.2	0.2
	<i>Old Parliament House</i>					
181	Old Parliament House – establishment as an Executive Agency	-	2.6	2.1	2.1	2.1
	<b>Portfolio total</b>	-	<b>4.4</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
	<b>RESOURCES, ENERGY AND TOURISM</b>					
	<i>Department of Resources, Energy and Tourism</i>					
182	Ethanol Distribution Program – additional funding	-	6.0	-	-	-
182	Global Carbon Capture and Storage Institute	-	100.0	100.0	100.0	100.0
183	National Low Emission Coal Initiative	-	-6.3	-18.8	-18.8	-20.0
183	Queensland tourism – additional assistance	-	2.0	-	-	-
	<i>Tourism Australia</i>					
183	Queensland tourism – additional assistance	-	2.0	-	-	-
	<b>Portfolio total</b>	-	<b>103.7</b>	<b>81.3</b>	<b>81.3</b>	<b>80.0</b>

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	<b>TREASURY</b>					
	<i>Australian Prudential Regulation Authority</i>					
185	Global financial crisis – additional funding for regulators and the Treasury	-	9.0	18.5	9.0	9.0
	<i>Australian Securities and Investments Commission</i>					
184	Council of Australian Governments – implementing a national approach to the regulation of consumer credit	-	1.6	12.7	25.6	25.9
185	Global financial crisis – additional funding for regulators and the Treasury	-	10.0	20.0	-	-
	<i>Department of the Treasury</i>					
184	Council of Australian Governments – implementing a national approach to the regulation of consumer credit	-	1.0	1.0	0.8	0.7
142	Economic Security Strategy – First Home Owners Boost	-	1,184.9	353.6	-	-
185	Global financial crisis – additional funding for regulators and the Treasury	-	2.5	5.0	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>1,209.0</b>	<b>410.9</b>	<b>35.4</b>	<b>35.6</b>
	<b>VETERANS' AFFAIRS</b>					
	<i>Department of Veterans' Affairs</i>					
	<i>Economic Security Strategy</i>					
140	– lump sum payment to pensioners, seniors and carers	-	401.4	-	-	-
141	– one-off lump sum payment of \$1,000 per child to low and middle income families	-	..	-	-	-
167	Medicare Benefits Schedule – new and revised listings	-	0.4	0.4	0.4	0.4
	<i>Partner Service Pension</i>					
186	– age related arrangements for married partners of veterans who are separated but not divorced	-	4.2	9.4	10.4	11.5
186	– arrangements for the partners of seriously disabled veterans	-	0.1	0.2	0.4	0.5
	<i>Pharmaceutical Benefits Scheme</i>					
170	– extension of access to the safety net to include couples separated by illness	-	..	0.1	0.1	0.1
171	– extension to the listing of Humira® (adalimumab)	-	0.3	0.5	0.6	0.7
172	– minor new listings	-	1.2	1.5	1.6	1.7
	<b>Portfolio total</b>	<b>-</b>	<b>407.5</b>	<b>12.0</b>	<b>13.4</b>	<b>14.9</b>

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A2: Expense measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
<b>Decisions taken but not yet announced</b>	-	<b>61.0</b>	<b>315.9</b>	<b>271.4</b>	<b>410.9</b>
<b>Depreciation expense</b>	-	<b>0.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.1</b>
<b>Total impact of expense measures(h)</b>	<b>4.0</b>	<b>11,412.5</b>	<b>1,172.0</b>	<b>743.3</b>	<b>841.5</b>

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

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

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

(h) Measures may not add due to rounding.

## **WHOLE OF GOVERNMENT**

### **Economic Security Strategy**

The global financial crisis continues to present significant risks to the world outlook. Australia is not immune from the effects of the international slowdown, with these global difficulties having real impacts on jobs, confidence and growth.

The Government's Economic Security Strategy will provide \$10.4 billion in immediate support to those sectors of the economy most affected by the deterioration in global economic conditions. The package of measures particularly targets slowing consumption and dwelling construction – two key engines of the Australian economy.

To support household consumption and assist those who are struggling to meet the rising costs of living, the Government will provide \$4.9 billion to Australia's four million pensioners, carers, seniors and veterans. This represents an immediate down-payment on the pension reform the Government intends to deliver as part of the Harmer Review. During December eligible pensioners and seniors will receive a \$1,400 payment for singles or a \$2,100 payment for couples. People receiving the Carers Allowance will also receive a \$1,000 payment per person in their care.

The Government will also provide support to around two million families with \$3.9 billion in one-off payments. Recipients of Family Tax Benefit (A) and families of dependent children receiving Youth Allowance, Abstudy or a benefit from the Veterans' Children's Education Scheme payment will receive a payment of \$1,000 for each eligible child. These payments will all be made in December.

A temporary First Home Owners Boost will provide support to the construction industry and first home buyers. The Government will provide an extra \$7,000 to those buying an established home (taking the total grant to \$14,000) and an extra \$14,000 to those who purchase a newly-constructed home (taking the total grant to \$21,000). This additional assistance will be available to eligible first home buyers who enter into a contract between 14 October 2008 and 30 June 2009 inclusive. The Government will invest \$1.5 billion over two years through this initiative.

An additional \$187 million in funding to the Productivity Places Program will fund 56,000 new training places in 2008-09. This is in addition to the 57,000 places already delivered with the commencement of the program in April 2008. The strong demand for these places to date, and the interest of Australians in upgrading their skills, is a very encouraging sign. Additional places will help build further capacity in key industries.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

The Government has also committed to accelerate the implementation of the Government's nation building agenda, bringing forward the commencement of investment in national building projects to 2009.

The Economic Security Strategy will provide an injection of \$10.4 billion directly into the economy. Additionally, Centrelink will be provided with \$17.1 million, the Department of Veterans Affairs with \$0.6 million and the Department of Families, Housing, Community Service and Indigenous Affairs with \$0.3 million, to cover the costs of administering the Strategy.

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A4: Economic Security Strategy**

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>EXPENSE MEASURES</b>						
<b>EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS</b>						
<i>Department of Education, Employment and Workplace Relations</i>						
Economic Security Strategy						
– lump sum payment to pensioners, seniors and carers	-	92.0	-	-	-	92.0
– Productivity Places Program – 56,000 additional places	-	117.3	69.9	-	-	187.2
<b>Sub Total</b>	-	<b>209.3</b>	<b>69.9</b>	-	-	<b>279.2</b>
<b>FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>						
<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>						
Economic Security Strategy						
– lump sum payment to pensioners, seniors and carers	-	4,372.9	-	-	-	4,372.9
– one-off lump sum payment of \$1,000 per child to low and middle income families	-	3,851.0	..	-	-	3,851.1
<b>Sub Total</b>	-	<b>8,223.9</b>	<b>..</b>	-	-	<b>8,224.0</b>
<b>HUMAN SERVICES</b>						
<i>Centrelink</i>						
Economic Security Strategy						
– lump sum payment to pensioners, seniors and carers	-	8.4	-	-	-	8.4
– one-off lump sum payment of \$1,000 per child to low and middle income families	-	7.9	0.6	0.2	-	8.7
<b>Sub Total</b>	-	<b>16.3</b>	<b>0.6</b>	<b>0.2</b>	-	<b>17.1</b>
<b>TREASURY</b>						
<i>Department of the Treasury</i>						
Economic Security Strategy						
– First Home Owners Boost	-	1,184.9	353.6	-	-	1,538.5
<b>Sub Total</b>	-	<b>1,184.9</b>	<b>353.6</b>	-	-	<b>1,538.5</b>
<b>VETERANS' AFFAIRS</b>						
<i>Department of Veterans' Affairs</i>						
Economic Security Strategy						
– lump sum payment to pensioners, seniors and carers	-	401.4	-	-	-	401.4
– one-off lump sum payment of \$1,000 per child to low and middle income families	-	..	-	-	-	..
<b>Sub Total</b>	-	<b>401.4</b>	-	-	-	<b>401.4</b>
<b>Total Expense measures</b>	-	<b>10,035.8</b>	<b>424.1</b>	<b>0.2</b>	-	<b>10,460.2</b>

**Table A4: Economic Security Strategy (continued)**

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>EXPENSE MEASURES (continued)</b>						
<b>SUMMARY OF EXPENDITURE</b>						
<i>Total expense measures</i>	-	<b>10,035.8</b>	<b>424.1</b>	<b>0.2</b>	-	<b>10,460.2</b>
<i>Total capital measures</i>	-	-	-	-	-	-
<b>Total expenditure</b>	-	10,035.8	424.1	0.2	-	10,460.2
<i>Total revenue measures</i>	-	-	-	-	-	-
<b>Net additional expenditure</b>	-	10,035.8	424.1	0.2	-	10,460.2

**Economic Security Strategy — Productivity Places Program — 56,000 additional places**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	117.3	69.9	-	-

The Government will provide funding of \$187.2 million over two years for an additional 56,000 places at the Certificate II, III and IV levels in 2008-09 and 2009-10. This includes 10,000 Structural Adjustment Places at the Certificate III level to provide specific retraining opportunities and targeted support for displaced workers. These places were announced as part of the \$10.4 billion Economic Security Strategy package to strengthen and protect the Australian economy from the global financial crisis.

The Skilling Australia for the Future initiative will now provide up to 701,000 training places over the five years from 2007-08 to 2011-12 to ensure that Australians can develop the skills that industry needs. These places will comprise up to 309,000 Job Seeker and up to 392,000 Existing Worker places.

These places are in addition to the 15,000 Job Seeker places announced on 10 September 2008 by the Deputy Prime Minister. See also the related expense measure titled *Productivity Places Program – 15,000 additional places* in the Education, Employment and Workplace Relations portfolio.

Further information can be found in the press release of 14 October 2008 issued by the Prime Minister, the Deputy Prime Minister and the Treasurer.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Economic Security Strategy — lump sum payment to pensioners, seniors and carers**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Families, Housing, Community Services and Indigenous Affairs	-	4,372.9	-	-	-
Department of Veterans' Affairs	-	401.4	-	-	-
Department of Education, Employment and Workplace Relations	-	92.0	-	-	-
Centrelink	-	8.4	-	-	-
Total	-	4,874.6	-	-	-

As a part of the Economic Security Strategy, the Government will provide \$4.9 billion, including administrative costs, in 2008-09 for a one-off lump sum payment to pensioners, seniors and carers. A lump sum payment of \$1,400 for singles and \$2,100 for couples combined will be paid to recipients of the:

- Age Pension;
- Disability Support Pension;
- Carer Payment;
- Wife Pension;
- Widow B Pension;
- Partner Allowance;
- Widow Allowance;
- Bereavement Allowance;
- Veterans' Affairs Service Pension;
- Veterans' Income Support Supplement;
- Parenting Payment, Special Benefit or Austudy if the recipient is over Age Pension age; and
- Seniors Concession Allowance, paid to holders of a Commonwealth Seniors Health Card and eligible Veterans' Affairs Gold Card holders.

In addition, people who are receiving Carer Allowance will receive \$1,000 for each eligible person in their care.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

This measure is directed to assisting pensioners, seniors and carers to manage their costs of living pressures and to provide a fiscal stimulus to support economic growth. The payment is not taxable and will not be counted as income for social security or veterans' affairs purposes.

In addition to payments to individuals as part of the Government's \$10.4 billion Economic Security Strategy, the measure includes administrative funding for Centrelink of \$8.4 million and the Department of Veterans' Affairs of \$0.6 million.

These payments will be made from 8 December 2008.

Further information can be found in the press release of 14 October 2008 issued by the Prime Minister and the Treasurer.

**Economic Security Strategy — one-off lump sum payment of \$1,000 per child to low and middle income families**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Families, Housing, Community Services and Indigenous Affairs	-	3,851.0	..	-	-
Centrelink	-	7.9	0.6	0.2	-
Department of Veterans' Affairs	-	..	-	-	-
Total	-	3,859.0	0.6	0.2	-

As part of the Economic Security Strategy, the Government will provide \$3.9 billion in 2008-09 to provide a one-off payment of \$1,000 to families for each eligible child in their care who attracts Family Tax Benefit Part A, and each dependent child who does not attract Family Tax Benefit A, but attracts Youth Allowance, Abstudy or the Veterans' Children Education Scheme payment.

The payment is non-taxable and will not be counted as income for social security, family assistance or veterans' affairs purposes.

A small number of eligible beneficiaries, who claim Family Tax Benefit A as a lump sum, will receive their one-off payments from Centrelink in 2009-10 or 2010-11, after their 2008-09 tax returns have been processed by the Australian Taxation Office. The relevant expenses are recognised in accrual terms in 2008-09, with the associated payments recorded in cash terms when payments are made.

In addition to payments to individuals as part of the Government's \$10.4 billion strategy, the measure includes Centrelink funding of \$7.9 million in 2008-09, \$0.6 million in 2009-10 and \$0.2 million in 2010-11 to deliver the payments.

Further information can be found in the press release of 14 October 2008 issued by the Prime Minister and the Treasurer.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Economic Security Strategy — First Home Owners Boost**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Treasury	-	1,184.9	353.6	-	-

The Government will provide \$1.5 billion over two years to temporarily supplement the First Home Owners Scheme grant to stimulate housing activity and assist first home buyers enter the housing market. The First Home Owners Boost will:

- increase the grant from \$7,000 to \$14,000 for the purchase of established homes; and
- increase the grant from \$7,000 to \$21,000 for the purchase of new homes.

The grants will be available for eligible first home buyers entering into contracts between 14 October 2008 and 30 June 2009 inclusive.

Further information on the First Home Owners Boost can be found in the press release of 14 October 2008 issued by the Prime Minister, the Treasurer and the Minister for Housing.

## AGRICULTURE, FISHERIES AND FORESTRY

### Drought assistance — Exceptional Circumstances assistance for primary producers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Agriculture, Fisheries and Forestry	3.8	361.5	-	-	-
Department of Education, Employment and Workplace Relations	0.1	9.9	-	-	-
Centrelink	-	3.6	-	-	-
Department of Health and Ageing	-	2.1	-	-	-
<b>Total</b>	<b>3.9</b>	<b>377.1</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Government will provide \$381.0 million over two years to continue support for primary producers in regions that have been declared eligible for Exceptional Circumstances assistance.

Exceptional Circumstances assistance provides interest rate subsidies and income support to assist viable farm businesses and farm families who have been adversely affected by the prolonged drought. Eligible recipients are also provided with a health care concession card and access to Youth Allowance for their children.

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

### Drought assistance — Exceptional Circumstances assistance for primary producers and small business — definition of income

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Agriculture, Fisheries and Forestry	-	-	*	*	*
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	*	*	*

The Government will exclude certain salary sacrifice contributions to superannuation from the income test used to determine eligibility for Exceptional Circumstances Relief Payments and Exceptional Circumstances Interim Income Support. The expanded definition of income used to determine eligibility for a range of government support payments was announced in the 2008-09 Budget under the measure titled *Means-testing of government support – expanded definitions of income to include certain ‘salary sacrificed’ contributions to superannuation.*

*Appendix A: Policy decisions taken since the 2008-09 Budget*

This measure may have an ongoing unquantifiable expense impact from 1 July 2009. As a result, there may be an ongoing unquantifiable impact to revenue arising from the fact the affected payments are taxed concessionally.

**Drought assistance — Exceptional Circumstances assistance for small business**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Agriculture, Fisheries and Forestry	0.1	20.9	-	-	-
Department of Education, Employment and Workplace Relations	..	0.5	-	-	-
Centrelink	-	0.1	-	-	-
Department of Health and Ageing	-	0.1	-	-	-
Total	0.1	21.6	-	-	-

The Government will provide \$21.8 million over two years to continue support for farm-dependent small businesses in regions that have been declared eligible for Exceptional Circumstances assistance.

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

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

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Small block irrigators — exit grant package**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Environment, Water, Heritage and the Arts	-	57.1	-57.1	-	-
Centrelink	-	4.0	-	-	-
Department of Agriculture, Fisheries and Forestry	-	0.5	-	-	-
Total	-	61.6	-57.1	-	-

The Government will provide \$61.6 million in 2008-09 to assist small block irrigators in the Murray-Darling Basin affected by drought and climate change who wish to cease irrigation farming but stay on the farm. The program provides taxable exit grants of up to \$150,000 to eligible irrigators with permanent water entitlements of at least 10 megalitres, on properties of 15 hectares or less, who sell their water entitlements to the Commonwealth and cease irrigation farming. The program also provides two complementary taxable grants of up to \$10,000 each for advice and training, and removal of permanent plantings and other production-related infrastructure.

The Government will bring forward \$57.1 million of funding from 2009-10 under the Sustainable Rural Water Use and Infrastructure program administered by the Department of the Environment, Water, Heritage and the Arts to provide funding for this measure. This measure includes funding of \$4.0 million in 2008-09 for Centrelink to deliver the program.

Implementation of the program will be linked to water reforms agreed between the Australian Government and the relevant state governments.

Further information can be found in the press release of 20 September 2008 issued by the Minister for Climate Change and Water.

**Tackling Climate Change — Climate Change Research Program**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Agriculture, Fisheries and Forestry	-	-	-	-	-

The Government will provide \$46.2 million over four years to help prepare Australia's primary industries for climate change by supporting further research and development. The program will support projects in three key areas: reducing greenhouse pollution; better soil management; and adapting to a changing climate.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

Funding of \$15.0 million will be allocated from the *Tackling Climate Change – Climate Change and Productivity Research Program* and an additional \$31.2 million will be provided from the *Tackling Climate Change – Australia's Farming Future – Climate Change Adaptation Partnerships Program* announced in the 2008-09 Budget.

Further information can be found in the press release of 7 July 2008 issued by the Minister for Agriculture, Fisheries and Forestry.

**Wheat exports — transitional package**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Agriculture, Fisheries and Forestry	-	-	-	-	-

The Government will provide \$9.3 million over three years to assist with the transition to the new wheat export marketing system introduced on 1 July 2008. This includes initial funding for the new industry regulator, Wheat Exports Australia, and funding for grower information sessions, promotion of the industry code of conduct and technical market support grants for growers.

Provision of \$5.0 million in 2008-09 has already been included in the forward estimates. The remaining cost of this measure will be met from within the existing resourcing of the Department of Agriculture, Fisheries and Forestry.

Further information can be found in the press release of 23 June 2008 issued by the Minister for Agriculture, Fisheries and Forestry.

## ATTORNEY-GENERAL'S

### Family Law amendments — State references of power on de facto property and spouse maintenance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Attorney-General's Department	-	-	1.4	1.4	1.4
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-2.5	-5.0	-5.0	-5.0

The Government will provide \$4.3 million over three years commencing in 2009-10 for legal aid services as a consequence of New South Wales, Queensland, Victoria and Tasmania referring to the Commonwealth their legislative powers in relation to de facto property settlements and spousal maintenance. These States' reference of powers in de facto matters will permit separating de facto couples to apply for Commonwealth legal aid on the same basis as married couples. There will be no eligibility for Commonwealth legal aid for de facto property and spouse maintenance matters in South Australia and Western Australia as these States have not referred their powers in this area.

This measure will have a cost to revenue estimated at \$17.5 million over the forward estimates period, as a consequence of extending capital gains tax and superannuation splitting provisions to property settlements between de facto couples.

Further information can be found in the press release of 25 June 2008 issued by the Attorney-General.

### National Security — enhancing chemicals security

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Attorney-General's Department	-	1.4	4.8	6.2	-
<i>Related capital (\$m)</i>					
<i>Attorney-General's Department</i>	-	0.1	1.1	0.2	-

The Government will provide \$13.9 million over three years (including \$1.5 million in capital funding for fit-out and computer equipment) to create a chemical security coordination unit within the Attorney-General's Department. The unit will establish a chemical security management framework, which will develop a national approach to help prevent the use of chemicals that could harm the Australian community, industry and infrastructure. The Council of Australian Governments (COAG) agreed to the establishment of the framework in response to the report of the Review on the Management of Chemicals of Security Concern.

Further information can be found in the COAG Communiqué of 2 October 2008.

## CLIMATE CHANGE

### Climate change — raising public awareness

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Climate Change	-	14.0	-	-	-

The Government has provided \$14.0 million in 2008-09 for a national advertising campaign to raise public awareness of climate change and the Carbon Pollution Reduction Scheme. The campaign is being conducted through print, radio and television advertisements, a new website and publications for schools and households. The campaign aims to increase community understanding of the causes and impacts of climate change on Australia and to encourage participation in the development of the Carbon Pollution Reduction Scheme.

## DEFENCE

### Afghanistan — helicopter capability

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	3.0	-	-	-

The Government will provide \$3.0 million in 2008-09 as Australia's contribution to the United Kingdom led initiative to augment helicopter capability in Afghanistan. The contribution gives effect to a commitment made at the North Atlantic Treaty Organisation summit held in Bucharest in April 2008. The contribution will fund advanced pilot training and technical upgrades to enable more North Atlantic Treaty Organisation helicopters to be deployed to Afghanistan in support of International Security Assistance Force operations.

### Australian Strategic Policy Institute — continuation of funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	-	-	-	-

The Government will provide \$2.8 million in 2008-09 to support the work of the Australian Strategic Policy Institute.

The Australian Strategic Policy Institute produces independent analysis of defence and security issues relevant to Australia to support government decision-making on strategic and defence issues.

