



2011-12

# Government Mid-year Financial Projections Statement

December 2011





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Mid-year Financial  
Projections Statement**

DECEMBER 2011

2011-12 Government Mid-year Financial Projections Statement  
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**GOVERNMENT MID-YEAR FINANCIAL**  
**PROJECTIONS STATEMENT**

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# Foreword

This *Government Mid-year Financial Projections Statement* (mid-year review) outlines developments in Western Australia's economic and financial outlook since finalisation of the 2011-12 State Budget, which was presented to Parliament on 19 May 2011.

It has been prepared under my instruction, and is based upon Government decisions I was aware of, or that were made available to me by the Treasurer, by close of business on the mid-year review cut-off date of 1 December 2011. The mid-year review does not include the impact of any decisions that may have been taken, or other issues arising, after the cut-off date.

The financial projections are informed by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were also finalised on 1 December 2011.

The mid-year review financial projections comply with external reporting standards including Australian Accounting Standards Board AASB 1049: *Whole of Government and General Government Sector Financial Reporting* and, where appropriate, Government Finance Statistics standards, promulgated in Australia by the Australian Bureau of Statistics. They are compiled using financial estimates provided by State public sector agencies that are consistent with Australian Accounting Standards. The disclosures in this publication meet the mid-year review requirements of both the Uniform Presentation Framework, agreed by the Australian Loan Council, and the *Government Financial Responsibility Act 2000*.

Unless otherwise stated, financial data for 2010-11 included in this publication (for comparative purposes) are consistent with final audited data contained in the 2010-11 *Annual Report on State Finances*, released on 22 September 2011.



Timothy Marney  
UNDER TREASURER

December 2011





# Financial Projections

## Overview

Risks to the global economic outlook have intensified significantly since the 2011-12 Budget. International financial markets have fallen on the back of ongoing concerns with the European sovereign debt crisis and a slower than expected recovery in the United States economy. This has led to significant volatility in recent months in the \$US/\$A exchange rate and commodity prices.

Royalty revenue has subsequently been revised downwards since budget-time due to the impact of lower iron ore, oil and base metal prices. Moreover, a higher \$US/\$A exchange rate (projected to average US101.6 cents for 2011-12, compared with US97.5 cents at budget-time) has resulted in a downward revision in royalty revenue of more than \$970 million over the budget and forward estimates period.

Nevertheless, Western Australia's domestic economic outlook remains strong and positive, with economic growth projections broadly consistent with expectations at budget-time. The substantial pipeline of investment in the resources sector continues to underpin healthy levels of economic activity and the prospect of strong export growth in the future. According to Deloitte Access Economics' Investment Monitor September quarter 2011, the total value of expected business investment has increased to \$268.4 billion. Projects 'under construction' valued at \$84.8 billion represent more than a quarter of the national total. The 'pipeline' of projects (those listed as 'committed' or 'under construction') total \$137.4 billion, representing over a third of the national total.

As a consequence, demand for labour in the State has been strong, resulting in solid employment and earnings growth, and an unemployment rate that is the lowest in the nation (apart from the two Territories). Gross State Product has been revised up to 4.75%, the second highest in the nation (up from 4.5% at budget-time), and 4.25% in both 2012-13 and 2013-14 (up from 4.0% at budget-time). Payroll tax collections have also been better than forecast, which has led to a \$105 million upward revision to the 2011-12 estimate.

Despite the strong labour market, the State's housing market remains weak, with both house prices and sales volumes trending lower than the budget-time forecasts. This weakness in the housing market has resulted in significant downward revisions to transfer duty<sup>1</sup> forecasts, of \$103 million in 2011-12 and a total of \$775 million over the four years to 2014-15.

The weaker projections for royalty revenue and transfer duty have led to a lower general government sector operating surplus of \$209 million in 2011-12 (compared with \$442 million projected at budget-time). However, Western Australia's surplus is one of only two surpluses forecast by States across the country (Victoria is projecting a \$148 million surplus for 2011-12). New South Wales, Queensland, South Australia and Tasmania are all forecasting deficits, as is the Commonwealth.