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

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Electronic countermeasures equipment**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Defence</i>	-	-	-	-	-

The Government will provide \$76.2 million (including capital funding of \$67.2 million) over two years from 2008-09 for electronic countermeasures equipment. This equipment is for the protection of Australian Defence Force personnel, including in Afghanistan and Iraq. The equipment will provide an enhanced level of protection against Improvised Explosive Devices.

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

**Iraq — contribution to international stabilisation activities**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	87.8	-	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-10.8	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Defence</i>	-	4.5	-	-	-

The Government will provide \$92.3 million in 2008-09 (including \$4.5 million for capital) for the net additional costs of extending Operation CATALYST until 30 June 2009. This operation is Australia's military contribution to stabilisation and reconstruction activities in Iraq.

This measure is expected to lead to a reduction in revenue of \$10.8 million in 2008-09 as Australian Defence Force personnel are taxed concessionally on their base pay and allowances while on deployment.

**Operations in the Middle East — relocation project**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	-	-	-	-

The Government will provide \$1.7 million over two years to deploy a project survey and negotiation team to the Middle East. The team will investigate options to relocate Australian Defence Force personnel supporting operations in Afghanistan and Iraq.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

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

**Timor-Leste — reduced Australian Defence Force presence**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Defence	-	-5.1	-	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	0.8	0.1	-	-

The Government has decided that the Australian Defence Force presence in Timor-Leste will be reduced to approximately 650 personnel by early 2009, reflecting improvements in the country's security situation. This reduction is expected to lead to a saving of \$5.1 million in 2008-09 in respect of allowances and logistics support costs.

This measure is expected to increase taxation revenue by \$0.9 million over two years, as Australian Defence Force personnel are taxed concessionally on their base pay and allowances while on deployment.

Further information can be found in the press release of 22 October 2008 issued by the Minister for Defence.

## EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

### Closing the Gap — Indigenous early childhood development — children and family centres

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	17.5	74.6	67.8	55.2
Department of Families, Housing, Community Services and Indigenous Affairs	-	-	-	-	-
Total	-	17.5	74.6	67.8	55.2

The Government will provide \$292.6 million over six years from 2008-09 (including \$38.8 million in both 2012-13 and 2013-14) to improve access to child care and early childhood services for Indigenous Australians. This measure will contribute to the establishment and operation of 15 new children and family centres in urban areas and will expand the Government's contribution to the establishment and operation of 20 centres in rural and remote communities that have high Indigenous populations. The centres will deliver integrated services that offer early learning, child care, and parenting and family support programs, and facilitate access to maternal and child health services and other support services. This will contribute to strengthening health and education outcomes for Indigenous children.

This measure forms part of a National Partnership agreement with the States and Territories, agreed by the Council of Australian Governments (COAG). Further information can be found in the COAG communiqué of 2 October 2008.

### Early childhood education and care — information for parents

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	2.6	1.9	-	-

The Government will provide \$4.5 million over two years from 2008-09 to improve the information available to parents on child care services through the establishment of the mychild.gov.au website. The information on the website will include the fees charged by services, service vacancies, quality and other information relevant to parents' decision making in selecting a suitable child care service.

Further information can be found in the press release of 22 October 2008 issued by the Minister for Education, Employment and Workplace Relations.

**Indigenous non-government school education programs — application of indexation**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	1.4	3.9	6.0	8.4

The Government will provide \$24.5 million over five years from 2008-09 (including \$4.8 million in 2012-13) to apply the Average Government School Recurrent Cost index to Indigenous-specific non-government school education programs. The programs affected, which include Supplementary Recurrent Assistance, Indigenous Tutorial Assistance Scheme, Whole of School Intervention Strategy – Homework Centre and English as a Second Language – Indigenous Language Speaking Students, are currently indexed under other arrangements.

The Average Government School Recurrent Cost index is applied to recurrent funding provided to government and non-government schools. The index is a schools specific index which is calculated annually based on average state government expenditure on schools.

This measure will form part of the new National Education Agreement with the States and Territories, to be negotiated by the Council of Australian Governments (COAG) for commencement on 1 January 2009.

**Indigenous secondary scholarships corporate partnership**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	-	12.5	2.5	5.0

The Government will provide \$20 million over three years from 2009-10 as a contribution towards secondary school scholarships for Indigenous students to attend boarding schools. The funds will be invested and managed by the Australians Indigenous Education Foundation, with additional funds which more than match the Government contribution expected to be raised from corporate, philanthropic and private sources over the life of the initiative.

The first scholarships will be provided in 2009 for the 2010 school year. Using the investment earnings, and capital funding as necessary, the Foundation aims to provide up to 2,000 scholarships to students of up to six years duration over the next two decades.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Maximum level of socio-economic status funding entitlement for non-government schools with a high proportion of Indigenous students**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	0.5	1.2	1.4	1.5

The Government will provide \$5.5 million over five years (including \$0.8 million in 2012-13) to ensure that the maximum level of socio-economic status funding is provided to non-government schools with high enrolments of Indigenous students. This will apply to schools with 80 per cent or more Indigenous student enrolments or to schools in very remote areas with 50 per cent or more Indigenous student enrolments. Eligibility for maximum funding in any calendar year will be based on the Indigenous student enrolment level in the previous calendar year.

See also the related savings measures titled *Transitional project assistance – National Indigenous Literacy and Numeracy Strategy – offset* and *Non-Government Schools Establishment Assistance – offset* in the Education, Employment and Workplace Relations portfolio.

**Non-Government Schools Establishment Assistance — offset**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	-0.5	-1.2	-1.4	-1.4

The Government will redirect funding from the Non-Government Schools Establishment Assistance program. This measure will provide savings of \$5.3 million over five years from 2008-09 (including \$0.7 million in 2012-13) to offset the Government's commitment to ensure that the maximum level of socio-economic status funding is provided to non-government schools with high enrolments of Indigenous students.

See also the related expense measure titled *Maximum level of socio-economic status funding entitlement for non-government schools with a high proportion of Indigenous students* and savings measure titled *Transitional project assistance – National Indigenous Literacy and Numeracy Strategy – offset* in the Education, Employment and Workplace Relations portfolio.

Appendix A: Policy decisions taken since the 2008-09 Budget

**Pacific Seasonal Worker Pilot Scheme — establishment**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Immigration and Citizenship	-	1.5	3.1	3.9	3.8
Department of Education, Employment and Workplace Relations	-	1.0	1.3	1.6	1.6
Office of the Workplace Ombudsman	-	0.5	1.0	1.4	1.5
Department of Foreign Affairs and Trade	-	0.4	0.4	0.3	0.3
<b>Total</b>	<b>-</b>	<b>3.4</b>	<b>5.8</b>	<b>7.2</b>	<b>7.2</b>
<i>Related revenue (\$m)</i>					
<i>Department of Immigration and Citizenship</i>	-	..	0.1	0.2	0.3

The Government will provide \$23.6 million over four years to support the Pacific Seasonal Worker Pilot Scheme. This measure will allow up to 2,500 workers from Kiribati, Tonga, Vanuatu and Papua New Guinea to be employed in the Australian horticulture sector over three years. The Government is conducting the pilot to examine whether a seasonal worker scheme could contribute to foreign aid objectives and assist Australian employers.

Further information can be found in the press release of 17 August 2008 issued by the Minister for Agriculture, Fisheries and Forestry.

**Productivity Places Program — 15,000 additional places**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	44.9	-	-	-

The Government will provide funding of \$44.9 million in 2008-09 to provide an additional 15,000 Job Seeker places, at the Certificate III level qualification, under the Productivity Places Program.

This measure increases the number of training places provided under the Skilling Australia for the Future initiative to 701,000 over the five years from 2007-08 to 2011-12 to ensure that Australians can develop the skills that industry needs. See also the related expense measure titled *Productivity Places Program – 56,000 additional Places* in the Education, Employment and Workplace Relations portfolio.

Further information can be found in the press releases of 10 September 2008 and 17 September 2008 issued by the Minister for Education, Employment and Workplace Relations.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Transitional project assistance — National Indigenous Literacy and Numeracy Strategy — offset**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Education, Employment and Workplace Relations	-	-	-	-	-0.1

The Government will redirect funding from the National Indigenous Literacy and Numeracy Strategy program. This measure will provide savings of \$0.2 million over two years from 2011-12 (including \$0.1 million in 2012-13) to offset the Government's commitment to ensure that the maximum level of socio-economic status funding is provided to non-government schools with high enrolments of Indigenous students.

See also the related expense measure titled *Maximum level of socio-economic status funding entitlement for non-government schools with a high proportion of Indigenous students* and savings measure titled *Non-Government Schools Establishment Assistance – offset* in the Education, Employment and Workplace Relations portfolio.

## ENVIRONMENT, WATER, HERITAGE AND THE ARTS

### Solar Homes and Communities Plan — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Environment, Water, Heritage and the Arts	-	101.0	-33.0	-	-

The Government will bring forward funding of \$48.8 million from 2009-10 to 2008-09 and provide additional funding of \$68.0 million over two years to meet the increased demand for household rebates under the Solar Homes and Communities Plan. The program provides rebates of up to \$8,000 for the installation of solar power panels in homes and grants for up to half the cost of a 2 kilowatt system for community buildings.

## FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS

### Retention of current fringe benefit tax treatment for family assistance customers

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Families, Housing, Community Services and Indigenous Affairs	-	57.5	59.0	60.5	62.1
Department of Education, Employment and Workplace Relations	-	4.3	4.4	4.5	4.6
Centrelink	-	0.3	-	-	-
Total	-	62.1	63.4	65.0	66.7

The Government has decided not to proceed with a component of the measure *Child Support Reforms – aligning income definitions* announced in the 2006-07 Budget. This component would have changed the way fringe benefits are assessed for the purpose of calculating adjusted taxable income to determine eligibility for personal benefit payments (such as Family Tax Benefit). It would have meant that the calculation of adjusted taxable income was based on what the employee would have to earn in after-tax income to afford the fringe benefit (the grossed-up value), rather than the value of the fringe benefit itself (the net value). The measure was scheduled to commence from 1 July 2008.

The use of the net value of the fringe benefit will be retained in the definition of adjusted taxable income for family assistance.

The Government has requested that the Australia's Future Tax System Review examine the complexity of existing fringe benefit arrangements and make recommendations to improve equity and simplicity in the longer term.

This measure will cost \$257.2 million over four years, and includes Centrelink funding of \$0.3 million in 2008-09.

Further information can be found in the press release of 26 June 2008 issued by the Minister for Families, Housing, Community Services and Indigenous Affairs.

## FINANCE AND DEREGULATION

### Australian Government Superannuation Schemes — consolidation of governance and administration arrangements

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Finance and Deregulation	-	2.8	-	-	-
Comsuper	-	0.3	0.8	-	-
Total	-	3.2	0.8	-	-

The Government will provide \$1.1 million to the Australian Reward Investment Alliance, the Military Superannuation and Benefits Board and the Defence Force Retirement and Death Benefits Authority (with funding provided via ComSuper) to cover the costs of consolidating these existing trustee arrangements to become one trustee board from 1 July 2010.

The Government will also provide \$2.8 million to the Department of Finance and Deregulation to review the current administration arrangements relating to the main civilian and military schemes, including long term information technology requirements.

See also the related capital measure titled *Australian Government Superannuation – termination of information technology project* in the Finance and Deregulation portfolio.

Further information can be found in the joint press release of 31 October 2008 issued by the Minister for Finance and Deregulation and the Minister for Superannuation and Corporate Law.

### Government communications advice

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Finance and Deregulation	-	1.3	1.7	1.7	1.8
Australian National Audit Office	-	0.6	0.6	0.6	0.6
Total	-	1.9	2.3	2.4	2.4

The Government will provide \$8.9 million over four years to establish new guidelines and governance structures to oversee government campaign advertising.

The measure includes funding of \$6.5 million over four years for the Department of Finance and Deregulation to establish a Communications Advice Branch to support agencies in developing advertising campaigns.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

Funding of \$2.5 million over four years will be provided to the Australian National Audit Office for the Auditor-General to provide a report to responsible Ministers on compliance with the guidelines for advertising campaigns with expenditure in excess of \$250,000 (and campaigns of less than \$250,000 if requested by Ministers).

Further information can be found in the press release of 2 July 2008 issued by the Minister for Finance and Deregulation and the Special Minister of State.

**National intergovernmental telepresence system**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Finance and Deregulation	-	3.2	4.2	2.4	2.4
<i>Related revenue (\$m)</i>					
Department of Finance and Deregulation	-	0.4	1.4	1.4	1.4
<i>Related capital (\$m)</i>					
Department of Finance and Deregulation	-	6.1	..	..	..

The Government will provide \$13.8 million over four years (including \$6.2 million in capital funding) to establish a national intergovernmental telepresence system between the Commonwealth and the states and territories. The proposal will provide high-quality, secure telepresence video facilities connecting the Commonwealth and state and territory governments. The system will be used in inter-jurisdictional meetings, including Council of Australian Governments (COAG) and Ministerial Council meetings.

The telepresence system will reduce interstate travel, thereby reducing travel costs and greenhouse gas emissions and improving productivity.

The proposal also includes \$4.6 million over four years in funding to be provided by the states and territories in relation to the system.

**Property management — improved framework**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Finance and Deregulation	-	1.8	-	-	-

The Government will provide \$1.8 million in 2008-09 in order to develop the Commonwealth Property Management Framework. The Framework will outline a whole of government policy and governance arrangements that will improve coordination and property-specific planning and enhance the Government's property management capability.

## FOREIGN AFFAIRS AND TRADE

### Asia Pacific Community — regional consultations

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	0.5	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	..	-	-	-

The Government will provide \$0.5 million in 2008-09 for the initial regional consultations phase of the proposal to create an Asia Pacific Community. The establishment of an Asia Pacific Community would enable regional, political, economic and security dialogue, and where agreed, common action. Regional consultations, led by a high-level envoy Mr Richard Woolcott AC, are being held in 2008-09 to obtain regional views in relation to the Asia Pacific Community.

Further information can be found in the transcript of the Prime Minister's speech of 4 June 2008.

### Australian Embassy to the Holy See — appointment of a resident Ambassador

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	1.5	2.2	2.2	2.2
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	3.4	-	-	..

The Government will provide \$11.5 million over four years (including \$3.4 million in capital funding in 2008-09) for the appointment of a resident Ambassador to the Holy See and the establishment of a new Chancery. The appointment will deepen Australia's relations with the Vatican and facilitate dialogue in areas including human rights, political and religious freedom, food security, arms control, refugees and anti-people trafficking.

Further information can be found in the press release of 21 July 2008 issued by the Prime Minister.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Bali Democracy Forum — Australian contribution**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	1.9	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	0.1	-	-	-

The Government will provide \$1.9 million in 2008-09 (including \$50,000 in capital funding in 2008-09) to contribute to the costs of organising the initial regional democracy forum in Bali in late 2008. The forum will be co-chaired by Indonesia and Australia. The forum aims to support emerging democracies in the region and strengthen existing democratic institutions. This measure is part of the Government's commitment to increase Australia's overseas development assistance. Funding will be partially assigned (\$1.3 million in 2008-09) from the unallocated provision for expanded aid funding held in the Contingency Reserve.

Further information can be found in the transcript of the Prime Minister's joint press conference with the President of the Republic of Indonesia on 13 June 2008.

**Fiji — upgrade of security at Australian High Commission**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	0.5	0.5	0.5	0.5
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	3.0	-	-	-

The Government will provide \$4.9 million over four years (including \$3.0 million in capital funding in 2008-09) to improve security for the Australian High Commission and staff in Fiji.

Further information can be found in the press release of 20 May 2008 issued by the Minister for Foreign Affairs.

**International Commission on Nuclear Non-Proliferation and Disarmament — establishment**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	3.5	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	0.2	-	-	-

The Government will provide \$3.8 million in 2008-09 (including \$0.2 million in capital funding in 2008-09) to establish the International Commission on Nuclear Non-Proliferation and Disarmament. The Commission, which will be co-chaired by Australia and Japan, aims to reinvigorate the global effort against the proliferation of nuclear weapons, and to strengthen the Nuclear Non-Proliferation Treaty by seeking to shape a global consensus in the lead-up to the 2010 Nuclear Non-Proliferation Treaty Review Conference.

Further information can be found in the press release of 9 July 2008 issued by the Prime Minister.

**Pacific Engagement Strategy — implementation**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	1.3	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	0.3	-	-	-

The Government will provide \$1.6 million in 2008-09 (including \$0.3 million in capital funding in 2008-09) to implement its Pacific Engagement Strategy. The strategy involves negotiating Partnerships for Development with Pacific island countries and seeking to secure Pacific Island Forum countries' formal agreement to commence negotiation of a comprehensive free trade agreement between Australia and New Zealand and Forum island countries.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Special Envoy — Whale Conservation**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	0.3	-	-	-
Department of the Environment, Water, Heritage and the Arts	-	0.1	-	-	-
Total	-	0.3	-	-	-

The Government will provide \$0.3 million in 2008-09 to meet the costs of engaging and supporting Australia's Special Envoy for Whale Conservation, Mr Sandy Hollway AO. The engagement of a Special Envoy will intensify Australia's diplomatic efforts to bring an end to lethal scientific and commercial whaling.

Further information can be found in the press release of 20 October 2008 issued by the Minister for the Environment, Heritage and the Arts.

**United Nations Security Council — candidacy**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	1.9	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	0.1	-	-	-

The Government will provide \$1.9 million in 2008-09 (including \$0.1 million in capital funding in 2008-09) to support initial efforts promoting Australia's candidacy for a non-permanent seat on the United Nations Security Council for the 2013-14 term. The candidacy demonstrates the Government's commitment to the United Nations. Membership of the United Nations Security Council will give Australia a greater ability to shape international responses to security issues.

**World Bank Clean Technologies Fund — Australia's contribution**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
AusAID	-	100.0	-	-	-

The Government will contribute \$100.0 million to the World Bank's Clean Technology Fund. The Clean Technology Fund will help fund transformative investment by developing countries in low carbon technologies in the transportation and power sectors, and energy efficiency in buildings, industry and agriculture, by offering development finance at highly concessional rates.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

This measure is part of the Government's commitment to increase Australia's overseas development assistance tackling Climate Change internationally. Funding will be assigned from the unallocated provision for expanded aid funding held in the Contingency Reserve.

**World Bank Global Food Crisis Trust Fund — Australia's contribution**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
AusAID	-	50.0	-	-	-

The Government will contribute \$50.0 million in 2008-09 to the World Bank's Global Food Price Crisis Response Core Multi-Donor Trust Fund. This fund will be used to help stimulate agricultural production in developing countries adversely affected by higher global food prices. Activities of the Multi-Donor Trust Fund will include improving access for small farmers to seeds and fertilisers for the upcoming planting season.

This measure is part of the Government's commitment to increase Australia's overseas development assistance. 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 13 July 2008 issued by the Minister for Foreign Affairs.

## HEALTH AND AGEING

### Antenatal care for Indigenous women — increasing access

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	-	15.4	20.2	23.3

The Government will provide \$108.4 million over five years (including \$24.3 million in 2012-13 and \$25.3 million in 2013-14) to facilitate improved access to antenatal care for Indigenous women. Payments to the states and territories will enable each jurisdiction to analyse local barriers to access and reform their service delivery arrangements to address these barriers. The funding will also enable jurisdictions to promote the importance of early antenatal care, provide incentives to health service providers to identify young Indigenous expectant mothers, and support young Indigenous women to make informed decisions about their sexual and reproductive health.

This measure will complement existing Commonwealth programs such as Healthy for Life, Health@Home, and Child and Maternal Health Services which aim to increase the availability and quality of child and maternal health services for Indigenous Australians.

This measure forms part of a National Partnership agreement with the States and Territories, which has been agreed by the Council of Australian Governments (COAG). Further information can be found in the COAG communiqué of 2 October 2008.

### Health and Hospital Reform — additional places for the Prevocational General Practice Placement Program

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	-	-	-	-

The Government will provide an additional \$7.5 million in 2008-09 to increase the number of places available under the *Prevocational General Practice Placement Program*. The *Prevocational General Practice Placement Program* provides opportunities for junior doctors to gain clinical experience in primary care with the aim of encouraging them to take up general practice as a career. This measure will enable approximately 80 more places to be offered under the program in response to increased demand for these training positions. This measure will be funded under the 2008-09 Budget measure *Better Outcomes for Hospitals and Community Health*.

Appendix A: Policy decisions taken since the 2008-09 Budget

Further information can be found in the press release of 22 September 2008 issued by the Minister for Health and Ageing.

**Life Saving Drugs Program — funding for Elaprase® (idursulfase)**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	4.2	8.0	8.5	8.9

The Government will add Elaprase® (idursulfase) to the *Life Saving Drugs Program* for the treatment of Mucopolysaccharidosis Type II, from 1 December 2008, at an estimated cost of \$29.6 million over four years.

Mucopolysaccharidosis Type II is an extremely rare life threatening enzyme deficiency disorder that progressively affects multiple organ systems and tissues. Elaprase® will be made available to those eligible under approved treatment guidelines. The Pharmaceutical Benefits Advisory Committee determined that Elaprase® was clinically effective but did not meet the necessary cost-effectiveness requirements to be listed on the Pharmaceutical Benefits Scheme.

The average cost per patient through the listing of Elaprase® on the *Life Saving Drugs Program* is approximately \$636,500 per year.

Further information can be found in the press release of 29 August 2008 issued by the Minister for Health and Ageing.

**Medicare Benefits Schedule — new and revised listings**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	9.6	13.4	13.9	14.3
Department of Veterans' Affairs	-	0.4	0.4	0.4	0.4
Medicare Australia	-	0.1	0.1	0.1	0.1
Total	-	10.1	13.9	14.4	14.8

The Government has added new and revised items to the Medicare Benefits Schedule and Veterans' benefits at an estimated cost of \$53.1 million over four years. These changes include:

- revised items for diagnosing and monitoring patients with colon, skin and ovarian cancer;
- new items for diagnosing and monitoring patients at risk of developing breast cancer;

*Appendix A: Policy decisions taken since the 2008-09 Budget*

- new items for diagnosing and monitoring patients receiving chronic hepatitis B viral treatment;
- a new item for diagnosing and monitoring patients at risk of developing heart failure;
- new and revised items for anaesthetists; and
- revised items for providing temporary pain relief for cerebral palsy patients with foot deformities.

Further information is available in the summary of changes included in the 1 November 2008 Medicare Benefits Schedule issued by the Department of Health and Ageing.

**National Breast Cancer Foundation — cohort study**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Cancer Australia	-	-	-	-	-

The Government will provide \$2.5 million over five years (including \$0.5 million in 2012-13) to the National Breast Cancer Foundation to assist in the establishment of a national cohort study. The study will seek information from up to 100,000 Australian women to support a wide range of breast cancer projects, with the aim of reducing the impact of breast cancer in the community.

The funding for this measure will be managed by Cancer Australia. The cost will be met from within the existing resourcing of the Department of Health and Ageing.

Further information can be found in the press release of 1 October 2008 issued by the Minister for Health and Ageing.

**National Immunisation Program — purchase of vaccines**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	2.2	0.3	-	-

The Government will provide \$2.6 million over two years to change the way in which vaccines are purchased for distribution under the National Immunisation Program. Under the National Immunisation Program, the Australian Government provides funding to State and Territory governments for the purchase of vaccines listed on the National Vaccine Schedule. The state and territory governments arrange for these vaccines to be provided free of charge to eligible patients.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

From 1 July 2009, under the new arrangements, the Commonwealth will purchase the vaccines centrally for distribution to the states and territories. The new arrangements are expected to generate savings in the medium term through competitive tendering for the supply of vaccines. Funding will be provided to the Department of Health and Ageing to enable it to implement the changes, including management of the tender process.

**Organ and tissue donation — national plan to increase organ donation and save lives**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	17.4	37.7	39.0	40.4
<i>Related capital (\$m)</i>					
<i>Department of Health and Ageing</i>	-	1.9	-	-	-

The Government will provide \$151.1 million over four years to increase the number of life-saving organ donation transplants in Australia. This comprehensive set of reforms includes establishing the Australian Organ and Tissue Donation and Transplantation Authority. The Australian Organ and Tissue Donation and Transplantation Authority, to be established on 1 January 2009, will coordinate clinicians and other hospital staff dedicated to organ and tissue donation in hospitals across Australia; oversee a new national network of state and territory organ and tissue donation agencies; lead ongoing community awareness programs about organ and tissue donation and transplantation; and work with clinicians and professional organisations in developing clinical practice protocols and standards. The package will also fund:

- dedicated organ donation specialist doctors and other staff to work closely with emergency department and intensive care unit teams in selected public and private hospitals across Australia;
- additional staffing, bed and infrastructure costs associated with organ donation in hospitals;
- raising community awareness and building public confidence in organ donation and transplantation; and
- counselling and support of potential donor families.

The new national reform package includes additional funding of \$136.4 million over four years.

Further information can be found in the joint press release of 18 September 2008 issued by the Prime Minister, the Minister for Health and Ageing, and the Parliamentary Secretary to the Minister for Health and Ageing.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Pharmaceutical Benefits Scheme — changes to the administration of funding for Highly Specialised Drugs**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Medicare Australia	-	1.0	2.0	1.7	1.6
Department of Health and Ageing	-	-	-2.8	-8.0	-14.0
Total	-	1.0	-0.8	-6.3	-12.5
<i>Related capital (\$m)</i>					
Medicare Australia	-	1.1	0.2	-	-

The Government will provide \$7.6 million over four years to Medicare Australia to introduce and administer a new payment system for claims under the Highly Specialised Drugs Program. This measure is expected to provide net savings of \$17.2 million over four years as a result of increased compliance for the prescribing of medications and correct application of patient co-payments made possible through Medicare Australia's online processing, allowing real time patient eligibility checking.

Currently a majority of claims for the use of highly specialised drugs by public hospitals are submitted via state and territory governments to the Australian Government. From 1 July 2009, under the new arrangements both public and private hospitals will directly submit claims to the Australian Government through Medicare Australia.

**Pharmaceutical Benefits Scheme — extension of access to the safety net to include couples separated by illness**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	0.1	1.0	1.0	1.0
Department of Veterans' Affairs	-	..	0.1	0.1	0.1
Total	-	0.1	1.1	1.1	1.1

The Government will provide \$3.4 million over four years to extend joint access to the Pharmaceutical Benefits Scheme safety net benefits to couples living apart due to illness. In Australia, approximately 24,000 couples need to live apart due to the need for at least one member of the couple to receive medical treatment and support. This measure will ensure that these couples receive the same benefits they would otherwise be entitled to if they were living together.

**Pharmaceutical Benefits Scheme — extension to the listing of Humira® (adalimumab)**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	14.6	26.6	40.1	50.7
Department of Veterans' Affairs	-	0.3	0.5	0.6	0.7
Medicare Australia	-	0.1	0.1	0.2	0.2
<b>Total</b>	-	<b>14.9</b>	<b>27.2</b>	<b>40.9</b>	<b>51.6</b>
<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 extended the listing of Humira® (adalimumab) on the Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme from 1 August 2008 at an estimated cost of \$134.6 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 offsets to the gross cost of Humira®.

The extension of the listing will provide subsidised access for adults who suffer from moderate to severe Crohn's disease and who are unresponsive to treatment with conventional therapy. Crohn's disease is an inflammatory disorder of the gastrointestinal tract.

Each patient requires approximately 13 scripts per year resulting in an annual average cost to the Pharmaceutical Benefits Scheme of approximately \$21,300 per patient. General consumers will pay a \$31.30 co-payment per prescription and concession card holders will pay a \$5.00 co-payment per prescription.

Further information can be found in the press release of 1 August 2008 issued by the Minister for Health and Ageing.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Pharmaceutical Benefits Scheme — minor new listings**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	17.0	21.5	23.7	26.1
Department of Veterans' Affairs	-	1.2	1.5	1.6	1.7
Medicare Australia	-	0.4	0.3	0.2	0.2
Total	-	18.5	23.3	25.5	28.0

The Government has agreed to a number of minor new listings on the Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme since the 2008-09 Budget, at a cost of \$95.3 million over four years. This includes funding for administering payments through Medicare Australia.

The minor new listings (including extensions to current 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 \$10.0 million per annum.

Minor new listings include:

- Fludara® for the treatment of advanced or progressive B-cell chronic lymphocytic leukaemia;
- Tarceva® for the treatment of non-small cell lung cancer; and
- Glivec® for the treatment of patients with four types of rare, potentially cancerous diseases.

Further information can be found in the press releases of 1 August 2008, 1 September 2008 and 1 October 2008 issued by the Minister for Health and Ageing and the updates to the Schedule of Pharmaceutical Benefits issued by the Department of Health and Ageing.

**Pharmaceutical Benefits Scheme and National Diabetes Services Scheme — extension of access to government employees living overseas**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	0.3	0.3	0.3	0.3
Medicare Australia	-	..	..	..	..
Total	-	0.3	0.3	0.3	0.3

The Government will provide \$1.2 million over four years to extend access to medicines and diabetes supplies subsidised under the Pharmaceutical Benefits and National Diabetes Services Schemes to government employees who are working overseas and their partners and dependants who are living with them.

This measure will allow government employees to continue to receive benefits that they would otherwise be entitled to were they living in Australia. Approximately 3,000 people are expected to benefit each year, including members of the Australian Federal Police and eligible family of Australian Defence Force members.

**Reciprocal health care agreement with Slovenia**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-	..	..	..	..

The Government will provide \$28,000 over four years from 2008-09 to cover health care costs for visitors from Slovenia under a reciprocal health care arrangement.

The reciprocal health care agreement between Australia and Slovenia will allow visitors from Slovenia to be eligible for Medicare assistance for immediate necessary medical treatment in Australia, with reciprocal arrangements applying to Australian visitors to Slovenia.

## HUMAN SERVICES

### Fraud and non-compliance — Department of Human Services coordination

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Human Services	-	0.3	0.7	0.7	0.7

The Government will provide \$2.3 million over four years to enable the Department of Human Services to coordinate a more strategic approach to managing fraud and non-compliance detection and prevention activities across Australian Government social, health and welfare payments. This proposal will enable the Department of Human Services to monitor the performance of existing activities and develop strategies to address new or emerging fraud and compliance risks.

The establishment of a central coordination role will improve the efficiency and effectiveness of all fraud and non-compliance measures across social, health and welfare payments through centralisation of compliance planning and increased flexibility in the deployment of compliance resources.

## IMMIGRATION AND CITIZENSHIP

### Australian Multicultural Advisory Council — establishment

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Immigration and Citizenship	-	-	-	-	-

The Government will provide \$1.2 million over four years to establish an Australian Multicultural Advisory Council. The Council will provide advice to the Government on social cohesion matters relating to cultural and religious diversity; overcoming intolerance and racism in Australia; communicating the social and economic benefits of Australia's cultural diversity to the broad community; and social and civic participation of migrants in Australian society.

The cost of this measure will be met from within the existing resources of the Department of Immigration and Citizenship.

### Non-statutory refugee status assessment process — improvement

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Immigration and Citizenship	-	1.1	0.7	0.7	0.7
Office of the Commonwealth Ombudsman	-	0.3	0.3	0.2	0.2
<b>Total</b>	-	<b>1.3</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Citizenship</i>	-	0.2	-	-	-

The Government will provide \$4.2 million over four years (including \$0.2 million capital funding in 2008-09) to improve the non-statutory refugee status assessment process that applies to people who arrive unauthorised at an excised place (Australian territory excised from the Migration Zone for the purposes of applying for a visa, under the *Migration Act 1958*). This measure will strengthen procedural guidance for decision makers and introduce an independent advice and merits review process.

This measure also includes the establishment of an independent review panel and extends the existing Immigration Advice and Application Assistance Scheme.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**Work and Holiday visa — expansion**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Immigration and Citizenship	-	..	..	..	..
<i>Related revenue (\$m)</i>					
<i>Department of Immigration and Citizenship</i>	-	0.3	0.3	0.3	0.3

The Government will provide \$0.1 million over four years to expand capped annual Work and Holiday visa (Subclass 462) places with Chile and Thailand; and introduce new reciprocal Work and Holiday visa arrangements with Indonesia, Papua New Guinea and Malaysia.

The Work and Holiday visa allows tertiary students and young professionals, aged 18 to 30 years, from partner countries to work and travel in Australia for up to 12 months. Reciprocal arrangements apply for young Australians. The capped annual places have been increased for Chile (from 1,000 to 1,500) and Thailand (from 200 to 500). The new reciprocal arrangements with Indonesia, Papua New Guinea and Malaysia will be capped at 100 places per year.

The costs of this measure will be offset by an increase in Visa Application Charge revenue of \$1.3 million over four years.

Further information can be found in various press releases issued by the Minister for Immigration and Citizenship and the Minister for Foreign Affairs.

## INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

### Transport review — heavy vehicles, rail safety and maritime safety

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Infrastructure, Transport, Regional Development and Local Government	-	4.7	-	-	-

The Government will provide \$4.5 million in 2008-09 for regulatory impact assessments of the proposed development of single national regulatory systems within the transport sector to cover heavy vehicles (including registration and licensing), maritime safety and rail safety. The Council of Australian Governments will consider these assessments at its first meeting in 2009. This measure also includes \$0.2 million for the initial set up costs of a National Road Safety Council.

Further information can be found in the press release of 25 July 2008 issued by the Minister for Infrastructure, Transport, Regional Development and Local Government.

## INNOVATION, INDUSTRY, SCIENCE AND RESEARCH

### Australian Laureate Fellowships

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Research Council	-	-	-	-	-

The Government will provide \$239.0 million over five years to establish the Australian Laureate Fellowships scheme to attract researchers of international repute to Australia to conduct research of significant national economic, environmental, cultural and social benefit. The cost of this measure will be met from within existing resources of the Federation Fellowships program, which the Australian Laureate Fellowships scheme replaces.

Australian Laureate Fellows will receive a salary supplement from the Australian Research Council of around \$100,000 per annum and be supported for a period of up to five years. The Australian Research Council may also provide Australian Laureate Fellows with project funding of up to \$300,000 per annum and additional funding to appoint up to two postdoctoral research associates and up to two postgraduate researchers.

Further information can be found in the press release of 3 September 2008 issued by the Minister for Innovation, Industry, Science and Research.

### Automotive Components Limited (ACL Bearings) — additional assistance

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Innovation, Industry, Science and Research	-	-	-	-	-

The Government provided \$2.0 million in 2007-08 to ACL Bearings to enable the company to implement a strategy for restructuring and improving efficiency that was developed by Automotive Supplier Excellence Australia. The company is Australia's sole manufacturer of precision engine bearings.

The cost of this measure was met from within the existing resourcing of the Department of Innovation, Industry, Science and Research.

**Global financial crisis — assistance for small businesses**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Innovation, Industry, Science and Research	-	2.0	2.0	-	-

The Government will provide an additional \$4.0 million over two years for the Business Enterprise Centres program and for other registered business organisations to provide small businesses with support and advice, particularly during the global financial crisis. The Business Enterprise Centres, which received additional funding in the 2008-09 Budget, will provide advice on how to set up a business, public liability insurance, GST bookkeeping, marketing and sales promotion.

Further information can be found in the press release of 24 October 2008 issued by the Prime Minister and the Minister for Small Business, Independent Contractors and the Service Economy.

**Green Car Innovation Fund — Toyota Australia**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Innovation, Industry, Science and Research	-	-	20.0	15.0	-

The Government will provide \$35.0 million to Toyota Australia to assist with the manufacture of hybrid Camrys in Australia from 2010.

The cost of this measure will be met by bringing forward funding from the Green Car Innovation Fund to 2009-10 and 2010-11. This will reduce existing funding for the Green Car Innovation Fund by \$8.75 million per year from 2012-13 onwards. See also the related 2008-09 Budget expense measure titled *Tackling Climate Change – Green Car Innovation Fund* in the Climate Change portfolio.

Further information can be found in the transcript of the press conference of 10 June 2008 held by the Prime Minister and the Minister for Innovation, Industry, Science and Research.

*Appendix A: Policy decisions taken since the 2008-09 Budget*

**North East Tasmania development program**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Innovation, Industry, Science and Research	-	-	-	-	-

The Government will provide \$4.0 million over two years to establish the North East Tasmania Innovation and Investment Fund (\$3.7 million) and the North East Tasmania Micro Credit Scheme (\$0.3 million). The North East Tasmania Innovation and Investment Fund will be aimed at projects creating sustainable employment opportunities, particularly for those workers displaced due to the closure of Auspine's Tonganah sawmill. The North East Tasmania Micro Credit Scheme will be administered by the Tasmanian government on behalf of the Commonwealth. This Scheme will provide small grants to potential and existing business operators wishing to develop new business opportunities or expand existing businesses – particularly initiatives that involve value adding to the region's timber resources. The Tasmanian government will provide an additional \$0.3 million in 2009-10 for the Scheme.

The cost of this measure will be met from the existing resourcing of the Scottsdale Innovation and Community Development Fund Program which the North East Tasmania Innovation and Investment Fund and North East Tasmania Micro Credit Scheme replaces.

Further information can be found in the press release of 13 August 2008 issued by the Minister for Innovation, Industry, Science and Research.

## PRIME MINISTER AND CABINET

### Australia Day 2009 events — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of the Prime Minister and Cabinet	-	0.9	-	-	-

The Government will provide \$0.9 million in 2008-09 to enable the National Australia Day Council to provide the Australia Day Live Concert and other Australia Day activities in the national capital on 25 and 26 January 2009. The concert is the centrepiece of the Australia Day celebrations in Canberra and has contributed to the increased national profile of the Australian of the Year Awards.

### Old Parliament House — establishment as an Executive Agency

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Old Parliament House	-	2.6	2.1	2.1	2.1
<i>Related capital (\$m)</i>					
<i>Old Parliament House</i>	-	0.6	0.1	-	-

The Government will provide \$9.7 million (including capital funding of \$0.7 million) over four years for the establishment of Old Parliament House as an Executive Agency. Old Parliament House was previously part of the Department of the Environment, Water, Heritage and the Arts.

This measure includes funding for Old Parliament House to improve its education and public programs.

## RESOURCES, ENERGY AND TOURISM

### Ethanol Distribution Program — additional funding

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Resources, Energy and Tourism	-	6.0	-	-	-

The Government will provide additional funding of \$6.0 million in 2008-09 for the Ethanol Distribution Program to meet higher than expected demand for grant payments under the program. The Ethanol Distribution Program provides grants of up to \$20,000 for retail service stations as a contribution towards the cost of installing or converting the infrastructure necessary to supply ethanol blended petrol, and thus encouraging the take-up of those fuels.

### Global Carbon Capture and Storage Institute

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Resources, Energy and Tourism	-	100.0	100.0	100.0	100.0

The Government will provide \$400.0 million over four years to establish a Global Carbon Capture and Storage Institute. The Global Carbon Capture and Storage Institute will accelerate the take up of carbon capturing projects by facilitating demonstration projects and identifying and supporting necessary research on related topics including regulatory settings and frameworks. Details of the Global Carbon Capture and Storage Institute and its operations will be developed in consultation with stakeholders that have an interest in carbon capture and storage, including foreign governments, industry and various international bodies.

Part of this measure will be funded from the redirection of funds from the *National Low Emission Coal Initiative* (formerly known as the *National Clean Coal Fund*). See also the related expense measure titled *National Low Emission Coal Initiative* in the Resources, Energy and Tourism portfolio.

Further information can be found in the press release of 19 September 2008 issued by the Prime Minister and the Minister for Resources, Energy and Tourism.

Appendix A: Policy decisions taken since the 2008-09 Budget

**National Low Emission Coal Initiative**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Resources, Energy and Tourism	-	-6.3	-18.8	-18.8	-20.0

The Government will redirect funding of \$100.0 million over seven years (including \$20.0 million in 2012-13 and \$15.2 million in 2013-14) from the National Low Emission Coal Initiative (formerly known as the *National Clean Coal Fund*), to fund the initial cost of establishing the Global Carbon Capture and Storage Institute.

The National Low Emission Coal Initiative, detailed in the 2008-09 Budget, will provide funding of \$500 million over eight years to support clean coal and advanced fossil fuel technology development. See also the related expense measure titled *Global Carbon Capture Storage Institute* in the Resources, Energy and Tourism portfolio.

Further information can be found in the press release of 19 September 2008 issued by the Prime Minister and the Minister for Resources, Energy and Tourism.

**Queensland tourism — additional assistance**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Resources, Energy and Tourism	-	2.0	-	-	-
Tourism Australia	-	2.0	-	-	-
Total	-	4.0	-	-	-

The Government will provide \$4.0 million in 2008-09 to assist the Queensland tourism industry. The Queensland government will match the Commonwealth contribution with a further \$4.0 million to implement the measure. Assistance provided will be used to fund marketing initiatives that will help generate sustainable growth for the tourism industry in Queensland and particularly the Tropical North Queensland region.

Further information can be found in the press release of 11 June 2008 issued by the Minister for Resources, Energy and Tourism.

## TREASURY

### Council of Australian Governments — implementing a national approach to the regulation of consumer credit

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Securities and Investments Commission	-	1.6	12.7	25.6	25.9
Department of the Treasury	-	1.0	1.0	0.8	0.7
<b>Total</b>	<b>-</b>	<b>2.6</b>	<b>13.8</b>	<b>26.4</b>	<b>26.6</b>
<i>Related revenue (\$m)</i>					
Australian Securities and Investments Commission	-	*	*	*	*
<i>Related capital (\$m)</i>					
Australian Securities and Investments Commission	-	0.8	-	-	-

The Government will provide \$70.2 million over four years (including \$0.8 million in capital funding in 2008-09) to implement the decision of the Council of Australian Governments (COAG) to transfer responsibility for regulating all consumer credit to the Commonwealth. The *Corporations Act 2001*, *Australian Securities and Investments Act 2001* and *Trade Practices Act 1974* will be amended where necessary to establish a uniform consumer credit law, replacing regulation in six States and two Territories. This will establish a national licensing regime applying to all credit providers, advisers and brokers with the Australian Securities and Investments Commission as the sole regulator. It will also regulate mortgages, margin lending, personal and business loans, credit cards and pay day lending.

The funding for this measure will be partially offset by revenue raised from licensing fees from 2009-10.

An implementation plan to give effect to the transfer of regulatory responsibility to the Commonwealth was agreed by COAG in October 2008.

Further information can be found in the press releases of 3 July 2008 and 3 October 2008 issued by the Minister for Superannuation and Corporate Law.

**Global financial crisis — additional funding for regulators and the Treasury**

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Securities and Investments Commission	-	10.0	20.0	-	-
Australian Prudential Regulation Authority	-	9.0	18.5	9.0	9.0
Department of the Treasury	-	2.5	5.0	-	-
Total	-	21.5	43.5	9.0	9.0

The Government will provide \$83.0 million over four years to ensure Australia's financial regulators continue to have the resources to maintain the strength of Australia's financial system during the global financial crisis.