A lower cash position as a result of the revised surplus outlook means that additional borrowings are required to fund the Government's record Asset Investment Program which totals \$27.5 billion over the forward estimates period. When combined with some significant post-budget decisions on major infrastructure projects such as expansion of the Southern Seawater Desalination Plant, initial spending on Perth's New Major Stadium, and non-clinical services at the new Fiona Stanley Hospital, this has seen projected net debt levels reach \$23.9 billion by 30 June 2015.

Nonetheless, projected net debt levels continue to remain very affordable and consistent with a triple-A credit rating. In this regard, total non-financial public sector net interest costs as a share of revenue are projected to reach 2.7% by 2014-15, well below the Government's target limit of 4.5%, and the net financial liabilities to revenue ratio is projected to peak at 73.3% in 2012-13, well below a credit rating review 'trigger' ratio of 90% identified by Standard and Poor's.

The following table summarises the mid-year review forecasts for Western Australia's key financial aggregates.

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<sup>1</sup> References to transfer duty in this chapter represent a combination of transfer duty and landholder duty.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2010-11 Actual	2011-12 Budget Estimate	2011-12 Mid-year Revision	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>1,604</b>	<b>442</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>
Revenue (\$m)	23,909	25,233	25,112	25,830	27,022	27,923
Revenue Growth (%)	8.5	6.2	5.0	2.9	4.6	3.3
Expenses (\$m)	22,306	24,791	24,903	25,525	26,428	27,794
Expense Growth (%)	5.2	7.9	11.6	2.5	3.5	5.2
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	12,026	17,291	16,582	20,495	22,454	23,903
Asset Investment Program (\$m)	6,482	7,638	7,877	8,040	5,958	5,642
Cash Position (\$m)	-2,029	-3,944	-4,548	-3,776	-1,401	-1,358
<b>KEY FINANCIAL RATIOS <sup>(a)</sup></b>						
Net Interest Cost to Revenue (%)	1.8	2.4	2.1	2.5	2.6	2.7
Net Financial Liabilities <sup>(b)</sup> to Revenue	58.1	67.3	67.8	73.3	73.2	71.9

(a) These ratios relate to the total non-financial public sector.

(b) As defined by Standard and Poor's for the purposes of credit rating assessments.

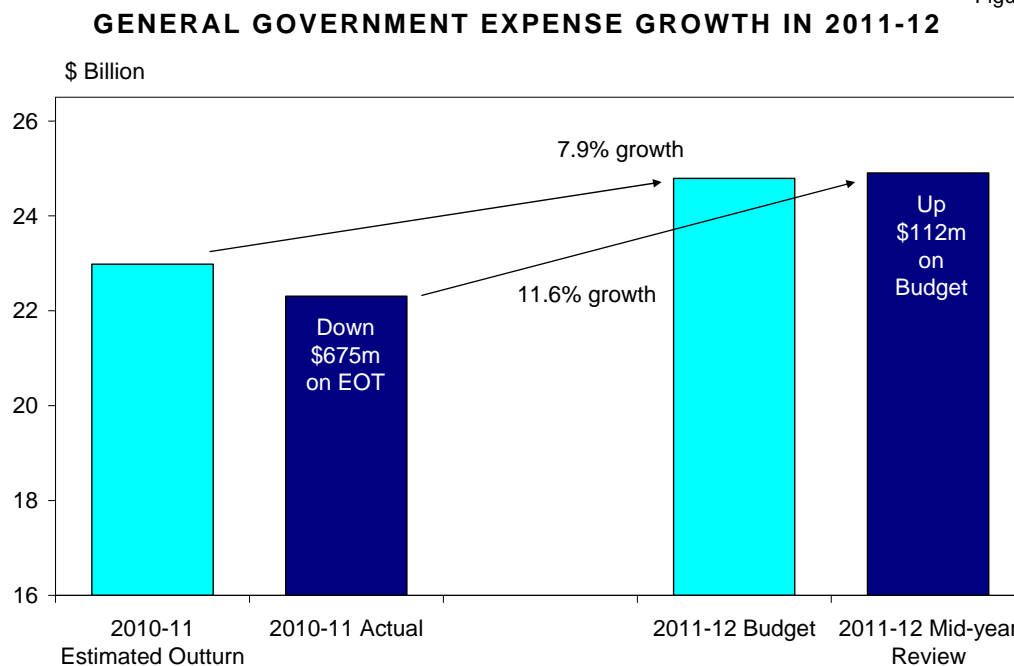
A key factor in Western Australia's net debt projections is declining GST revenue from the Commonwealth. GST revenue grants are forecast to decline from \$3.6 billion in 2011-12 (equivalent to 72% of the State's population share of the national GST pool) to \$2.1 billion by 2014-15 (equivalent to just 36% of the State's population share).