This measure will enable the Australian Prudential Regulation Authority to meet the increased demands being placed on it to undertake a range of additional supervisory activities including stress-testing, reviews of funding plans and responding to applications from entities seeking to become authorised deposit-taking institutions.

The measure will provide the Australian Securities and Investments Commission with additional front-line resources to undertake market monitoring and enforcement activities in order to build confidence in the soundness and integrity of Australia's financial markets.

The measure will also allow the Department of the Treasury to ensure Australia's regulatory environment continues to be world's best practice and to pursue reform of the global financial architecture.

Further information can be found in the press release of 28 October 2008 issued by the Prime Minister and the Treasurer.

## VETERANS' AFFAIRS

### Partner Service Pension — age related arrangements for married partners of veterans who are separated but not divorced

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Veterans' Affairs	-	4.2	9.4	10.4	11.5
Department of Families, Housing, Community Services and Indigenous Affairs	-	-4.2	-9.4	-10.4	-11.5
Total	-	-	-	-	-

The Government will provide \$35.6 million over four years to ensure that separated but not divorced partners of veterans, who have reached Age Pension age (65 years for men and 63.5 years for women), remain eligible for the Partner Service Pension.

The cost of this measure will be offset from within existing resourcing of the Department of Families, Housing, Community Services and Indigenous Affairs, as these separated but not divorced partners of veterans will no longer need to transfer to the Age Pension.

This measure modifies the 2008-09 Budget measure *Partner Service Pension – cease payment to married partners who are separated but not divorced*.

### Partner Service Pension — arrangements for the partners of seriously disabled veterans

Expense (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Veterans' Affairs	-	0.1	0.2	0.4	0.5

The Government will provide \$1.2 million over four years to allow partners of the most seriously disabled veterans to continue to be able to access the Partner Service Pension at the age of 50 years. This includes partners of veterans who receive less than the Special Rate of the Disability Pension but more than the General Rate of the Disability Pension, or who receive the Temporarily Totally Incapacitated Special Rate of the Disability Pension, and those assessed at 80 or more impairment points under the *Military Rehabilitation and Compensation Act 2004*. This measure will take effect from 1 January 2009 and recognises the significant caring role often undertaken by the partners of seriously disabled veterans.

This modifies the 2008-09 Budget measure *Partner Service Pension – align partner and veteran age eligibility*.

## Capital Measures

Table A3: Capital measures since the 2008-09 Budget<sup>(i)</sup>

Page		2007-08	2008-09	2009-10	2010-11	2011-12
		\$m	\$m	\$m	\$m	\$m
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Attorney-General's Department</i>					
147	National Security – enhancing chemicals security(j)	-	0.1	1.1	0.2	-
	<i>Australian Security Intelligence Organisation</i>					
189	Australian Security Intelligence Organisation – additional funding for new accommodation	-	-4.6	49.2	38.1	-41.2
	<b>Portfolio total</b>	<b>-</b>	<b>-4.4</b>	<b>50.3</b>	<b>38.3</b>	<b>-41.2</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
150	Electronic countermeasures equipment(j)	-	-	-	-	-
150	Iraq – contribution to international stabilisation activities(j)	-	4.5	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>4.5</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>FINANCE AND DEREGULATION</b>					
	<i>Comsuper</i>					
190	Australian Government Superannuation – termination of information technology project	-	-3.9	-14.7	-10.4	-
	<i>Department of Finance and Deregulation</i>					
189	Australian Security Intelligence Organisation – additional funding for new accommodation	-	-17.3	48.3	43.4	19.1
160	National intergovernmental telepresence system(j)	-	6.1	..	..	..
	<b>Portfolio total</b>	<b>-</b>	<b>-15.1</b>	<b>33.6</b>	<b>33.0</b>	<b>19.1</b>
	<b>FOREIGN AFFAIRS AND TRADE</b>					
	<i>Department of Foreign Affairs and Trade</i>					
161	Asia Pacific Community – regional consultations(j)	-	..	-	-	-
161	Australian Embassy to the Holy See – appointment of a resident Ambassador(j)	-	3.4	-	-	..
162	Bali Democracy Forum – Australian contribution(j)	-	0.1	-	-	-
162	Fiji – upgrade of security at Australian High Commission(j)	-	3.0	-	-	-
163	International Commission on Nuclear Non-Proliferation and Disarmament – establishment(j)	-	0.2	-	-	-
163	Pacific Engagement Strategy – implementation(j)	-	0.3	-	-	-
164	United Nations Security Council – candidacy(j)	-	0.1	-	-	-
	<b>Portfolio total</b>	<b>-</b>	<b>7.1</b>	<b>-</b>	<b>-</b>	<b>..</b>

Appendix A: Policy decisions taken since the 2008-09 Budget

**Table A3: Capital measures since the 2008-09 Budget<sup>(a)</sup> (continued)**

Page		2007-08	2008-09	2009-10	2010-11	2011-12
		\$m	\$m	\$m	\$m	\$m
	<b>HEALTH AND AGEING</b>					
	<i>Department of Health and Ageing</i>					
169	Organ and tissue donation – national plan to increase organ donation and save lives(j)	-	1.9	-	-	-
	<b>Portfolio total</b>	-	<b>1.9</b>	-	-	-
	<b>HUMAN SERVICES</b>					
	<i>Medicare Australia</i>					
170	Pharmaceutical Benefits Scheme – changes to the administration of funding for Highly Specialised Drugs(j)	-	1.1	0.2	-	-
	<b>Portfolio total</b>	-	<b>1.1</b>	<b>0.2</b>	-	-
	<b>IMMIGRATION AND CITIZENSHIP</b>					
	<i>Department of Immigration and Citizenship</i>					
175	Non-statutory refugee status assessment process – improvement(j)	-	0.2	-	-	-
	<b>Portfolio total</b>	-	<b>0.2</b>	-	-	-
	<b>PRIME MINISTER AND CABINET</b>					
	<i>Office of National Assessments</i>					
189	Australian Security Intelligence Organisation – additional funding for new accommodation	-	-8.6	9.7	7.0	3.1
	<i>Old Parliament House</i>					
181	Old Parliament House – establishment as an Executive Agency(j)	-	0.6	0.1	-	-
	<b>Portfolio total</b>	-	<b>-8.0</b>	<b>9.8</b>	<b>7.0</b>	<b>3.1</b>
	<b>TREASURY</b>					
	<i>Australian Office of Financial Management</i>					
191	Purchase of residential mortgage-backed securities	-	-	-	-	-
	<i>Australian Securities and Investments Commission</i>					
184	Council of Australian Governments – implementing a national approach to the regulation of consumer credit(j)	-	0.8	-	-	-
	<b>Portfolio total</b>	-	<b>0.8</b>	-	-	-
	<b>Decisions taken but not yet announced</b>	-	<b>14.1</b>	-	-	-
	<b>Depreciation expense</b>	-	<b>-0.6</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-2.1</b>
	<b>Total capital measures(k)</b>	-	<b>1.6</b>	<b>91.4</b>	<b>75.8</b>	<b>-21.1</b>

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

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

(k) Measures may not add due to rounding.

## ATTORNEY-GENERAL'S

### Australian Security Intelligence Organisation and the Office of National Assessments — additional funding for new accommodation

Capital (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Security Intelligence Organisation	-	-4.6	49.2	38.1	-41.2
Office of National Assessments	-	-8.6	9.7	7.0	3.1
Department of Finance and Deregulation	-	-17.3	48.3	43.4	19.1
Total	-	-30.5	107.1	88.5	-19.0

The Government will provide an additional \$146.2 million over four years for the construction of new central office accommodation for the Australian Security Intelligence Organisation and the Office of National Assessments. This funding will provide a high quality, secure building designed and fitted out for the specialised needs of these intelligence agencies. Some of the additional funding is provided to the Department of Finance and Deregulation, for the construction of the building.

The financial impacts shown in the above table reflect the additional \$146.2 million in funding and revisions to the expenditure profile for the building (which reduces expenditure in 2008-09 but increases it in subsequent years). The total budgeted expenditure for the building will now be \$606.2 million compared with \$460.0 million announced in the 2006-07 Budget measure *National Security — new accommodation for the Australian Security Intelligence Organisation and the Office of National Assessments*.

## FINANCE AND DEREGULATION

### Australian Government Superannuation — termination of information technology project

Capital (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Comsuper	-	-3.9	-14.7	-10.4	-
<i>Related expense (\$m)</i>					
Comsuper	-	0.1	-0.1	-0.4	-

The Government will not proceed with the measure *Australian Government Superannuation – strengthening information technology capacity* announced in the 2007-08 Budget. This measure will provide savings of \$29.3 million over three years (including \$0.3 million in operational savings over three years from 2008-09). Longer term information technology requirements for ComSuper will now be considered as part of the review of the administration arrangements relating to the main civilian and military schemes.

See also the related expense measure titled *Australian Government Superannuation Schemes – consolidation of governance and administration arrangements* in the Finance and Deregulation portfolio.

Further information can be found in the joint press release of 31 October 2008 issued by the Minister for Finance and Deregulation and the Minister for Superannuation and Corporate Law.

## TREASURY

### Purchase of residential mortgage-backed securities

Capital (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Office of Financial Management	-	-	-	-	-
<i>Related revenue (\$m)</i>					
Australian Office of Financial Management	-	*	*	*	*

The Government will invest a total of \$8.0 billion in Australian residential mortgage-backed securities which will be financed from cash deposits held by Australian Office of Financial Management. This initiative will assist liquidity in the residential mortgage-backed securities market and support competition in mortgage lending in Australia. The securities purchased through this initiative will be held until market conditions normalise.

Residential mortgage backed securities purchased under this initiative are treated as financial assets and therefore do not impact on the fiscal balance. Interest earned on the securities is offset by interest forgone from the deposits used to finance the securities' purchase. The difference in interest earnings will result in a variation in non-taxation revenues which is accounted for in the budget estimates.

The administrative costs of this measure will be met from within existing resourcing of the Australian Office of Financial Management.

Further information can be found in the press releases of 26 September 2008 issued by the Treasurer and 12 October 2008 issued by the Prime Minister.



## **APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS**

The Mid-Year Economic and Fiscal Outlook (MYEFO) financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations sector (PNFC) and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that MYEFO be based on external reporting standards and for departures from these standards to be disclosed. MYEFOs in previous years contained three sets of financial statements prepared according to both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The statements reflect the Government's new accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Accrual Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with AASB 1049. The MYEFO financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

## AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

**Table B1: Australian Government general government sector operating statement**

	Note	Estimates		Projections	
		2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Revenue</b>					
Taxation revenue	3	293,627	304,914	317,217	336,105
Current grants					
Capital grants					
Sales of goods and services	4	5,803	6,021	6,305	6,582
Interest income	5	6,114	5,697	5,683	5,620
Dividend income	5	3,238	4,011	3,557	3,615
Other	6	4,468	3,702	3,791	3,618
<b>Total revenue</b>		<b>313,250</b>	<b>324,345</b>	<b>336,552</b>	<b>355,540</b>
<b>Expenses</b>					
Gross operating expenses					
Wages and salaries(a)	7	15,360	15,576	15,969	16,331
Superannuation	7	2,925	2,963	3,087	3,172
Depreciation and amortisation	8	5,480	5,589	5,512	5,259
Payment for supply of goods and services	9	55,440	58,565	61,002	64,309
Other operating expenses(a)	7	4,301	4,469	4,723	4,948
<i>Total gross operating expenses</i>		<i>83,505</i>	<i>87,162</i>	<i>90,293</i>	<i>94,020</i>
Superannuation interest expense	7	6,470	6,701	6,856	7,041
Interest expenses	10	5,088	5,015	4,830	4,458
Current transfers					
Current grants(b)	11	93,791	101,813	105,328	109,725
Subsidy expenses		7,642	8,281	8,597	8,834
Personal benefits	12	98,940	95,670	101,852	108,529
<i>Total current transfers</i>		<i>200,373</i>	<i>205,763</i>	<i>215,776</i>	<i>227,087</i>
Capital transfers(b)	11				
Mutually agreed write-downs		1,722	1,547	1,583	1,609
Other capital grants		6,466	5,554	4,944	5,571
<i>Total capital transfers</i>		<i>8,188</i>	<i>7,101</i>	<i>6,527</i>	<i>7,179</i>
<b>Total expenses</b>		<b>303,624</b>	<b>311,742</b>	<b>324,283</b>	<b>339,785</b>
<b>Net operating balance</b>		<b>9,626</b>	<b>12,603</b>	<b>12,270</b>	<b>15,755</b>
<b>Other economic flows</b>					
Revaluation of equity(c)		-169	2,078	2,413	2,927
Net write-downs of assets (including bad and doubtful debts)		-3,545	-2,972	-3,173	-3,188
Assets recognised for the first time		108	115	105	105
Actuarial revaluations		-34	-1	0	0
Net foreign exchange gains		64	0	0	0
Net swap interest received		-36	175	119	87
Market valuation of debt		-1,512	150	157	148
Other economic revaluations(d)		114	100	73	73
<b>Total other economic flows</b>		<b>-5,011</b>	<b>-356</b>	<b>-305</b>	<b>153</b>
<b>Comprehensive result -</b>					
<b>Total change in net worth</b>	13	<b>4,615</b>	<b>12,246</b>	<b>11,965</b>	<b>15,908</b>

**Table B1: Australian Government general government sector operating statement (continued)**

	Note	Estimates		Projections	
		2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Net operating balance</b>		<b>9,626</b>	<b>12,603</b>	<b>12,270</b>	<b>15,755</b>
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets		9,017	10,598	10,786	10,514
<i>less</i> Sales of non-financial assets		523	252	329	199
<i>less</i> Depreciation		5,480	5,589	5,512	5,259
<i>plus</i> Change in inventories		672	593	412	542
<i>plus</i> Other movements in non-financial assets		97	130	200	72
<b>Total net acquisition of non-financial assets</b>		<b>3,784</b>	<b>5,480</b>	<b>5,556</b>	<b>5,670</b>
<b>Fiscal balance (Net lending/borrowing)(e)</b>		<b>5,842</b>	<b>7,123</b>	<b>6,713</b>	<b>10,085</b>

- (a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.
- (b) In the proposed new framework for federal financial relations to commence from 1 January 2009, payments to the States which were previously earmarked for capital expenditure will be rolled into the new National SPPs which are classified as current expenditure. Consequently, there is an apparent reduction in capital grants in respect of these payments.
- (c) 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.
- (d) Largely reflects other revaluation of assets and liabilities.
- (e) The term fiscal balance is not used by the ABS.

**Table B2: Australian Government general government sector balance sheet**

	Note	Estimates		Projections	
		2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Assets</b>					
Financial assets					
Cash and deposits	20(a)	868	1,447	1,986	2,425
Advances paid	14	23,125	23,926	24,808	25,474
Investments, loans and placements	15	98,427	103,133	99,995	108,518
Other receivables	14	33,535	36,798	39,330	42,897
Equity investments					
Investments in other public sector entities		20,876	20,680	20,605	20,563
Equity accounted investments		234	754	1,274	1,794
Investments - shares		26,495	26,770	27,138	27,626
<b>Total financial assets</b>		<b>203,561</b>	<b>213,508</b>	<b>215,137</b>	<b>229,297</b>
Non-financial assets					
Land	16	7,733	7,691	7,586	7,561
Buildings		18,949	19,781	20,510	21,604
Plant, equipment and infrastructure		44,152	48,190	52,571	56,958
Inventories		6,792	7,358	7,740	8,215
Intangibles		2,508	2,498	2,431	2,270
Investment property		191	192	192	192
Biological assets		29	30	31	32
Heritage and cultural assets		8,275	8,294	8,298	8,300
Assets held for sale		586	584	573	600
Other non-financial assets		2,787	2,936	3,543	3,811
<b>Total non-financial assets</b>		<b>92,002</b>	<b>97,555</b>	<b>103,475</b>	<b>109,543</b>
<b>Total assets</b>		<b>295,563</b>	<b>311,063</b>	<b>318,611</b>	<b>338,840</b>
<b>Liabilities</b>					
Interest bearing liabilities					
Deposits held		339	339	339	339
Government securities		66,729	65,975	56,932	56,027
Loans	17	7,252	7,022	7,074	6,888
Other borrowing		919	860	803	758
<b>Total interest bearing liabilities</b>		<b>75,239</b>	<b>74,195</b>	<b>65,148</b>	<b>64,011</b>
Provisions and payables					
Superannuation liability	18	109,953	113,841	117,687	121,549
Other employee liabilities	18	9,079	9,507	10,016	10,603
Suppliers payable	19	3,614	3,656	3,718	3,744
Personal benefits payable	19	12,943	13,078	13,576	14,349
Subsidies payable	19	1,416	1,318	1,349	1,617
Grants payable	19	5,130	4,922	4,774	4,652
Other provisions and payables	19	8,173	8,283	8,117	8,182
<b>Total provisions and payables</b>		<b>150,308</b>	<b>154,605</b>	<b>159,237</b>	<b>164,695</b>
<b>Total liabilities</b>		<b>225,547</b>	<b>228,800</b>	<b>224,384</b>	<b>228,706</b>
<b>Net worth(a)</b>		<b>70,016</b>	<b>82,262</b>	<b>94,227</b>	<b>110,135</b>
<i>Net financial worth(b)</i>		<i>-21,986</i>	<i>-15,293</i>	<i>-9,248</i>	<i>591</i>
<i>Net financial liabilities(c)</i>		<i>42,863</i>	<i>35,973</i>	<i>29,853</i>	<i>19,972</i>
<i>Net debt(d)</i>		<i>-47,181</i>	<i>-54,311</i>	<i>-61,641</i>	<i>-72,406</i>

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

(b) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) 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 B3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Cash receipts from operating activities</b>				
Taxes received	287,748	297,990	309,712	328,370
Receipts from sales of goods and services	5,823	6,025	6,278	6,545
Interest receipts	5,540	5,384	5,355	5,256
Dividends and income tax equivalents	3,238	3,511	4,107	3,665
Other receipts	4,436	3,530	3,585	3,418
<b>Total operating receipts</b>	<b>306,784</b>	<b>316,440</b>	<b>329,037</b>	<b>347,254</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-20,898	-21,331	-22,091	-22,682
Payments for goods and services	-56,034	-58,985	-61,271	-64,772
Grants and subsidies paid	-106,534	-115,229	-118,711	-123,798
Interest paid	-3,934	-3,863	-4,787	-3,562
Personal benefit payments	-97,827	-95,489	-101,362	-107,792
Other payments	-3,804	-3,977	-4,043	-4,203
<b>Total operating payments</b>	<b>-289,031</b>	<b>-298,874</b>	<b>-312,265</b>	<b>-326,809</b>
<b>Net cash flows from operating activities</b>	<b>17,753</b>	<b>17,565</b>	<b>16,772</b>	<b>20,445</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	523	252	329	199
Purchases of non-financial assets	-8,786	-11,114	-11,374	-10,942
<b>Net cash flows from investments in non-financial assets</b>	<b>-8,263</b>	<b>-10,862</b>	<b>-11,046</b>	<b>-10,744</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-1,913</b>	<b>-1,247</b>	<b>-1,243</b>	<b>-1,245</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-13,592	-4,074	4,122	-7,209
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-13,592</b>	<b>-4,074</b>	<b>4,122</b>	<b>-7,209</b>
<b>Cash receipts from financing activities</b>				
Borrowing	6,494	0	0	0
Other financing	1,360	1,114	840	627
<b>Total cash receipts from financing activities</b>	<b>7,854</b>	<b>1,114</b>	<b>840</b>	<b>627</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	-850	-8,197	-807
Other financing	-3,010	-1,067	-710	-629
<b>Total cash payments for financing activities</b>	<b>-3,010</b>	<b>-1,918</b>	<b>-8,907</b>	<b>-1,436</b>
<b>Net cash flows from financing activities</b>	<b>4,844</b>	<b>-803</b>	<b>-8,067</b>	<b>-808</b>
<b>Net increase/(decrease) in cash held</b>	<b>-1,171</b>	<b>579</b>	<b>539</b>	<b>439</b>

**Table B3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)</b>	<b>9,490</b>	<b>6,703</b>	<b>5,727</b>	<b>9,701</b>
Finance leases and similar arrangements(b)	-499	-2	-3	-1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>8,991</b>	<b>6,702</b>	<b>5,724</b>	<b>9,700</b>
less Future Fund earnings	3,626	3,107	3,084	3,011
<b>Equals underlying cash balance(c)</b>	<b>5,365</b>	<b>3,595</b>	<b>2,640</b>	<b>6,689</b>
plus Net cash flows from investments in financial assets for policy purposes	-1,913	-1,247	-1,243	-1,245
plus Future Fund earnings	3,626	3,107	3,084	3,011
<b>Equals headline cash balance</b>	<b>7,078</b>	<b>5,454</b>	<b>4,481</b>	<b>8,456</b>