The State Government continues to fight for a fairer share of GST revenue to help fund the State's substantial infrastructure requirements. The State is forecast to lose \$12.0 billion in GST revenue over the five years to 2014-15 relative to its population share. This is a significant financial barrier to providing infrastructure of strategic importance to both the Western Australian and national economies. The Prime Minister's commissioning of the GST Distribution Review represented a positive step towards addressing the deficiencies in the current Commonwealth Grants Commission process. However, recent moves by the Commonwealth Government to request that the Review Panel examine options to penalise States that increase royalties are an attempt to undermine States' sovereignty and are not helpful to a well functioning federation.

The Government remains focused on containing expense growth and delivering on previously announced savings initiatives.

Expense growth in 2011-12 is now projected at 11.6%, compared to 7.9% at budget-time. However, this higher rate of year-on-year growth primarily reflects the impact of the lower than expected expense outcome in 2010-11, rather than additional expenditure in 2011-12.

Figure 1



Other highlights in the mid-year review estimates include:

- full delivery of the Government’s budget initiative of a 5% efficiency dividend on Government Trading Enterprises, with total savings of \$524 million identified over the period 2011-12 to 2014-15;
- a further 333 voluntary separations taken up in 2011-12, bringing the total number of voluntary separations over the last three years to more than 1,135, resulting in savings of around \$54 million per year;
- approved growth in agency staff levels of just 1.7% on 2010-11, around half the rate of growth of recent years; and
- public sector wage outcomes consistent with the Government’s wages policy, with recently negotiated outcomes that mean a range of State employees will be among the highest or second highest paid in the nation (for example, teachers, police, and fire-fighters are all among the highest paid in Australia).

The following table summarises the key economic assumptions underpinning this mid-year review. The assumptions incorporate the effects of the Commonwealth’s carbon tax (see feature box at the end of this overview).

Table 2

**KEY ECONOMIC FORECASTS, WESTERN AUSTRALIA**  
(2011-12 State Budget Forecasts Shown in Brackets)

	2010-11 Actual <sup>(a)</sup>	2011-12 Mid-year Revision	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
Real Gross State Product growth (%)	3.5 (4.0)	4.75 (4.5)	4.25 (4.0)	4.25 (4.0)	4.0 (4.0)
Real State Final Demand growth (%)	6.5 (4.75)	7.5 (7.25)	5.5 (4.5)	3.5 (2.5)	2.0 (1.5)
Employment growth (%)	3.2 (3.0)	2.5 (2.5)	2.5 (2.5)	2.25 (2.25)	2.0 (2.0)
Unemployment rate (%)	4.4 (4.5)	4.5 (4.5)	4.25 (4.25)	4.25 (4.25)	4.0 (4.0)
Wage Price Index growth <sup>(b)</sup> (%)	3.9 (4.0)	4.25 (4.25)	4.5 (4.5)	4.5 (4.5)	4.5 (4.5)
Average Weekly Earnings growth (%)	5.2 (3.5)	7.75 (4.5)	5.5 (5.0)	5.5 (5.5)	5.5 (5.5)
Perth Consumer Price Index growth (%)	2.8 (2.75)	2.75 (3.0)	3.5 (3.25)	3.25 (3.25)	3.25 (3.25)
Iron ore price (\$US/tonne FOB)	169.5 (138.8)	147.9 (149.1)	125.3 (128.8)	107.8 (108.2)	90.4 (87.5)
Crude oil price (\$US per barrel)	89.4 (90.1)	94.3 (108.0)	95.5 (105.0)	92.6 (102.6)	91.2 (101.4)
Exchange rate (\$US/\$A cents)	99.1 (98.0)	101.6 (97.5)	94.5 (90.6)	87.3 (83.7)	80.1 (76.9)
Population growth <sup>(c)</sup> (%)	2.3 (2.3)	2.2 (2.2)	2.2 (2.2)	2.1 (2.1)	2.1 (2.1)
Interest assumptions (%):					
- Public Bank Account interest earnings <sup>(d)</sup>	5.2 (5.2)	4.6 (5.7)	4.7 (6.2)	5.3 (5.7)	5.3 (5.1)
- Consolidated Account borrowings <sup>(d)</sup>	5.3 (5.4)	5.2 (5.8)	4.8 (6.1)	5.1 (6.0)	5.2 (6.0)