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

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

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

**Table B4: Australian Government public non-financial corporations sector operating statement**

	Estimates
	2008-09
	\$m
<b>Revenue</b>	
Current grants and subsidies	16
Sales of goods and services	7,102
Interest income	52
Other	2
<b>Total revenue</b>	<b>7,172</b>
<b>Expenses</b>	
Gross operating expenses	
Depreciation	370
Wages and salaries(a)	3,095
Superannuation	82
Other operating expenses(a)	2,915
<i>Total gross operating expenses</i>	<i>6,462</i>
Interest expenses	59
Other property expenses	556
Current transfers	
Tax expenses	265
<i>Total current transfers</i>	<i>265</i>
<b>Total expenses</b>	<b>7,342</b>
<b>Net operating balance</b>	<b>-169</b>
<b>Other economic flows</b>	<b>-68</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-237</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	1,556
<i>less</i> Sales of non-financial assets	<i>59</i>
<i>less</i> Depreciation	<i>370</i>
<i>plus</i> Change in inventories	<i>-6</i>
<i>plus</i> Other movements in non-financial assets	<i>1</i>
<b>Total net acquisition of non-financial assets</b>	<b>1,122</b>
<b>Fiscal balance (Net lending/borrowing)(b)</b>	<b>-1,291</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

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

**Table B5: Australian Government public non-financial corporations sector balance sheet**

	Estimates
	2008-09 \$m
<b>Assets</b>	
Financial assets	
Cash and deposits	713
Investments, loans and placements	1,606
Other receivables	936
Equity investments	328
<i>Total financial assets</i>	<i>3,583</i>
Non-financial assets	
Land and fixed assets	6,019
Other non-financial assets(a)	400
<i>Total non-financial assets</i>	<i>6,420</i>
<b>Total assets</b>	<b>10,003</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Borrowing	1,182
<i>Total interest bearing liabilities</i>	<i>1,182</i>
Provisions and payables	
Other employee entitlements	1,080
Other provisions(a)	712
Account payables	784
<i>Total provisions and payables</i>	<i>2,576</i>
<b>Total liabilities</b>	<b>3,758</b>
<b>Shares and other contributed capital</b>	<b>6,245</b>
<b>Net worth(b)</b>	<b>6,245</b>
<i>Net financial worth(c)</i>	<i>-174</i>
<i>Net debt</i>	<i>-1,137</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

**Table B6: Australian Government public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	Estimates
	2008-09
	\$m
<b>Cash receipts from operating activities</b>	
Receipts from sales of goods and services	7,635
GST input credit receipts	283
Other receipts	228
<b>Total operating receipts</b>	<b>8,147</b>
<b>Cash payments for operating activities</b>	
Payment for goods and services	-3,334
Interest paid	-62
Payments to employees	-2,913
GST payments to taxation authority	-510
Other payments for operating activities	-255
<b>Total operating payments</b>	<b>-7,074</b>
<b>Net cash flows from operating activities</b>	<b>1,073</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	60
Purchases of non-financial assets	-1,551
<b>Net cash flows from investments in non-financial assets</b>	<b>-1,491</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>0</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	50
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>50</b>
<b>Cash receipts from financing activities</b>	
Borrowing	501
<b>Total cash receipts from financing activities</b>	<b>501</b>
<b>Cash payments for financing activities</b>	
Other financing	-562
<b>Total cash payments for financing activities</b>	<b>-562</b>
<b>Net cash flows from financing activities</b>	<b>-61</b>
<b>Net increase/(decrease) in cash held</b>	<b>-429</b>
<b>Cash at the beginning of the year</b>	<b>1,142</b>
<b>Cash at the end of the year</b>	<b>713</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-418</b>
Distributions paid	-562
<b>Equals surplus(+)/deficit(-)</b>	<b>-980</b>
Finance leases and similar arrangements(b)	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-980</b>

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

**Table B7: Australian Government total non-financial public sector operating statement**

	Estimates
	2008-09
	\$m
<b>Revenue</b>	
Taxation revenue	293,362
Sales of goods and services	12,219
Interest income	6,167
Dividend income	2,682
Other	4,470
<b>Total revenue</b>	<b>318,900</b>
<b>Expenses</b>	
Gross operating expenses	
Depreciation	5,850
Superannuation	3,007
Wages and salaries(a)	18,454
Payment for supply of goods and services	57,669
Other operating expenses(a)	4,301
<i>Total gross operating expenses</i>	<i>89,281</i>
Superannuation interest expense	6,470
Other interest expenses	5,148
Current transfers	
Grant expenses	93,791
Subsidy expenses	7,626
Personal benefit payments	98,940
<i>Total current transfers</i>	<i>200,357</i>
Capital transfers	8,188
<b>Total expenses</b>	<b>309,443</b>
<b>Net operating balance</b>	<b>9,457</b>
<b>Other economic flows</b>	<b>-5,079</b>
<b>Comprehensive result - Total change in net worth</b>	<b>4,378</b>
<b>Net acquisition of non-financial assets</b>	
Purchases of non-financial assets	10,573
<i>less</i> Sales of non-financial assets	537
<i>less</i> Depreciation	5,850
<i>plus</i> Change in inventories	666
<i>plus</i> Other movements in non-financial assets	53
<b>Total net acquisition of non-financial assets</b>	<b>4,906</b>
<b>Fiscal balance (net lending/borrowing)(b)</b>	<b>4,551</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

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

**Table B8: Australian Government total non-financial public sector balance sheet**

	Estimates
	2008-09
	\$m
<b>Assets</b>	
Financial assets	
Cash and deposits	1,581
Advances paid	23,125
Investments, loans and placements	100,033
Other receivables	34,436
Equity investments	41,688
<i>Total financial assets</i>	<i>200,863</i>
Non-financial assets	
Land and fixed assets	91,920
Other non-financial assets	6,502
<i>Total non-financial assets</i>	<i>98,422</i>
<b>Total assets</b>	<b>299,284</b>
<b>Liabilities</b>	
Interest bearing liabilities	
Deposits held	339
Government securities	66,729
Loans	7,252
Other borrowing	2,101
<i>Total interest bearing liabilities</i>	<i>76,421</i>
Provisions and payables	
Unfunded superannuation liability	109,953
Other employee entitlements	10,159
Other provisions	8,884
Other	23,850
<i>Total provisions and payables</i>	<i>152,847</i>
<b>Total liabilities</b>	<b>229,268</b>
<b>Shares and other contributed capital</b>	<b>6,245</b>
<b>Net worth(a)</b>	<b>70,016</b>
<i>Net financial worth(b)</i>	<i>-28,406</i>
<i>Net debt</i>	<i>-48,318</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

**Table B9: Australian total non-financial public sector cash flow statement<sup>(a)</sup>**

	Estimates
	2008-09
	\$m
<b>Cash receipts from operating activities</b>	
Taxes received	287,506
Receipts from sales of goods and services	12,263
Interest receipts	5,599
Dividends	2,676
Other receipts	4,605
<b>Total operating receipts</b>	<b>312,649</b>
<b>Cash payments for operating activities</b>	
Payments for goods and services	-58,400
Grants and subsidies paid	-106,534
Interest paid	-3,995
Personal benefit payments	-97,827
Payments to employees	-23,811
Other payments for operating activities	-3,818
<b>Total operating payments</b>	<b>-294,385</b>
<b>Net cash flows from operating activities</b>	<b>18,265</b>
<b>Cash flows from investments in non-financial assets</b>	
Sales of non-financial assets	582
Purchases of non-financial assets	-10,337
<b>Net cash flows from investments in non-financial assets</b>	<b>-9,754</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-1,913</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>	
Increase in investments	-13,543
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-13,543</b>
<b>Cash receipts from financing activities</b>	
Borrowing	6,995
<b>Total cash receipts from financing activities</b>	<b>6,995</b>
<b>Cash payments for financing activities</b>	
Other financing	-1,650
<b>Total cash payments for financing activities</b>	<b>-1,650</b>
<b>Net cash flows from financing activities</b>	<b>5,345</b>
<b>Net increase/(decrease) in cash held</b>	<b>-1,600</b>
<b>Cash at the beginning of the year</b>	<b>3,181</b>
<b>Cash at the end of the year</b>	<b>1,581</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>8,510</b>
Distributions paid	0
<b>Equals surplus(+)/deficit(-)</b>	<b>8,510</b>
Finance leases and similar arrangements(b)	-499
<b>GFS cash surplus(+)/deficit(-)</b>	<b>8,011</b>

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

## NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

### Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) 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, 2005* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table B11 in Attachment A explains the major differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS 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, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector, are disclosed in Table B10 in Attachment A.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net lending/borrowing (fiscal balance) and net worth. In addition to the ABS GFS

aggregates, the Accrual Uniform Presentation Framework (UPF) requires net debt, net financial worth and net financial liabilities.

## **Note 2: Departures from external reporting standards**

The Charter requires that departures from applicable external reporting standards be identified. The MYEFO financial statements depart from the external reporting standards as follows.

### **General government sector**

#### **Departures from ABS GFS**

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the financial statements or in any reconciliation notes. Instead, the financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS, prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. However, the ABS has reviewed this treatment and will be adopting the treatment of recording SDRs as a liability from 2009. The treatment of SDRs as a contingent liability has not been adopted in the financial statements or any reconciliation notes. The financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Currently, ABS GFS requires defence weapons platforms to be expensed. The financial statements currently record defence weapons platforms as a capital investment. This is consistent with AAS, and also represents an early adoption of the ABS' proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

## *Appendix B: Australian Government budget financial statements*

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense. Over the life of the loan the interest earned is recognised at market rates. This change in accounting policy was adopted in the *Final Budget Outcome 2007-08*.

### Departures from AASB 1049

AASB 1049 is mandatory for reporting periods beginning on or after 1 July 2008. The following departures were made in the 2008-09 Budget and are required to be disclosed under the Charter. The MYEFO financial statements have been presented on a basis consistent with the 2008-09 Budget.

AAS requires the advances paid to the International Development Association (IDA) and Asian Development Fund (ADF) to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF), it has been disclosed in Note 13 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. The Government is currently reviewing the practicalities and usefulness of attributing total assets to function. The ABS GFS does not require such information. In accordance with ABS GFS, disaggregated information for expenses is disclosed in Attachment C of Part 4.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained. Explanations of variances for the 2008-09 year from the 2008-09 Budget are disclosed in Part 4. All decisions taken between the original budget and MYEFO are disclosed in Appendix A.

**Public non-financial corporations (PNFC) and total non-financial public sectors (NFPS)**

AASB 1049 defines net worth for the PNFC and NFPS sectors as total assets less total liabilities; however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC sector). The net financial worth of this sector will also be different under AASB 1049 to ABS GFS, where it equals financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC and NFPS sector financial statements.

The financial statements for the PNFC and NFPS sectors comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sector will be disclosed in the consolidated financial statements.

**Note 3: Taxation revenue by type**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Income taxation</b>				
Individuals and other withholding taxes(a)				
Gross income tax withholding	119,680	125,996	133,427	143,710
Gross other individuals	31,620	31,060	32,160	33,410
less Refunds	22,600	24,080	25,420	26,260
Total individuals and other withholding taxation	128,700	132,976	140,167	150,860
Fringe benefits tax	3,870	4,110	4,290	4,440
Superannuation funds				
Contributions and earnings	9,270	9,210	9,950	11,350
Surcharge	0	0	0	0
Superannuation funds	9,270	9,210	9,950	11,350
Company tax	68,990	72,900	74,320	77,380
Petroleum resource rent tax	2,400	2,660	2,420	2,420
<b>Total income taxation revenue</b>	<b>213,230</b>	<b>221,856</b>	<b>231,147</b>	<b>246,450</b>
<b>Indirect taxation</b>				
Sales taxes				
Goods and services tax	45,490	48,090	50,670	53,180
Wine equalisation tax	690	710	740	770
Luxury car tax	560	590	610	630
Other	0	0	0	0
Total sales taxes	46,740	49,390	52,020	54,580
Excise duty				
Petrol	6,630	6,520	6,410	6,310
Diesel	6,950	7,230	7,540	7,850
Other fuel products	1,340	1,520	1,770	1,950
Crude oil	820	770	750	760
Beer	1,960	2,030	2,100	2,160
Potable spirits	210	220	220	230
Other excisable beverages(b)	990	1,100	1,260	1,440
Tobacco	5,660	5,710	5,760	5,790
Total excise duty revenue	24,560	25,100	25,810	26,490
Customs duty				
Textiles, clothing and footwear	990	730	480	510
Passenger motor vehicles	1,410	1,110	740	770
Excise-like goods	2,660	2,800	2,960	3,120
Other imports	1,562	1,622	1,682	1,742
less Refunds and drawbacks	240	240	240	240
Total customs duty revenue	6,382	6,022	5,622	5,902
Other indirect taxation				
Agricultural levies	592	356	360	364
Other taxes	2,123	2,192	2,258	2,320
Total other indirect taxation revenue	2,716	2,547	2,618	2,684
Mirror taxes	396	413	432	453
less Transfers to States in relation to mirror tax revenue	396	413	432	453
Mirror tax revenue	0	0	0	0
<b>Total indirect taxation revenue</b>	<b>80,397</b>	<b>83,059</b>	<b>86,070</b>	<b>89,655</b>
<b>Total taxation revenue</b>	<b>293,627</b>	<b>304,914</b>	<b>317,217</b>	<b>336,105</b>

(a) Includes Medicare levy revenue of \$8,570 million.

Appendix B: Australian Government budget financial statements

(b) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

**Note 3(a): Taxation revenue by source**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	132,570	137,086	144,457	155,300
Income and capital gains levied on enterprises	80,660	84,770	86,690	91,150
<b>Total taxes on income, profits and capital gains</b>	<b>213,230</b>	<b>221,856</b>	<b>231,147</b>	<b>246,450</b>
Taxes on employers' payroll and labour force	331	316	328	341
Taxes on property	15	15	15	15
Taxes on the provision of goods and services				
Sales/goods and services tax	46,740	49,390	52,020	54,580
Excises and levies	25,315	25,618	26,333	27,017
Taxes on international trade	6,382	6,022	5,622	5,902
<b>Total taxes on the provision of goods and services</b>	<b>78,436</b>	<b>81,030</b>	<b>83,974</b>	<b>87,498</b>
Taxes on use of goods and performance of activities	1,615	1,698	1,753	1,801
<b>Total taxation revenue</b>	<b>293,627</b>	<b>304,914</b>	<b>317,217</b>	<b>336,105</b>

**Note 4: Sales of goods and services revenue**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Sales of goods	1,256	1,304	1,316	1,355
Rendering of services	2,655	2,700	2,848	2,962
Operating lease rental	9	7	16	16
Other fees from regulatory services	1,883	2,009	2,126	2,249
<b>Total sales of goods and services revenue</b>	<b>5,803</b>	<b>6,021</b>	<b>6,305</b>	<b>6,582</b>

Appendix B: Australian Government budget financial statements

**Note 5: Interest and dividend revenue**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Interest from other governments</b>				
Housing agreements	183	179	174	169
State and Territory debt	15	14	13	11
<b>Total interest from other governments</b>	<b>198</b>	<b>193</b>	<b>187</b>	<b>181</b>
<b>Interest from other sources</b>				
Advances	317	336	362	385
Deposits	103	103	105	104
Bills receivable	5	6	6	6
Bank deposits	295	286	296	313
Indexation of HELP receivable and other student loans	287	306	330	353
Other	4,908	4,468	4,398	4,278
<b>Total interest from other sources</b>	<b>5,916</b>	<b>5,504</b>	<b>5,497</b>	<b>5,439</b>
<b>Total interest</b>	<b>6,114</b>	<b>5,697</b>	<b>5,683</b>	<b>5,620</b>
<b>Dividends</b>				
Dividends from other public sector entities	1,461	2,458	2,042	2,145
Other dividends	1,777	1,553	1,514	1,470
<b>Total dividends</b>	<b>3,238</b>	<b>4,011</b>	<b>3,557</b>	<b>3,615</b>
<b>Total interest and dividend income</b>	<b>9,353</b>	<b>9,708</b>	<b>9,240</b>	<b>9,235</b>

**Note 6: Other sources of non-taxation revenue**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Industry contributions	97	97	98	45
Royalties	1,912	1,344	1,331	1,260
Seigniorage	104	103	103	2
Other	2,356	2,158	2,259	2,311
<b>Total other sources of non-taxation revenue</b>	<b>4,468</b>	<b>3,702</b>	<b>3,791</b>	<b>3,618</b>

Appendix B: Australian Government budget financial statements

**Note 7: Employee and superannuation expense**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Wages and salaries expenses</b>	<b>15,360</b>	<b>15,576</b>	<b>15,969</b>	<b>16,331</b>
<b>Other operating expenses</b>				
Leave and other entitlements	1,715	1,737	1,849	1,927
Separations and redundancies	48	43	40	41
Workers compensation premiums and claims	562	602	639	676
Other	1,976	2,087	2,196	2,305
<b>Total other operating expenses</b>	<b>4,301</b>	<b>4,469</b>	<b>4,723</b>	<b>4,948</b>
<b>Superannuation expenses</b>				
Superannuation	2,925	2,963	3,087	3,172
Superannuation interest cost	6,470	6,701	6,856	7,041
<b>Total superannuation expenses</b>	<b>9,395</b>	<b>9,664</b>	<b>9,943</b>	<b>10,213</b>
<b>Total employee and superannuation expense</b>	<b>29,055</b>	<b>29,709</b>	<b>30,635</b>	<b>31,493</b>

**Note 8: Depreciation and amortisation expense**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Depreciation</b>				
Specialist military equipment	2,738	2,609	2,487	2,533
Buildings	959	1,071	1,112	913
Other infrastructure, plant and equipment	1,233	1,300	1,291	1,187
Heritage and cultural assets	43	44	44	44
<b>Total depreciation</b>	<b>4,973</b>	<b>5,024</b>	<b>4,933</b>	<b>4,678</b>
<b>Total amortisation</b>	<b>506</b>	<b>565</b>	<b>579</b>	<b>581</b>
<b>Total depreciation and amortisation expense</b>	<b>5,480</b>	<b>5,589</b>	<b>5,512</b>	<b>5,259</b>

**Note 9: Payment for supply of goods and services**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Supply of goods and services	20,003	20,137	20,003	20,295
Operating lease rental expenses	2,160	2,200	2,200	2,189
Personal benefits - indirect	27,059	29,564	31,841	34,019
Health care payments	4,873	5,005	5,117	5,228
Other	1,345	1,659	1,841	2,578
<b>Total payment for supply of goods and services</b>	<b>55,440</b>	<b>58,565</b>	<b>61,002</b>	<b>64,309</b>

Appendix B: Australian Government budget financial statements

**Note 10: Interest expense**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Interest on debt</b>				
Government securities	3,749	3,664	3,476	3,264
Loans	6	1	1	0
Other	100	90	83	29
<b>Total interest on debt</b>	<b>3,856</b>	<b>3,755</b>	<b>3,560</b>	<b>3,293</b>
<b>Other financing costs</b>	<b>1,233</b>	<b>1,260</b>	<b>1,270</b>	<b>1,165</b>
<b>Total interest expense</b>	<b>5,088</b>	<b>5,015</b>	<b>4,830</b>	<b>4,458</b>

**Note 11: Current and capital grants expense**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Current grants expense</b>				
State and Territory governments	72,990	75,562	79,553	83,000
Local governments	44	44	45	46
Private sector	1,934	1,708	1,457	1,171
Overseas	3,287	3,179	3,489	3,224
Non-profit organisations	1,835	2,653	2,575	3,503
Multi-jurisdictional sector	6,521	8,119	7,902	8,332
Other	7,179	10,549	10,308	10,448
<b>Total current grants expense</b>	<b>93,791</b>	<b>101,813</b>	<b>105,328</b>	<b>109,725</b>
<b>Capital grants expense</b>				
Mutually agreed write-downs	1,722	1,547	1,583	1,609
Other capital grants				
State and Territory governments	5,538	4,906	4,427	5,039
Local governments	563	127	8	12
Multi-jurisdictional sector	66	82	80	84
Other	299	440	430	435
<b>Total capital grants expense</b>	<b>8,188</b>	<b>7,101</b>	<b>6,527</b>	<b>7,179</b>
<b>Total grants expense</b>	<b>101,979</b>	<b>108,913</b>	<b>111,854</b>	<b>116,904</b>

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**Note 12: Personal benefits expense**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	30,405	28,903	30,914	33,016
Assistance to veterans and dependants	6,490	6,063	6,023	5,899
Assistance to people with disabilities	14,939	14,346	15,259	16,223
Assistance to families with children	32,002	28,925	29,451	30,185
Assistance to the unemployed	5,035	5,904	6,364	6,775
Student assistance	494	501	494	495
Common youth allowance	2,116	2,239	2,273	2,291
Other welfare programmes	1,544	1,538	1,562	1,576
Financial and fiscal affairs	266	291	373	550
Higher education	124	127	130	134
Vocational and industry training	143	155	166	167
Other	5,384	6,678	8,843	11,217
<b>Total personal benefit expense</b>	<b>98,940</b>	<b>95,670</b>	<b>101,852</b>	<b>108,529</b>

**Note 13: Operating result and comprehensive result (total change in net worth)**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Opening net worth</b>	<b>71,165</b>	<b>70,016</b>	<b>82,262</b>	<b>94,227</b>
<b>Opening net worth adjustments(a)</b>	<b>-5,764</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjusted opening net worth</b>	<b>65,401</b>	<b>70,016</b>	<b>82,262</b>	<b>94,227</b>
<b>Net operating balance</b>	<b>9,626</b>	<b>12,603</b>	<b>12,270</b>	<b>15,755</b>
<b>Other economic flows – Included in operating result</b>				
Net foreign exchange gains	64	0	0	0
Net gains from sale of assets	108	96	44	52
Other gains	-766	3,619	3,759	3,132
Swap interest	1,272	993	761	584
Net write-down and impairment of assets and fair value losses	-3,545	-2,972	-3,173	-3,188
Net losses from sale of assets	-14	15	3	-3
Swap interest expense	-1,308	-818	-642	-497
<b>Total other economic flows</b>	<b>-4,190</b>	<b>932</b>	<b>753</b>	<b>79</b>
<b>Operating result(b)</b>	<b>5,436</b>	<b>13,535</b>	<b>13,023</b>	<b>15,834</b>
<b>Other economic flows – other movements in equity(c)</b>	<b>-821</b>	<b>-1,289</b>	<b>-1,059</b>	<b>73</b>
<b>Comprehensive result</b>	<b>4,615</b>	<b>12,246</b>	<b>11,965</b>	<b>15,908</b>

(a) Reflects an increase in the superannuation liability mainly due to a difference in the discount rate used.

(b) Operating result under AEIFRS accounting standards.

(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Appendix B: Australian Government budget financial statements

**Note 14: Advances paid and other receivables**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Advances paid</b>				
Loans to State and Territory governments	3,153	3,053	2,953	2,854
Higher Education Loan Program	11,790	12,675	13,534	14,308
Student Financial Supplement Scheme	951	912	871	826
Other	7,303	7,339	7,469	7,504
less Provision for doubtful debts	73	53	18	18
<b>Total advances paid</b>	<b>23,125</b>	<b>23,926</b>	<b>24,808</b>	<b>25,474</b>
<b>Other receivables</b>				
Goods and services receivable	807	785	774	775
Recoveries of benefit payments	2,549	2,627	2,654	2,716
Taxes receivable	19,239	21,380	24,050	27,060
Other	13,283	14,485	14,451	15,073
less Provision for doubtful debts	2,342	2,479	2,598	2,727
<b>Total other receivables</b>	<b>33,535</b>	<b>36,798</b>	<b>39,330</b>	<b>42,897</b>

**Note 15: Investments, loans and placements**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Investments - deposits	45,814	45,932	37,886	41,225
IMF quota	6,056	6,056	6,056	6,056
Other	46,557	51,145	56,052	61,237
<b>Total investments, loans and placements</b>	<b>98,427</b>	<b>103,133</b>	<b>99,995</b>	<b>108,518</b>

Appendix B: Australian Government budget financial statements

**Note 16: Total non-financial assets**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Land and buildings</b>				
Land	7,733	7,691	7,586	7,561
Buildings	18,949	19,781	20,510	21,604
<b>Total land and buildings</b>	<b>26,681</b>	<b>27,473</b>	<b>28,096</b>	<b>29,166</b>
<b>Plant, equipment and infrastructure</b>				
Specialist military equipment	34,233	38,508	43,073	47,629
Other	9,920	9,682	9,498	9,328
<b>Total plant, equipment and infrastructure</b>	<b>44,152</b>	<b>48,190</b>	<b>52,571</b>	<b>56,958</b>
<b>Intangibles</b>				
Computer software	2,400	2,382	2,326	2,180
Other	108	116	104	90
<b>Total intangibles</b>	<b>2,508</b>	<b>2,498</b>	<b>2,431</b>	<b>2,270</b>
<b>Total heritage and cultural assets</b>	<b>8,275</b>	<b>8,294</b>	<b>8,298</b>	<b>8,300</b>
<b>Total investment properties</b>	<b>191</b>	<b>192</b>	<b>192</b>	<b>192</b>
<b>Total biological assets</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>32</b>
<b>Inventories</b>				
Inventories held for sale	876	939	981	1,033
Inventories not held for sale	5,915	6,418	6,759	7,182
<b>Total inventories</b>	<b>6,792</b>	<b>7,358</b>	<b>7,740</b>	<b>8,215</b>
<b>Total assets held for sale</b>	<b>586</b>	<b>584</b>	<b>573</b>	<b>600</b>
<b>Other non-financial assets</b>				
Prepayments	2,599	2,619	3,026	3,378
Other	187	317	517	432
<b>Total other non-financial assets</b>	<b>2,787</b>	<b>2,936</b>	<b>3,543</b>	<b>3,811</b>
<b>Total non-financial assets</b>	<b>92,002</b>	<b>97,555</b>	<b>103,475</b>	<b>109,543</b>

**Note 17: Loans**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Promissory notes	4,319	4,319	4,319	4,319
Special drawing rights	881	881	881	881
Other	2,052	1,822	1,874	1,688
<b>Total loans</b>	<b>7,252</b>	<b>7,022</b>	<b>7,074</b>	<b>6,888</b>

**Note 18: Employee and superannuation liabilities**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Total superannuation liability</b>	<b>109,953</b>	<b>113,841</b>	<b>117,687</b>	<b>121,549</b>
<b>Other employee liabilities</b>				
Leave and other entitlements	5,363	5,561	5,859	6,199
Accrued salaries and wages	385	433	450	463
Workers compensation claims	1,593	1,636	1,672	1,708
Separations and redundancies	69	69	69	69
Workers compensation premiums	0	0	0	0
Other	1,669	1,808	1,965	2,163
<b>Total other employee liabilities</b>	<b>9,079</b>	<b>9,507</b>	<b>10,016</b>	<b>10,603</b>
<b>Total employee and superannuation liabilities</b>	<b>119,032</b>	<b>123,348</b>	<b>127,703</b>	<b>132,152</b>

**Note 19: Provisions and payables**

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Suppliers payable</b>				
Trade creditors	3,431	3,452	3,505	3,529
Operating lease rental payable	140	141	141	141
Other creditors	43	63	73	74
<b>Total suppliers payable</b>	<b>3,614</b>	<b>3,656</b>	<b>3,718</b>	<b>3,744</b>
<b>Total personal benefits payable</b>	<b>12,943</b>	<b>13,078</b>	<b>13,576</b>	<b>14,349</b>
<b>Total subsidies payable</b>	<b>1,416</b>	<b>1,318</b>	<b>1,349</b>	<b>1,617</b>
<b>Grants payable</b>				
State and Territory governments	170	170	170	170
Non-profit organisations	19	19	19	19
Private sector	453	453	453	453
Overseas	673	519	462	398
Local governments	76	76	76	76
Other	3,738	3,684	3,593	3,535
<b>Total grants payable</b>	<b>5,130</b>	<b>4,922</b>	<b>4,774</b>	<b>4,652</b>
<b>Other provisions and payables</b>				
Provisions for tax refunds	2,493	2,498	2,253	2,258
Other	5,680	5,785	5,864	5,924
<b>Total other provisions and payables</b>	<b>8,173</b>	<b>8,283</b>	<b>8,117</b>	<b>8,182</b>

Appendix B: Australian Government budget financial statements

**Note 20: Reconciliation of cash**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Operating balance (revenues less expenses)</b>	<b>9,626</b>	<b>12,603</b>	<b>12,270</b>	<b>15,755</b>
less <b>Revenues not providing cash</b>				
Other	712	776	821	859
<b>Total revenues not providing cash</b>	<b>712</b>	<b>776</b>	<b>821</b>	<b>859</b>
plus <b>Expenses not requiring cash</b>				
Increase/(decrease) in employee entitlements	4,218	4,315	4,355	4,449
Depreciation/amortisation expense	5,480	5,589	5,512	5,259
Mutually agreed write-downs	1,722	1,547	1,583	1,609
Other	862	1,036	660	799
<b>Total expenses not requiring cash</b>	<b>12,282</b>	<b>12,487</b>	<b>12,109</b>	<b>12,115</b>
plus <b>Cash provided by working capital items</b>				
Decrease in other non-financial assets	949	390	4	0
Increase in benefits, subsidies and grants payable	1,385	135	634	1,041
Increase in suppliers' liabilities	38	42	62	25
Increase in other provisions and payables	369	226	0	124
<b>Total cash provided by working capital items</b>	<b>2,740</b>	<b>793</b>	<b>701</b>	<b>1,190</b>
less <b>Cash used by working capital items</b>				
Increase in inventories	587	593	412	542
Increase in receivables	4,900	6,119	5,773	6,579
Increase in other financial assets	612	523	312	510
Increase in other non-financial assets	0	0	0	2
Decrease in benefits, subsidies and grants payable	83	307	0	125
Decrease in other provisions and payables	0	0	990	0
<b>Total cash used by working capital items</b>	<b>6,183</b>	<b>7,542</b>	<b>7,487</b>	<b>7,757</b>
<i>equals</i> Net cash from/(to) operating activities	17,753	17,565	16,772	20,445
<i>plus</i> Net cash from/(to) investing activities	-23,769	-16,183	-8,166	-19,198
<b>Net cash from operating activities and investment</b>	<b>-6,016</b>	<b>1,382</b>	<b>8,606</b>	<b>1,248</b>
<i>plus</i> Net cash from/(to) financing activities	4,844	-803	-8,067	-808
<b><i>equals</i> Net increase/(decrease) in cash</b>	<b>-1,171</b>	<b>579</b>	<b>539</b>	<b>439</b>
<b>Cash at the beginning of the year</b>	<b>2,039</b>	<b>868</b>	<b>1,447</b>	<b>1,986</b>
Net increase/(decrease) in cash	-1,171	579	539	439
<b>Cash at the end of the year</b>	<b>868</b>	<b>1,447</b>	<b>1,986</b>	<b>2,425</b>

**Note 20(a): Consolidated Revenue Fund**

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Total general government sector cash</b>	868	1,447	1,986	2,425
<i>less</i> CAC Agency cash balances	919	839	850	923
<i>plus</i> Special public monies	137	137	137	137
<b>Balance of Consolidated Revenue Fund at 30 June</b>	<b>86</b>	<b>745</b>	<b>1,273</b>	<b>1,639</b>

*Appendix B: Australian Government budget financial statements*

The cash balances reflected in the balance sheet for the Australian Government GGS (Table B2) 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 GGS 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 above.

## **FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS**

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Mid-Year Economic and Fiscal Outlook (MYEFO) to be based on external reporting standards. MYEFOs in previous years contained three sets of financial statements prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board (AASB) released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Mid-Year Economic and Fiscal Outlook 2008-09* have been prepared on a basis consistent with the 2008-09 Budget. The statements reflect the Government's new accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

AASB 1049 and the Accrual Uniform Presentation Framework (UPF) also provide a basis for reporting of public non-financial corporations (PNFC), public financial corporations (PFC) and the total non-financial public sectors (NFPS).

### **General Government Sector Financial Reporting (AASB 1049)**

The MYEFO primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

#### **AASB 1049 history and conceptual framework**

The AASB released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that

facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

### **The Government's budget reporting framework**

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
  - to allow the presentation of a single set of financial statements in accordance with AASB 1049 the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

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 notes and other disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result 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 less liabilities) are reported as revenues and expenses respectively in the operating statement.<sup>1</sup>

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

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1 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.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be 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 revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar 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 owing 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.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, 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 GGS arise from price movements in its assets and liabilities.

### **Fiscal balance**

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.<sup>2</sup>

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital

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2 The net operating balance includes consumption of non-financial assets because depreciation is an 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.

transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

### **Balance sheet**

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

### **Net worth**

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where 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.

### **Net financial worth**

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets less liabilities less shares less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

### **Net financial liabilities**

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

### **Net debt**

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans, and other borrowings) less the sum of selected financial

assets<sup>3</sup> (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.

### 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.

### Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS 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 GGS, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements <sup>4</sup>
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending.

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3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

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.

However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and the historic tables in Appendix D.

### **Headline cash balance**

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.<sup>5</sup> Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program, and contributions to international organisations that increase the Australian Government's financial assets.

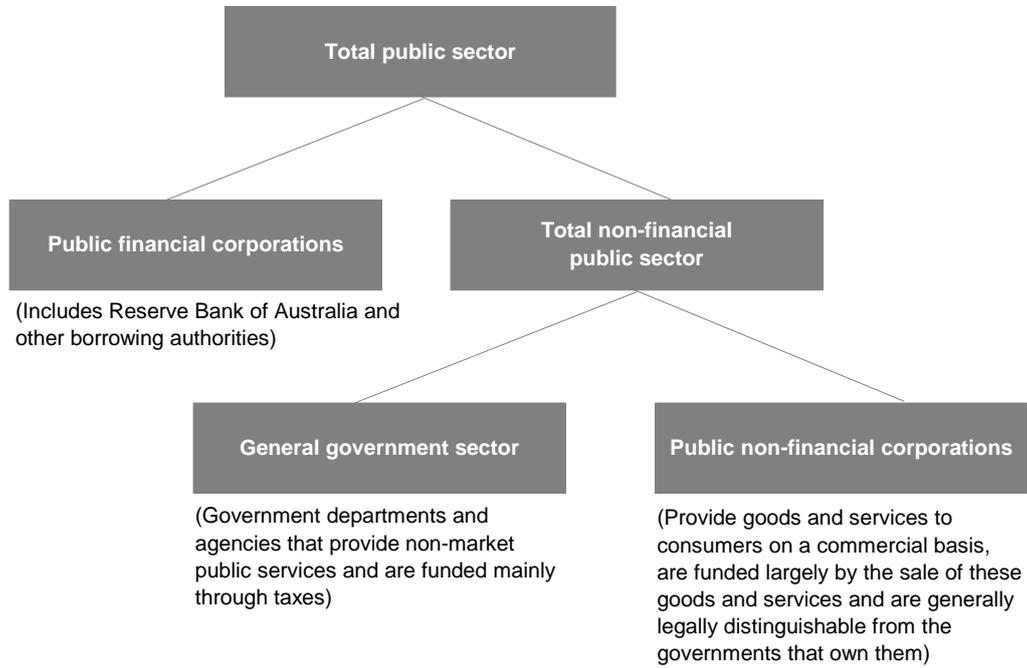
### **Sectoral classifications**

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure B1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

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5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

**Figure B1: Institutional structure of the public sector**



**Table B10: Entities within the sectoral classifications**

<b>General government sector entities</b>
<p>Agriculture, Fisheries and Forestry portfolio</p> <p>Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Biosecurity Australia, Cotton Research and Development Corporation, Dairy Adjustment Authority, Department of Agriculture, Fisheries and Forestry, Wheat Exports Australia, Forest and Wood Products Australia Ltd, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Australia, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation</p>
<p>Attorney-General's portfolio</p> <p>Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs Service, Australian Federal Police, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, Crimtrac, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Human Rights and Equal Opportunity Commission, Insolvency and Trustee Service Australia, National Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Commonwealth Director of Public Prosecutions</p>
<p>Broadband, Communications and the Digital Economy portfolio</p> <p>Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and Digital Economy, Special Broadcasting Service Corporation</p>
<p>Defence portfolio</p> <p>Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Ltd, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund</p>
<p>Education, Employment and Workplace Relations portfolio</p> <p>Australian Fair Pay Commission Secretariat, Australian Industrial Registry, Comcare, Department of Education, Employment and Workplace Relations, Office of the Australian Building and Construction Commissioner, Office of the Workplace Ombudsman, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Teaching Australia – Australian Institute for Teaching and School Leadership Ltd, The Carrick Institute for Learning and Teaching In Higher Education Ltd, Workplace Authority</p>

**Table B10: Entities within the sectoral classifications (continued)**

<b>General government sector entities (continued)</b>
<p>Environment, Water, Heritage and the Arts portfolio</p> <p>Australia Business Arts Foundation Ltd, Australia Council, National Film and Sound Archives, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Great Barrier Reef Marine Park Authority, Murray Darling Authority, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Screen Australia, Sydney Harbour Federation Trust, The Director of National Parks</p>
<p>Families, Housing, Community Services and Indigenous Affairs portfolio</p> <p>Aboriginal Hostels Ltd, Anindilyakwa Land Council, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council</p>
<p>Finance and Deregulation portfolio</p> <p>Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Telstra Sale Company Ltd</p>
<p>Foreign Affairs and Trade portfolio</p> <p>AusAid, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account<sup>(a)</sup></p>
<p>Health and Ageing portfolio</p> <p>Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Ltd, National Blood Authority, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme</p>
<p>Human Services portfolio</p> <p>Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia</p>
<p>Immigration and Citizenship portfolio</p> <p>Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal</p>

**Table B10: Entities within the sectoral classifications (continued)**

<b>General government sector entities (continued)</b>
<p>Infrastructure, Transport, Regional Development and Local Government portfolio</p> <p>Australian Maritime Safety Authority, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government, Maritime Industry Finance Company</p>
<p>Innovation, Industry, Science and Research portfolio</p> <p>Australia Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australia Nuclear Science and Technology Organisation, Australia Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IP Australia, IIF Bioventures Pty Ltd, IIF (CM) Investments Pty Ltd, IIF Foundation Pty Ltd, IIF Investments Pty Ltd, IIF Neo Pty Ltd</p>
<p>Prime Minister and Cabinet portfolio</p> <p>Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of Climate Change, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council (Company Ltd By Guarantee), Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector-General of Intelligence and Security, Office of the Official Secretary to the Governor General, Office of the Privacy Commissioner, Office of Renewable Energy Regulator, Old Parliament House</p>
<p>Resources, Energy and Tourism portfolio</p> <p>Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia</p>
<p>Treasury portfolio</p> <p>Auditing and Assurance Standards Board, Australian Accounting Standards Board, Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector General of Taxation, National Competition Council, Productivity Commission, Royal Australian Mint</p>
<p>Parliamentary Departments</p> <p>Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate</p>

**Table B10: Entities within the sectoral classifications (continued)**

<b>Public financial corporations</b>
<i>Education, Employment and Workplace Relations portfolio</i> Coal Mining Industry (Long Service Leave Funding) Corporation
<i>Finance and Deregulation portfolio</i> Australian Industry Development Corporation, Medibank Private Ltd
<i>Foreign Affairs and Trade portfolio</i> Export Finance and Insurance Corporation
<i>Treasury portfolio</i> Australia Re-insurance Pool Corporation, Reserve Bank of Australia
<b>Public non-financial corporations</b>
<i>Attorney-General's portfolio</i> Australian Government Solicitor
<i>Broadband, Communications and the Digital Economy portfolio</i> Australian Postal Corporation
<i>Finance and Deregulation portfolio</i> Australian River Co. Ltd, Australian Submarine Corporation Pty Ltd, Australian Technology Group Ltd
<i>Human Services portfolio</i> Australian Hearing Services, Health Services Australia Ltd
<i>Infrastructure, Transport, Regional Development and Local Government portfolio</i> Airservices Australia, Australian Rail Track Corporation Ltd

(a) This entity was reclassified from the PFC sector to the GGS at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

### **Differences between ABS GFS and AAS framework (AASB 1049)**

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues, expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transaction or 'other economic flow' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international

*Appendix B: Australian Government budget financial statements*

statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.<sup>6</sup>

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table B11. 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).

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6 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).

**Table B11: Major differences between AAS and ABS GFS**

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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. ABS is updating its treatment from 2009 and will align with AAS.	AAS, early adoption of revised ABS GFS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDR)	SDR currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the IMF is treated as a contingent liability. ABS is updating its treatment from 2009 and will align with AAS.	AAS, early adoption of revised ABS GFS
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to IDA/ADF	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
<b>Fiscal aggregates differences</b>			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
<b>Classification difference</b>			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

## **AUSTRALIAN LOAN COUNCIL ALLOCATION**

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

- the estimated non-financial public sector GFS cash surplus/deficit (derived from the balances of the general government and public non-financial corporations sectors);
- 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.

LCA 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 2008, the Australian Government nominated, and the Loan Council endorsed, a Loan Council Allocation surplus of \$18,974 million. In the 2008-09 Budget, the Australian Government estimated a LCA surplus of \$23,641 million.

As set out in Table B12, the Australian Government's revised estimate for the 2008-09 LCA is a \$7,258 million surplus. As a result of this downwards revision, it is likely that the Australian Government will breach the tolerance limit of 2 per cent of non-financial public sector cash receipts from operating activities, as set at Budget.

This is primarily due to lower public sector cash surpluses as a result of the Australian Government's \$10.4 billion fiscal stimulus package, announced on 14 October 2008 in order to strengthen the Australian economy in response to deteriorating global financial circumstances.

**Table B12: Australian Government Loan Council Allocation**

		2008-09 Budget	MYEFO
		estimate	estimate
		\$m	\$m
	GGS cash surplus(-)/deficit(+)	-25,699	-9,490
	PNFC sector cash surplus(-)/deficit(+)	856	980
	NFPS cash surplus(-)/deficit(+)(a)	-24,843	-8,510
	Acquisitions under finance leases and similar arrangements(b)	502	499
<i>equals</i>	ABS GFS cash surplus(-)/deficit(+)	-24,341	-8,011
<i>minus</i>	Net cash flows from investments		
	in financial assets for policy purposes(b)	-1,548	-1,913
<i>plus</i>	Memorandum items(c)	-849	-1,160
	<b>Loan Council Allocation</b>	<b>-23,641</b>	<b>-7,258</b>

(a) May not directly equate to the sum of the GG sector and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements. 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.

(c) For the Commonwealth's Loan Council Allocation outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and the over-funding of superannuation.

## APPENDIX C: STATEMENT OF RISKS

### OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*. The following statement updates (where necessary) those fiscal risks and contingent liabilities that have changed since the 2008-09 Budget.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2008-09* (MYEFO) incorporate assumptions and judgments based on information available at the time of publication and are based on a range of economic and other forecasts and projections.