(a) Gross State Product (GSP) and State Final Demand (SFD) growth data are based on 2010-11 State Accounts data, released on 23 November 2011.

(b) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by workforce compositional changes (unlike Earnings).

(c) As full data for 2010-11 are not yet available, all population forecasts shown are Department of Treasury estimates.

(d) Average for the year.

Note: All data are annual averages. The forecasts assume no changes in Commonwealth Government policy settings.

### **The Commonwealth's Carbon Tax**

The carbon tax legislative package passed the Federal Parliament on 8 November 2011 and will commence on 1 July 2012. The package includes the introduction of a fixed carbon price (equivalent to a tax on carbon emissions) for three years, starting at \$23/tCO<sub>2</sub>-e<sup>2</sup> in 2012-13, after which it transitions to an emissions trading scheme.

Large emitters of CO<sub>2</sub> affected by the carbon tax will pass on cost increases in the form of higher prices of goods and services to Western Australians. The State Government will be directly liable to pay the tax through the operations of four of its public non-financial corporations (PNFCs) and indirectly as a purchaser of goods and services.

#### ***Impact on Western Australian Households***

For a number of years, the Western Australian Department of Treasury has produced a model that estimates the expenditure incurred by a 'representative' household through the consumption of certain State government goods and services.

The introduction of a carbon tax will directly impact the representative household's expenditure on the following State government goods and services measured by the model:

- water, including both consumption and annual supply charges;
- sewerage;
- drainage;
- electricity, including both consumption and annual supply charges; and
- public transport.

While the State Government will decide tariffs, fees and charges in next year's budget process, if the impact of the carbon tax was fully reflected in prices, the representative household's yearly expenditure on the tariffs, fees and charges mentioned above would increase by \$141.45 (or 3.6%) in 2012-13. This increase comprises a \$111.36 (or 7.0%) increase in electricity charges, a \$10.59 (or 0.8%) increase in water charges, and a \$19.50 (or 1.9%) increase in public transport expenditure.

The Western Australian Treasury estimates more than half of the State's households will be worse off under the carbon tax as they will not receive adequate Commonwealth compensation to offset the higher cost of living.

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<sup>2</sup> CO<sub>2</sub>-e refers to carbon dioxide equivalent. To ensure consistent measurement and pricing of the different greenhouse gases covered under the carbon tax, each gas (for example methane) is converted to an equivalent amount of carbon dioxide emissions.

### ***Impact on the Western Australian Economy***

Modelling results show that the carbon tax is expected to lead to a small increase in household consumption and decline in imports in 2012-13. When the various compensation and industry assistance measures are taken into account, this is offset by lower business investment and exports.

The Commonwealth Treasury and the Reserve Bank of Australia expect that the carbon tax will add up to 0.7 percentage points to growth in the consumer price index (CPI) in 2012-13. This has been reflected through an equivalent increase in the Western Australian CPI forecast for 2012-13.

### ***Impact on State Finances***

#### **Public Non-Financial Corporations**

The energy sector PNFCs (i.e. Verve Energy, Synergy and Horizon Power) will incur substantial carbon tax liabilities. Costs for Verve Energy and Synergy will increase by approximately \$1 billion each over the forward estimates. A significant proportion of Synergy's cost increase relates to the pass-through of Verve Energy's carbon costs, with the remainder due to pass through of costs from other generators and the direct liability for Synergy's retail gas portfolio. Horizon Power's costs are predicted to increase by \$59 million over the forward estimates.

Consumers can expect a 7.0% increase in electricity charges as a result of the Federal Government's carbon tax.

Preliminary modelling by the Water Corporation suggests the carbon tax will lead to an increase in annual operating costs of between \$14 million and \$21 million, due to increased energy costs and the direct application of the carbon tax to wastewater treatment plant emissions.

The carbon tax is estimated to increase the Public Transport Authority's electricity costs by approximately \$2.4 million in 2012-13.

The carbon tax will also impact Verve Energy's asset value. With full pass-through of the carbon tax costs, it is estimated that Verve Energy will experience a net present value loss of between \$100 million and \$200 million within its business. This reflects changes in the amount of energy Verve Energy will produce and have available for sale. While Verve Energy has advised that the change in the net present value will not be sufficient to trigger asset impairment (an asset write-down), it is still analysing its ability to pass-through the carbon tax under its contracts.

#### **General Government Sector**

It is estimated that higher prices for goods and services will cost general government agencies around \$50 million in 2012-13 (growing to around \$60 million by 2014-15). It is expected that agencies will be forced to recover a portion of these higher costs through changes to tariffs, fees and charges.

### **Revenue**

Revenue items such as payroll tax and stamp duties will each be affected differently by the carbon tax as they tax different forms of economic activity. It is estimated that payroll tax will be reduced by around \$5.4 million in 2012-13 as a result of the net reduction in employment. For other tax items, like insurance duty, the effects will correlate with changes in the CPI.

The short-term impact on royalty incomes is difficult to quantify, as export prices are determined in international markets and mining volumes are subject to contracts that could be signed before the carbon tax commences.



## General Government Sector

### Operating Statement

Operating surpluses are expected in 2011-12 and each year of the forward estimates. However, these surpluses are expected to be lower than forecast at the time of the 2011-12 Budget.

A general government sector operating surplus of \$209 million is forecast for 2011-12, down from the budget-time forecast of \$442 million. Across the forward estimates period (2011-12 to 2014-15), surpluses have been revised down by a total of \$1,231 million.

These outcomes largely reflect a downward revision to revenue of \$989 million, which mainly comprises the net impact of:

- the effect on royalty revenue of a stronger than expected US/\$A exchange rate and lower than expected iron ore and oil prices (down \$951 million);
- the impact of a weaker property market on transfer duty collections (down \$775 million);
- higher Commonwealth grants, mainly for the Gateway WA road project and natural disaster relief (up \$287 million);
- the transfer of the functions of the Real Estate and Business Agents Supervisory Board and the Settlement Agents Supervisory Board (and associated assets) to the Department of Commerce (\$217 million)<sup>3</sup>; and
- stronger labour market outcomes driving higher payroll tax projections (up \$205 million).

Projected levels of recurrent spending have not changed substantially over the forward estimates (up around \$242 million, or 0.2%, over the four years to 2014-15). This includes a number of recent wage outcomes that are within the limits of the Government's wages policy, the effects of recent initiatives to manage growth in staffing levels (including a further round of voluntary separations), and movements in operating conditions since budget-time.

The following table summarises changes in general government revenue and expenses since the 2011-12 Budget projections were finalised on 20 April 2011. Further detail on these movements is provided later in this chapter.