It is important to stress that the MYEFO revenue forecasts have been prepared during a period of very substantial financial and economic uncertainty. There has been significant recent volatility and a generalised downturn in global financial markets. The implications of these financial market developments, and government responses to them, for the overseas and domestic economic outlook are still very uncertain. Part 3 includes a more detailed discussion of the heightened uncertainty around the economic outlook. To the extent that the risks to the economic forecasts materialise or the economic outlook turns out to be different for other reasons, their impact will flow through to the revenue forecasts. In the view of heightened economic risks, there is an increased degree of uncertainty surrounding the revenue forecasts in the MYEFO.

In addition, it should be noted that revenue forecasting necessarily relies heavily on the historical relationships between the economy, tax bases and tax revenues. However, such relationships may shift in the current circumstances, requiring a more than usual degree of caution in their use in predicting future revenues.

In recent years, capital gains tax (CGT) has become an important, though volatile component of individuals, companies and superannuation funds income taxes. The large decline on equity markets during 2008 and continued day-to-day volatility make for particular difficulties in forecasting CGT at this time. There remains considerable uncertainty surrounding the length and magnitude of the declines in equity prices. Moreover, because there is limited information about investor behaviour in the current environment it is more than usually difficult to predict when any gains and losses (even in relation to the movement in equity prices observed to date) may be realised.

### 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

Appendix C: Statement of risks

estimates period, that have arisen or changed since the 2008-09 Budget are described below and summarised in Table C1.

Information on contingent liabilities is also provided in the annual financial statements of departments, agencies and non-budget entries.

**Table C1: Summary of material changes to Statement of Risks since the 2008-09 Budget**

<b>Contingent liabilities — quantifiable</b>	
<b>Defence and Defence Materiel Organisation</b>	
Indemnities	Modified
<b>Finance and Deregulation</b>	
Australian Industry Development Corporation	Modified
Litigation	Modified
Sale of Sydney Airports Corporation Limited	Modified
<b>Foreign Affairs and Trade</b>	
Export Finance and Insurance Corporation	Modified
<b>Treasury</b>	
Guarantees under the Commonwealth Bank Sale Act	Modified
International financial institutions — uncalled capital subscriptions	Modified
Reserve Bank of Australia — guarantee	Modified
<b>Contingent liabilities — unquantifiable</b>	
<b>Agriculture, Fisheries and Forestry</b>	
Exceptional circumstances assistance for drought-affected farmers	New
Compensation claims arising from Equine Influenza (EI) outbreak	Modified
<b>Defence and Defence Materiel Organisation</b>	
HMAS Melbourne and HMAS Voyager damages claims	Modified
<b>Climate Change</b>	
Kyoto Protocol — Emissions Target	New
Carbon Pollution Reduction Scheme	New
<b>Finance and Deregulation</b>	
Commonwealth domestic property	New
Future Fund Board of Guardians — Indemnity	Modified
Sharjade v Darwinia — Breach of Heads of Agreement between the parties	New
Industrial Waste Commission (IWC) Cleanaway	Modified
Superannuation	New
Pan Pharmaceuticals	New
Googong Dam	New
<b>Infrastructure, Transport, Regional Development and Local Government</b>	
Maritime Industry Finance Company Ltd — board members' indemnity	Modified
<b>Treasury</b>	
Guarantee of wholesale funding of authorised deposit-taking institutions	New
Guarantee of deposits of authorised deposit-taking institutions	New
Financial Claims Scheme	New
<b>Contingent Assets — unquantifiable</b>	
<b>Finance and Deregulation</b>	
Tidbinbilla	New

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 2008-09*, Statement 8.

## **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 contingencies to the value of \$1.8 billion. DMO carries 469 instances of contingencies (including Foreign Military Sales) that are unquantifiable and 57 contingencies that are quantifiable to the value of \$3.0 billion. While these contingencies are considered remote, they have been reported in aggregate for completeness.

### **Finance and Deregulation**

#### **Australian Industry Development Corporation**

Under the *Australian Industry Development Corporation Act 1970* certain obligations of the Australian Industry Development Corporation (AIDC) are guaranteed by the Australian Government. As at 30 June 2008, AIDC's contingent liabilities, subject to Australian Government guarantee, were approximately \$90 million in respect of guarantees and credit risk facilities.

In addition, AIDC had outstanding Australian Government guaranteed borrowings which totalled approximately \$11 million as at the most current valuation of 30 June 2008. These borrowing obligations have been matched by AIDC's holdings of Australian Government guaranteed securities of similar value, largely eliminating the Australian Government's guarantee exposure. These securities were purchased on market by UBS Warburg and paid to AIDC as consideration for UBS Warburg's purchase of AIDC Ltd's (a subsidiary of AIDC) financial assets. UBS AG, the international parent company that has taken over from UBS Warburg, manages this borrowing portfolio on behalf of AIDC. The UBS AG arrangement also provides a guarantee to cover any cash flow differences between the interest rate and maturity profiles of the matched borrowings and securities, together with any exchange rate movements in the borrowings. The Australian Government's contingent exposure to these borrowings is therefore negligible and is consequently recorded as zero.

#### **Litigation**

The Department of Finance and Deregulation is involved in litigation where a counter-claim for damages has been lodged against the Australian Government. The litigation relates to the Davis Samuel case where the Department is engaged in legal

### *Appendix C: Statement of risks*

action seeking recovery of funds misappropriated during 1998. The counter-claim is from the parties to whom Finance believes the misappropriated funds were channelled.

It is counsel's advice that the counter-claim is without merit. The counter-claim, which will be vigorously defended by the Australian Government, seeks damages of \$4.3 billion although the basis for this amount is yet to be fully provided. Hearing of the Commonwealth's claim, and the counter-claim, commenced in the ACT Supreme Court on 10 June 2008 and is currently continuing.

#### **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. The Australian Government maintains that there are no grounds for the assessment. Action has been initiated in the NSW Supreme Court to overturn the assessment. The amount disputed is estimated at \$469.9 million as at 30 September 2008.

#### **Foreign Affairs and Trade**

##### **Export Finance and Insurance Corporation (EFIC)**

The Australian Government guarantees the due payment by the Export Finance and Insurance Corporation (EFIC) of money that is, or may at any time become, payable by EFIC to any body other than the Australian Government. The Australian Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 30 September 2008, the Australian Government's total contingent liability was \$3.0 billion, comprising EFIC's liabilities to third parties (\$2.2 billion) and EFIC's overseas investments insurance, contracts of insurance and guarantees (\$0.8 billion).

#### **Treasury**

##### **Guarantees under the Commonwealth Bank Sale Act**

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities amounting to around \$5.2 billion. Of this amount, \$1.3 billion was attributable to liabilities of the Commonwealth Bank of Australia at 30 June 2008 and \$3.9 billion was attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation at 31 December 2007.

### **International financial institutions — uncalled capital subscriptions**

This contingent liability relates to the value of the uncalled portion of the Australian Government's shares in the International Bank for Reconstruction and Development (US\$2.8 billion – estimated value A\$3.5 billion), the Asian Development Bank (US\$2.4 billion – estimated value A\$3.0 billion), the European Bank for Reconstruction and Development (US\$81.7 million plus €77.5 million – estimated value A\$241.4 million), and the Multilateral Investment Guarantee Agency (US\$26.5 million – estimated value A\$33.1 million). All values as at 30 September 2008.

### **Reserve Bank of Australia — guarantee**

This contingent liability relates to the Australian Government's guarantee of the liabilities of the Reserve Bank of Australia. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. Notes on issue amount to \$43.6 billion as at 24 September 2008 and the total guarantee is \$65.6 billion.

## **CONTINGENT LIABILITIES — UNQUANTIFIABLE**

### **Agriculture, Fisheries and Forestry**

#### **Exceptional Circumstances assistance for drought-affected farmers**

Exceptional Circumstances assistance is available, subject to eligibility criteria, to drought affected farmers and agriculture-dependent small businesses by way of interest rate subsidies and/or income support. The estimates assume that there will be no new drought declarations but that some existing declarations will be extended until 30 September 2009. A continuation of adverse seasonal conditions or a return to severe drought conditions could result in higher than expected expenses for these forms of assistance. It is not possible to quantify the cost arising from such potential developments as this depends on the intensity, duration and scale of future drought conditions.

#### **Compensation claims arising from Equine Influenza (EI) outbreak**

The Commonwealth may become liable for compensation should the Department of Agriculture, Fisheries and Forestry (DAFF) be found negligent in relation to the 2007 outbreak of EI. At this stage any potential liability resulting from the EI outbreak cannot be quantified.

On 12 June 2008, the Minister for Agriculture, Fisheries and Forestry released the Equine Influenza Inquiry report. Subsequently, a number of organisations have indicated, in the media, their intention to bring suits against the Commonwealth. To date, one organisation has made a claim. The Department of Finance and Deregulation

## *Appendix C: Statement of risks*

has assumed responsibility for claims under its insurance arrangements with the DAFF.

### **Defence and Defence Materiel Organisation**

#### **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. Three claims remain current. The most recent claim was received on 9 October 2008. It is not known whether further claims will be made in connection with the collision.

### **Climate Change**

#### **Kyoto Protocol — emissions target**

As a party to the Kyoto Protocol, Australia is required to meet its target level for emissions over the first Commitment Period, 2008-2012. At this stage the best available estimates suggests that Australia is broadly on track to meet the 2008-2012 target. However, given the early stage of the commitment period, it is unclear whether Australia will ultimately report an asset or a liability. Once this information can be more reliably estimated, the Department of Climate Change will account for it accordingly.

#### **Carbon Pollution Reduction Scheme**

There are specific risks to the estimates and projections of revenues and expenses relating to the possible design of the Carbon Pollution Reduction Scheme (CPRS), which is intended for introduction in 2010. The Government released a Green Paper on 16 July 2008 outlining the possible design of a CPRS. When implemented, the revenue that is received from the sale of permits under this scheme will impact on budget estimates. The Green Paper also indicated the Government's intention that every cent raised from the CPRS will be used to help Australian households and businesses adjust to the scheme and invest in clean energy options. Once developed, these assistance measures will also impact on budget estimates.

### **Finance and Deregulation**

#### **Commonwealth domestic property**

The Commonwealth domestic property portfolio managed by Finance has approximately 100 properties. A small number of these have had potential remediation issues identified which are currently the subject of further investigation.

To date none of these properties have had a provision recognised, as neither the conditions for legal or constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

### **Future Fund Board of Guardians — indemnity**

The Commonwealth has provided the members of the Future Fund Board of Guardians (the Future Fund Board) with a Deed of Indemnity. The indemnity is intended to apply to cover liabilities in excess of the Future Fund 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. However, similar to members of Boards that operate under the *Commonwealth Authorities and Companies Act 1997* (the CAC Act), a member of the Future Fund Board is not indemnified:

- i. for conduct he or she engages in other than in good faith;
- ii. in respect of any liability owed to the Board; or
- iii. in respect of any act or omission that contravenes one of the civil penalty provisions of the *Future Fund Act 2006* (Future Fund Act).

Also similar to members of CAC Boards, a member of the Future Fund Board is not indemnified for legal costs incurred by the member in unsuccessfully defending or resisting criminal proceedings, or proceedings against a declaration that the member had breached a civil penalty provision of the Future Fund Act.

The indemnity is financially limited, in broad terms, to the value of the Funds under management by the Future Fund Board.

### **Sharjade v Darwinia — breach of Heads of Agreement between the parties**

The Commonwealth has been joined as second defendant in action in the New South Wales Supreme Court that it induced Darwinia to breach Heads of Agreement in 2000. The agreement relates to land previously owned by the Commonwealth at Turramurra, New South Wales, which was sold to Darwinia for construction of a retirement village for former Royal Australian Air Force servicemen. The hearing finished on 24 July 2008. The Judge's decision is expected shortly.

### **Industrial Waste Commission (IWC) Cleanaway**

Following an unsuccessful appeal by the Commonwealth against Brambles Holdings Limited (on 23 July 2008) seeking declarative relief in relation to a deed of licence between the parties for the 'IWC Cleanaway' site at Lucas Heights, NSW, the Commonwealth is seeking to resolve a dispute concerning remediation responsibility for the site. The Commonwealth's goal is to have the site remediated as soon as practicable with minimal ongoing maintenance costs. Investigations into the nature and extent of contamination, as well as remediation options, are continuing.

### **Superannuation**

On 20 April 2007, the High Court of Australia found against the Commonwealth on a claim for negligent misstatement relating to superannuation benefits for a former employee of the Department of the Interior. There is potential for more claims to arise from other former temporary employees who upon their retirement can demonstrate negligent misstatement over their eligibility to join an Australian Government superannuation scheme. Finance has assumed responsibility for the claims under its insurance arrangements with the relevant agencies or their predecessors.

### **Pan Pharmaceuticals**

On 14 August 2008, the Commonwealth settled a suit brought by Mr Selim against the Therapeutic Goods Administration for the negligent suspension of Pan Pharmaceutical's registration and the resulting liquidation of the company. Subsequently, other shareholders and creditors of Pan Pharmaceuticals have indicated their intention to bring claims against the Commonwealth. Finance assumed responsibility for the claims under its insurance arrangements with the Therapeutic Goods Administration.

### **Googong Dam**

On 4 September 2008, a 150 year lease for Googong Dam was signed between the Commonwealth and the ACT Government. The *Canberra Water Supply (Googong Dam) Act 1974* is the paramount statute in relation to the property. The Commonwealth will be liable to pay compensation in the event that it amends or introduces legislation requiring the acquisition of 'property' from the ACT.

The lease includes a requirement for the Commonwealth to undertake rectification of easements or any defects in title in relation to Googong Dam, and also gives an indemnity in relation to acts or omissions by the Commonwealth. The Commonwealth is also responsible for remediation of any contamination it may have caused to the site.

## **Infrastructure, Transport, Regional Development and Local Government**

### **Maritime Industry Finance Company Ltd — board members' indemnity**

Indemnities for the Maritime Industry Finance Company Ltd board members have been provided to protect them against civil claims relating to their employment and conduct as directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time limited and continues even though the Company has been liquidated. Until the indemnity agreements are varied or brought to an end, they will remain as contingent and unquantifiable liabilities.

## **Treasury**

### **Guarantee of wholesale funding of authorised deposit-taking institutions**

The Government has announced that it will guarantee eligible wholesale funding of authorised deposit-taking institutions in Australia from 12 October 2008. The guarantee facility will be withdrawn when market conditions normalise.

The expected liability under this guarantee is remote and unquantifiable. Authorised deposit-taking institutions are subject to prudential regulation by the Australian Prudential Regulation Authority in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial promises. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the guarantee only in the unlikely event that an institution fails to meet its obligations with respect to a commitment that is subject to the guarantee and the guarantee is called upon. In this case, the Government is likely to be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

### **Guarantee of deposits of authorised deposit-taking institutions**

The Government has announced that it will guarantee deposits in authorised deposit-taking institutions in Australia from 12 October 2008. These arrangements will be reviewed after three years.

The expected liability under this guarantee is remote and unquantifiable. Authorised deposit-taking institutions are subject to prudential regulation by the Australian Prudential Regulation Authority in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial promises. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the guarantee only in the unlikely event that an institution fails to meet its obligations with respect to a commitment that is subject to the guarantee and the guarantee is called upon. In this case, the Government is likely to be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

### **Financial Claims Scheme**

The Government has established a Financial Claims Scheme to provide depositors of authorised deposit-taking institutions and general insurance policyholders with timely access to their funds in the unlikely event of a financial institution failure.

### *Appendix C: Statement of risks*

The Early Access Facility for Depositors established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of the deposits of authorised deposit-taking institutions. The risks of this guarantee are detailed under 'guarantee of deposits of authorised deposit-taking institutions' above.

The Policyholder Compensation Facility established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. Amounts available to meet payments and administer this facility, in the event of activation, are capped at \$20.1 billion under the legislation.

The expected liability under the Policyholder Compensation Facility is remote and unquantifiable. The likelihood of a collapse that requires the activation of the scheme is low and the payments made under the Scheme would be likely to be recovered through the liquidation of the failed general insurer. If there was a shortfall, a levy would be applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

## **CONTINGENT ASSETS — UNQUANTIFIABLE**

### **Finance and Deregulation**

#### **Tidbinbilla**

The land associated with the Canberra Deep Space Communication Complex, Tidbinbilla, was declared National Land in 2007-08. The site is managed via Government treaties with the United States of America concerning space tracking in Australia. All improvements are owned by NASA, which has formally indicated ongoing involvement in the site for a minimum 20 year period. As a result, ongoing tenure for the site is uncertain. Responsibilities for the property are to be clarified, and could include being formalised via a Deed of Agreement with NASA.

## APPENDIX D: 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.

### DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1999-2000 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, and are calculated using a methodology consistent with that used for data for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's Economic Roundup, Spring 1996, pp 97-103) prior to 1987-88.

### COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Equivalents to International Financial Reporting Standards (AEIFRS). Prior to 2005-06, underlying GFS data are based on data provided by agencies in accordance with Australian Accounting Standards (AAS);

#### *Appendix D: Historical Australian Government data*

- recent accounting classification changes that require revisions to the historic series have been back-cast (where applicable) to 1999-2000, ensuring that data are consistent across the accrual period from 1999-2000 onwards. However, because of data limitations these changes have not been back-cast to earlier years;
- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards are derived from an accrual accounting framework.<sup>1</sup> Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- 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;
- 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; and
- 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).

#### **REVISIONS TO PREVIOUSLY PUBLISHED DATA**

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

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1 Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was used up to and including 1998-99. In the 2008-09 Budget, cash data for 1998-99 has been replaced by ABS data derived from the accrual framework.

## **REVISIONS SINCE THE 2008-09 BUDGET**

The 2008-09 Budget and the *Final Budget Outcome 2007-08* included a number of changes to the presentation and measurement of historic series data. These changes improve the accuracy and comparability of the data through time, increasing its relevance to users. Further information is provided in Statement 10 of *Budget Paper No. 1, Budget Strategy and Outlook 2008-09* and in Appendix B of the *Final Budget Outcome 2007-08*.

### **Deflating real spending growth by the consumer price index**

At the 2008-09 Budget, real spending growth was deflated by the consumer price index (CPI). Previously, the non-farm GDP deflator (NFGDP) was used.

The change from using the non-farm GDP deflator to the CPI provides a more accurate depiction of real government spending growth. At the 2008-09 Budget, the higher demand for commodities was leading to higher commodity prices and a higher terms of trade, causing the non-farm GDP deflator to increase much more rapidly than the CPI. In the current economic climate, the weaker world outlook is lowering commodity prices and they are expected to soften further in 2009. The non-farm GDP deflator has thus been quite volatile in recent times. Therefore, deflating government spending by the non-farm GDP deflator distorts trends in real spending growth.

In the *Mid-Year Economic and Fiscal Outlook 2008-09* (MYEFO), real spending growth has been deflated by the CPI. For purposes of comparison, in the 2008-09 Budget and MYEFO, real spending growth is calculated using both CPI and the non-farm GDP deflator.

Appendix D: Historical Australian Government data

**Table D1: Australian Government general government sector receipts, payments and underlying cash balance**

	Receipts(a)		Payments(b)				Future Fund earnings	Underlying cash balance(c)	
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)	Per cent of GDP	\$m	\$m	Per cent of GDP
1970-71	8,290	21.0	7,389	na	na	18.7	-	901	2.3
1971-72	9,135	20.9	8,249	4.1	4.4	18.9	-	886	2.0
1972-73	9,735	19.9	9,388	7.7	7.0	19.2	-	348	0.7
1973-74	12,228	20.7	11,078	4.2	3.2	18.7	-	1,150	1.9
1974-75	15,643	22.4	15,463	19.9	14.5	22.2	-	181	0.3
1975-76	18,727	22.9	20,225	15.7	13.5	24.8	-	-1,499	-1.8
1976-77	21,890	23.2	23,157	0.6	2.0	24.6	-	-1,266	-1.3
1977-78	24,019	23.4	26,057	2.7	3.4	25.3	-	-2,037	-2.0
1978-79	26,129	22.5	28,272	0.3	2.6	24.3	-	-2,142	-1.8
1979-80	30,321	23.0	31,642	1.5	2.2	24.0	-	-1,322	-1.0
1980-81	35,993	24.1	36,176	4.6	3.4	24.2	-	-184	-0.1
1981-82	41,499	24.1	41,151	2.9	0.7	23.9	-	348	0.2
1982-83	45,463	24.5	48,810	6.3	6.5	26.3	-	-3,348	-1.8
1983-84	49,981	23.9	56,990	9.4	9.4	27.2	-	-7,008	-3.3
1984-85	58,817	25.4	64,853	9.1	8.1	28.0	-	-6,037	-2.6
1985-86	66,206	25.9	71,328	1.5	3.5	27.9	-	-5,122	-2.0
1986-87	74,724	26.7	77,158	-1.1	1.1	27.6	-	-2,434	-0.9
1987-88	83,491	26.2	82,039	-0.9	-1.3	25.7	-	1,452	0.5
1988-89	90,748	25.0	85,326	-3.1	-4.6	23.6	-	5,421	1.5
1989-90	98,625	24.8	92,684	0.6	2.3	23.3	-	5,942	1.5
1990-91	100,227	24.5	100,665	3.1	3.4	24.6	-	-438	-0.1
1991-92	95,840	23.0	108,472	5.7	5.6	26.0	-	-12,631	-3.0
1992-93	97,633	22.3	115,751	5.6	5.4	26.4	-	-18,118	-4.1
1993-94	103,824	22.6	122,009	3.5	4.5	26.5	-	-18,185	-4.0
1994-95	113,458	23.3	127,619	1.4	3.7	26.2	-	-14,160	-2.9
1995-96	124,429	24.0	135,538	1.9	3.6	26.2	-	-11,109	-2.1
1996-97	133,592	24.5	139,689	1.7	1.4	25.6	-	-6,099	-1.1
1997-98	140,736	24.4	140,587	0.6	-0.7	24.3	-	149	0.0
1998-99	151,974	25.0	148,041	4.0	5.0	24.4	-	3,934	0.6
1999-00	166,089	25.7	153,030	1.0	1.3	23.7	-	13,059	2.0
2000-01	182,896	26.5	176,925	9.1	10.7	25.7	-	5,970	0.9
2001-02	187,497	25.5	188,480	3.6	4.1	25.6	-	-983	-0.1
2002-03	204,564	26.2	197,078	1.4	1.5	25.2	-	7,486	1.0
2003-04	217,724	25.9	209,688	4.0	2.3	24.9	-	8,036	1.0
2004-05	235,935	26.3	222,319	3.5	2.0	24.8	-	13,616	1.5
2005-06	255,892	26.5	240,049	4.6	3.0	24.8	51	15,792	1.6
2006-07	272,587	26.1	253,245	2.5	0.9	24.2	2,135	17,208	1.6
2007-08	294,917	26.1	271,843	3.8	3.0	24.0	3,370	19,704	1.7
<b>2008-09(e)</b>	<b>307,307</b>	<b>25.2</b>	<b>298,316</b>	<b>5.3</b>	<b>3.6</b>	<b>24.5</b>	<b>3,626</b>	<b>5,365</b>	<b>0.4</b>
2009-10(e)	316,692	25.2	309,990	0.8	3.2	24.7	3,107	3,595	0.3
2010-11(p)	329,366	25.2	323,642	1.7	3.2	24.7	3,084	2,640	0.2
2011-12(p)	347,453	25.5	337,753	1.8	3.1	24.8	3,011	6,689	0.5

(a) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(b) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) Underlying cash balance is equal to receipts less payments less 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.

**Table D2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts**

	Taxation receipts		Non-taxation receipts		Total receipts(a)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	18.2	1,097	2.8	8,290	21.0
1971-72	7,895	18.1	1,240	2.8	9,135	20.9
1972-73	8,411	17.2	1,324	2.7	9,735	19.9
1973-74	10,832	18.3	1,396	2.4	12,228	20.7
1974-75	14,141	20.3	1,502	2.2	15,643	22.4
1975-76	16,920	20.7	1,807	2.2	18,727	22.9
1976-77	19,714	20.9	2,176	2.3	21,890	23.2
1977-78	21,428	20.8	2,591	2.5	24,019	23.4
1978-79	23,409	20.1	2,720	2.3	26,129	22.5
1979-80	27,473	20.8	2,848	2.2	30,321	23.0
1980-81	32,641	21.8	3,352	2.2	35,993	24.1
1981-82	37,880	22.0	3,619	2.1	41,499	24.1
1982-83	41,025	22.1	4,438	2.4	45,463	24.5
1983-84	44,849	21.4	5,132	2.4	49,981	23.9
1984-85	52,970	22.9	5,847	2.5	58,817	25.4
1985-86	58,841	23.1	7,365	2.9	66,206	25.9
1986-87	66,467	23.8	8,257	3.0	74,724	26.7
1987-88	75,076	23.5	8,415	2.6	83,491	26.2
1988-89	83,452	23.0	7,296	2.0	90,748	25.0
1989-90	90,773	22.8	7,852	2.0	98,625	24.8
1990-91	92,739	22.7	7,488	1.8	100,227	24.5
1991-92	87,364	20.9	8,476	2.0	95,840	23.0
1992-93	88,760	20.3	8,873	2.0	97,633	22.3
1993-94	93,362	20.3	10,462	2.3	103,824	22.6
1994-95	104,921	21.6	8,537	1.8	113,458	23.3
1995-96	115,700	22.3	8,729	1.7	124,429	24.0
1996-97	124,559	22.8	9,033	1.7	133,592	24.5
1997-98	130,984	22.7	9,752	1.7	140,736	24.4
1998-99	138,420	22.8	13,554	2.2	151,974	25.0
1999-00	151,313	23.5	14,777	2.3	166,089	25.7
2000-01	170,354	24.7	12,541	1.8	182,896	26.5
2001-02	175,108	23.8	12,390	1.7	187,497	25.5
2002-03	192,131	24.6	12,433	1.6	204,564	26.2
2003-04	206,091	24.5	11,632	1.4	217,724	25.9
2004-05	223,314	24.9	12,620	1.4	235,935	26.3
2005-06	241,215	24.9	14,677	1.5	255,892	26.5
2006-07	257,392	24.6	15,195	1.5	272,587	26.1
2007-08	278,376	24.6	16,540	1.5	294,917	26.1
<b>2008-09(e)</b>	<b>287,748</b>	<b>23.6</b>	<b>19,559</b>	<b>1.6</b>	<b>307,307</b>	<b>25.2</b>
2009-10(e)	297,990	23.8	18,701	1.5	316,692	25.2
2010-11(p)	309,712	23.7	19,654	1.5	329,366	25.2
2011-12(p)	328,370	24.1	19,083	1.4	347,453	25.5

(a) Total receipts are equal to receipts from operating activities and sales of non-financial assets.

(e) Estimates.

(p) Projections.

**Table D3: Australian Government general government sector receipts**

	Actual	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Individuals and other withholding taxes					
Gross income tax withholding	113,982	118,800	124,946	132,317	142,560
Gross other individuals	29,525	30,460	29,710	30,750	31,930
less: Refunds	19,601	22,600	24,080	25,420	26,260
Total individuals and withholding taxation	123,906	126,660	130,576	137,647	148,230
Fringe benefits tax	3,856	3,790	4,030	4,210	4,360
Superannuation funds	12,054	9,280	9,210	9,950	11,340
Company tax	61,700	67,520	70,930	72,040	74,760
Petroleum resource rent tax	1,686	2,320	2,540	2,280	2,380
<b>Income taxation receipts</b>	<b>203,202</b>	<b>209,570</b>	<b>217,286</b>	<b>226,127</b>	<b>241,070</b>
Sales taxes					
Goods and services tax	42,424	43,988	46,385	48,869	51,298
Wine equalisation tax	665	680	700	730	760
Luxury car tax	452	560	590	610	630
Other sales taxes	0	0	0	0	0
Total sales taxes	43,541	45,228	47,675	50,209	52,688
Excise duty					
Petrol	7,038	6,500	6,390	6,280	6,170
Diesel	6,750	6,950	7,230	7,540	7,850
Other fuel products	1,118	1,340	1,520	1,770	1,950
Crude oil and condensate	346	810	770	750	760
Beer	1,883	1,960	2,030	2,100	2,160
Potable spirits	207	210	220	220	230
Other excisable beverages(a)	752	990	1,100	1,260	1,440
Tobacco	5,632	5,660	5,710	5,760	5,790
Total excise duty receipts	23,727	24,420	24,970	25,680	26,350
Customs duty					
Textiles, clothing and footwear	956	990	730	480	510
Passenger motor vehicles	1,016	1,010	780	510	540
Excise-like goods	2,451	2,660	2,800	2,960	3,120
Other imports	1,495	1,550	1,610	1,670	1,730
less: Refunds and drawbacks	356	380	380	380	380
Total customs duty receipts	5,561	5,830	5,540	5,240	5,520
Other indirect taxation					
Agricultural levies	611	592	356	360	364
Other taxes	1,734	2,107	2,164	2,096	2,378
Total other indirect taxation receipts	2,345	2,699	2,520	2,456	2,742
<b>Indirect taxation receipts</b>	<b>75,174</b>	<b>78,178</b>	<b>80,705</b>	<b>83,585</b>	<b>87,300</b>
<b>Taxation receipts</b>	<b>278,376</b>	<b>287,748</b>	<b>297,990</b>	<b>309,712</b>	<b>328,370</b>
Sales of goods and services	5,051	5,823	6,025	6,278	6,545
Dividends	2,622	3,238	3,511	4,107	3,665
Interest received	4,769	5,540	5,384	5,355	5,256
Other non-taxation receipts	4,099	4,958	3,782	3,914	3,617
<b>Non-taxation receipts(b)</b>	<b>16,540</b>	<b>19,559</b>	<b>18,701</b>	<b>19,654</b>	<b>19,083</b>
<b>Total receipts(b)</b>	<b>294,917</b>	<b>307,307</b>	<b>316,692</b>	<b>329,366</b>	<b>347,453</b>
<i>Memorandum: Capital gains tax</i>	19,662	14,196	11,738	11,966	12,098

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) Includes Future Fund earnings.

**Table D4: Australian Government general government sector net debt and net interest payments**

	Net debt(a)		Net interest payments(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	1.0	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.3	254	0.2
1979-80	6,244	4.7	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.9	896	0.5
1983-84	16,015	7.6	1,621	0.8
1984-85	21,896	9.5	2,813	1.2
1985-86	26,889	10.5	3,952	1.5
1986-87	29,136	10.4	4,762	1.7
1987-88	27,344	8.6	4,503	1.4
1988-89	21,981	6.1	4,475	1.2
1989-90	16,123	4.1	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.4	3,810	0.9
1992-93	55,218	12.6	3,986	0.9
1993-94	70,223	15.3	5,628	1.2
1994-95	83,492	17.2	7,292	1.5
1995-96	95,831	18.5	8,861	1.7
1996-97	96,281	17.6	9,489	1.7
1997-98	82,935	14.4	8,279	1.4
1998-99	71,928	11.8	8,579	1.4
1999-00	54,538	8.5	7,438	1.2
2000-01	43,465	6.3	6,094	0.9
2001-02	38,642	5.3	5,268	0.7
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	-2,250	-0.2	2,265	0.2
2006-07	-27,385	-2.6	198	0.0
2007-08	-42,918	-3.8	-1,015	-0.1
<b>2008-09(e)</b>	<b>-47,181</b>	<b>-3.9</b>	<b>-1,606</b>	<b>-0.1</b>
2009-10(e)	-54,311	-4.3	-1,520	-0.1
2010-11(p)	-61,641	-4.7	-568	0.0
2011-12(p)	-72,406	-5.3	-1,694	-0.1

(a) Net debt is equal to 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) Net interest payments are equal to the difference between interest paid and interest receipts.

(e) Estimates.

(p) Projections.

**Table D5: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance**

	Revenue		Expenses		Net capital investment		Fiscal balance(a)	
		Per cent		Per cent		Per cent		Per cent
	\$m	of GDP	\$m	of GDP	\$m	of GDP	\$m	of GDP
1996-97	141,688	26.0	145,809	26.7	90	0.0	-4,211	-0.8
1997-98	146,820	25.4	148,646	25.7	147	0.0	-1,973	-0.3
1998-99	151,897	25.0	146,620	24.1	1,433	0.2	3,844	0.6
1999-00	167,093	25.9	155,271	24.1	-69	0.0	11,892	1.8
2000-01	185,876	27.0	179,823	26.1	8	0.0	6,045	0.9
2001-02	190,293	25.9	192,792	26.2	382	0.1	-2,882	-0.4
2002-03	206,759	26.5	201,164	25.7	287	0.0	5,308	0.7
2003-04	222,044	26.4	215,277	25.6	660	0.1	6,107	0.7
2004-05	242,398	27.0	229,153	25.5	1,034	0.1	12,211	1.4
2005-06	261,045	27.0	242,087	25.0	2,498	0.3	16,460	1.7
2006-07	278,263	26.6	259,083	24.8	2,333	0.2	16,847	1.6
2007-08	303,713	26.9	280,109	24.8	2,593	0.2	21,011	1.9
<b>2008-09(e)</b>	<b>313,250</b>	<b>25.7</b>	<b>303,624</b>	<b>24.9</b>	<b>3,784</b>	<b>0.3</b>	<b>5,842</b>	<b>0.5</b>
2009-10(e)	324,345	25.9	311,742	24.8	5,480	0.4	7,123	0.6
2010-11(p)	336,552	25.7	324,283	24.8	5,556	0.4	6,713	0.5
2011-12(p)	355,540	26.1	339,785	24.9	5,670	0.4	10,085	0.7

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

(e) Estimates.

(p) Projections.

**Table D6: Australian Government general government sector net worth and net financial worth**

	Net worth(a)		Net financial worth(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-6,824	-1.1	-67,956	-10.5
2000-01	-6,330	-0.9	-72,808	-10.6
2001-02	-11,285	-1.5	-78,642	-10.7
2002-03	-15,000	-1.9	-84,314	-10.8
2003-04	-839	-0.1	-73,845	-8.8
2004-05	14,873	1.7	-59,941	-6.7
2005-06	18,283	1.9	-63,129	-6.5
2006-07	46,659	4.5	-39,668	-3.8
2007-08	71,165	6.3	-17,765	-1.6
<b>2008-09(e)</b>	<b>70,016</b>	<b>5.7</b>	<b>-21,986</b>	<b>-1.8</b>
2009-10(e)	82,262	6.6	-15,293	-1.2
2010-11(p)	94,227	7.2	-9,248	-0.7
2011-12(p)	110,135	8.1	591	0.0

(a) Net worth is equal to assets less liabilities.

(e) Net financial worth is equal to financial assets less liabilities.

(e) Estimates.

(p) Projections.

**Table D7: Australian Government general government sector taxation revenue, non-taxation revenue and total revenue**

	Taxation revenue		Non-taxation revenue		Total revenue	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	153,408	23.8	13,685	2.1	167,093	25.9
2000-01	175,881	25.5	9,994	1.4	185,876	27.0
2001-02	178,210	24.2	12,083	1.6	190,293	25.9
2002-03	195,203	25.0	11,556	1.5	206,759	26.5
2003-04	209,959	25.0	12,085	1.4	222,044	26.4
2004-05	229,943	25.6	12,455	1.4	242,398	27.0
2005-06	245,716	25.4	15,329	1.6	261,045	27.0
2006-07	262,511	25.1	15,752	1.5	278,263	26.6
2007-08	286,229	25.3	17,484	1.5	303,713	26.9
<b>2008-09(e)</b>	<b>293,627</b>	<b>24.1</b>	<b>19,623</b>	<b>1.6</b>	<b>313,250</b>	<b>25.7</b>
2009-10(e)	304,914	24.3	19,430	1.5	324,345	25.9
2010-11(p)	317,217	24.2	19,336	1.5	336,552	25.7
2011-12(p)	336,105	24.6	19,435	1.4	355,540	26.1

(e) Estimates.

(p) Projections.

**Table D8: Australian Government general government sector revenue**

	Actual	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Individuals and other withholding taxes					
Gross income tax withholding	114,700	119,680	125,996	133,427	143,710
Gross other individuals	31,036	31,620	31,060	32,160	33,410
less: Refunds	19,601	22,600	24,080	25,420	26,260
Total individuals and withholding taxation	126,135	128,700	132,976	140,167	150,860
Fringe benefits tax	3,796	3,870	4,110	4,290	4,440
Superannuation funds	11,988	9,270	9,210	9,950	11,350
Company tax	64,790	68,990	72,900	74,320	77,380
Petroleum resource rent tax	1,871	2,400	2,660	2,420	2,420
<b>Income taxation revenue</b>	<b>208,579</b>	<b>213,230</b>	<b>221,856</b>	<b>231,147</b>	<b>246,450</b>
Sales taxes					
Goods and services tax	44,381	45,490	48,090	50,670	53,180
Wine equalisation tax	661	690	710	740	770
Luxury car tax	464	560	590	610	630
Other sales taxes	-19	0	0	0	0
Total sales taxes	45,486	46,740	49,390	52,020	54,580
Excise duty					
Petrol	6,959	6,630	6,520	6,410	6,310
Diesel	6,674	6,950	7,230	7,540	7,850
Other fuel products	1,105	1,340	1,520	1,770	1,950
Crude oil	346	820	770	750	760
Beer	1,862	1,960	2,030	2,100	2,160
Potable spirits	205	210	220	220	230
Other excisable beverages(a)	744	990	1,100	1,260	1,440
Tobacco	5,631	5,660	5,710	5,760	5,790
Total excise duty revenue	23,526	24,560	25,100	25,810	26,490
Customs duty					
Textiles, clothing and footwear	960	990	730	480	510
Passenger motor vehicles	1,400	1,410	1,110	740	770
Excise-like goods	2,451	2,660	2,800	2,960	3,120
Other imports	1,497	1,562	1,622	1,682	1,742
less: Refunds and drawbacks	237	240	240	240	240
Total customs duty revenue	6,070	6,382	6,022	5,622	5,902
Other indirect taxation					
Agricultural levies	611	592	356	360	364
Other taxes	1,957	2,123	2,192	2,258	2,320
Other indirect taxation revenue	2,567	2,716	2,547	2,618	2,684
<b>Indirect taxation revenue</b>	<b>77,650</b>	<b>80,397</b>	<b>83,059</b>	<b>86,070</b>	<b>89,655</b>
<b>Taxation revenue</b>	<b>286,229</b>	<b>293,627</b>	<b>304,914</b>	<b>317,217</b>	<b>336,105</b>
Sales of goods and services	5,263	5,803	6,021	6,305	6,582
Dividends	2,848	3,238	4,011	3,557	3,615
Interest received	5,558	6,114	5,697	5,683	5,620
Other non-taxation revenue	3,814	4,468	3,702	3,791	3,618
<b>Non-taxation revenue(b)</b>	<b>17,484</b>	<b>19,623</b>	<b>19,430</b>	<b>19,336</b>	<b>19,435</b>
<b>Total revenue(b)</b>	<b>303,713</b>	<b>313,250</b>	<b>324,345</b>	<b>336,552</b>	<b>355,540</b>
<i>Memorandum: Capital gains tax</i>	19,662	14,196	11,738	11,966	12,098

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) Includes expected Future Fund earnings.

Table D9: Australian Government cash receipts, payments and cash surplus by institutional sector (\$m)

	General government			Public non-financial corporations			Non-financial public sector		
	Receipts(a)	Payments(b)	Underlying cash	Receipts(a)	Payments(b)	Cash surplus(c)	Receipts(a)	Payments(b)	Underlying cash
			balance(c)						balance(c)
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268
1998-99	151,974	148,041	3,934	na	na	-353	na	na	3,581
1999-00	166,089	153,030	13,059	na	na	-2,594	na	na	10,465
2000-01	182,896	176,925	5,970	na	na	391	na	na	6,362
2001-02	187,497	188,480	-983	na	na	1,210	na	na	227
2002-03	204,564	197,078	7,486	27,386	26,105	1,280	na	na	8,766
2003-04	217,724	209,688	8,036	27,718	26,142	1,575	238,185	227,002	9,610
2004-05	235,935	222,319	13,616	29,621	28,071	1,550	257,897	241,489	15,167
2005-06	255,892	240,049	15,792	30,875	31,874	-999	278,203	263,358	14,794
2006-07	272,587	253,245	17,208	16,882	18,641	-1,759	285,286	267,702	15,449
2007-08	294,917	271,843	19,704	7,758	8,232	-473	300,503	277,903	19,231
<b>2008-09(e)</b>	<b>307,307</b>	<b>298,316</b>	<b>5,365</b>	<b>8,207</b>	<b>8,625</b>	<b>-980</b>	<b>313,232</b>	<b>305,220</b>	<b>4,386</b>
2009-10(e)	316,692	309,990	3,595	na	na	na	na	na	na
2010-11(p)	329,366	323,642	2,640	na	na	na	na	na	na
2011-12(p)	347,453	337,753	6,689	na	na	na	na	na	na

(a) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(b) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(c) These items exclude Future Fund earnings from 2005-06 onwards. Future Fund earnings are shown in Table D1.

(e) Estimates.

(p) Projections.

na Data not available.

**Table D10: Australian Government revenue, expenses and fiscal balance by institutional sector (\$m)**

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(a)	Revenue	Expenses	Fiscal balance(a)	Revenue	Expenses	Fiscal balance(a)
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	167,093	155,271	11,892	25,485	23,542	1,062	188,630	173,708	12,953
2000-01	185,876	179,823	6,045	25,869	24,762	-826	207,138	199,979	5,220
2001-02	190,293	192,792	-2,882	26,638	25,341	793	212,323	213,526	-2,089
2002-03	206,759	201,164	5,308	24,339	22,916	1,975	225,971	218,995	7,284
2003-04	222,044	215,277	6,107	25,449	23,444	2,143	241,749	232,977	8,251
2004-05	242,398	229,153	12,211	26,965	25,191	1,473	263,478	248,459	13,684
2005-06	261,045	242,087	16,460	28,143	29,531	-2,442	282,404	264,833	14,018
2006-07	278,263	259,083	16,847	15,443	16,360	-1,763	289,919	271,657	15,084
2007-08	303,713	280,109	21,011	6,854	6,686	-584	309,199	285,426	20,427
<b>2008-09(e)</b>	<b>313,250</b>	<b>303,624</b>	<b>5,842</b>	<b>7,172</b>	<b>7,342</b>	<b>-1,291</b>	<b>318,900</b>	<b>309,443</b>	<b>4,551</b>
2009-10(e)	324,345	311,742	7,123	na	na	na	na	na	na
2010-11(p)	336,552	324,283	6,713	na	na	na	na	na	na
2011-12(p)	355,540	339,785	10,085	na	na	na	na	na	na

(a) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available.