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<sup>3</sup> These external Boards were wound up with the Department of Commerce assuming these roles from 1 July 2011 as part of the State Government's commitment to reduce the number of statutory boards and committees. Abolition of the boards will result in a more streamlined operating structure with a single regulator across a number of operational areas, and better integration with generalist laws such as the Australian Consumer Law. The assets transferred to the general government sector include moneys held in trust and funds supporting the regulation of the real estate and settlement agent industries in Western Australia.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2011-12 BUDGET**

	2011-12	2012-13	2013-14	2014-15	Total
	\$m	\$m	\$m	\$m	\$m
<b>2011-12 BUDGET - NET OPERATING BALANCE</b>	<b>442</b>	<b>768</b>	<b>787</b>	<b>471</b>	
<b>Revenue</b>					
<i>Policy Decisions</i>					
Wind-up of Real Estate and Business Agents Supervisory Board and Settlement Agents Supervisory Board <sup>(a)</sup>	157.0	19.2	20.0	20.8	217.0
Net change in dividends and tax equivalents from implementation of GTE efficiency dividend	7.1	-3.0	0.8	2.1	7.0
All other <sup>(b)</sup>	-	-	3.0	6.8	9.8
<i>Total Policy Decisions</i>	<i>164.1</i>	<i>16.1</i>	<i>23.8</i>	<i>29.7</i>	<i>233.7</i>
<i>Parameter Movements <sup>(c)</sup></i>					
<i>Taxation</i>	<i>11.2</i>	<i>-62.0</i>	<i>-200.0</i>	<i>-265.9</i>	<i>-516.6</i>
- Payroll tax	105.2	101.7	30.7	-32.7	204.8
- Transfer duty/landholder duty	-102.9	-179.9	-244.9	-247.6	-775.3
- All other taxes	8.9	16.3	14.2	14.5	53.8
<i>Commonwealth grants</i>	<i>-72.9</i>	<i>34.2</i>	<i>238.9</i>	<i>86.7</i>	<i>286.8</i>
- GST grants	-44.3	-44.3	30.1	137.9	79.4
- North West Shelf grants/Condensate compensation	-35.1	-16.9	-18.6	-29.6	-100.2
- Gateway WA Road grants	7.4	53.3	118.7	-	179.4
- State Rehabilitation Centre grant	-80.0	-	-	-	-80.0
- Ord East Kimberley Expansion Project	30.3	7.0	-	-	37.3
- Commonwealth Heads of Government Meeting 2011	43.3	-	-	-	43.3
- Natural Disaster Relief grants	-	1.3	120.4	24.6	146.4
- All other Commonwealth grants	5.5	33.7	-11.7	-46.3	-18.8
<i>Royalty income</i>	<i>-215.2</i>	<i>-350.8</i>	<i>-235.9</i>	<i>-148.9</i>	<i>-950.8</i>
- Iron ore	-179.2	-294.4	-199.4	-146.5	-819.5
- Gold	23.9	31.6	32.0	30.6	118.1
- Nickel	-33.2	-50.7	-38.8	-12.5	-135.2
- All other royalties	-26.7	-37.3	-29.7	-20.5	-114.2
<i>Other</i>	<i>-8.0</i>	<i>-39.7</i>	<i>-13.3</i>	<i>18.7</i>	<i>-42.3</i>
<i>Total Parameter Movements</i>	<i>-284.9</i>	<i>-418.3</i>	<i>-210.3</i>	<i>-309.4</i>	<i>-1,223.0</i>
<b>TOTAL REVENUE</b>	<b>-120.9</b>	<b>-402.2</b>	<b>-186.5</b>	<b>-279.6</b>	<b>-989.2</b>
<b>Expenses</b>					
<i>Policy Decisions</i>					
Reverse the subsidy component of the 5% GTE Efficiency Dividend Global Provision	18.8	19.1	20.9	21.3	80.2
Real Estate and Business Agents Supervisory Board and Settlement Agents Supervisory Board	13.4	14.1	14.7	15.5	57.7
Court Security and Custodial Services - New Contractual Arrangements	13.4	11.5	11.8	13.1	49.8
Browse LNG Project	-	10.6	10.0	7.8	28.4
Native Title Holder Incentive Grants	2.5	4.0	4.7	4.9	16.2
Shark Mitigation Strategy	2.5	3.1	3.1	2.6	11.2
Independent Public Schools - Third Intake	1.1	2.6	2.3	2.4	8.3
Remote Communities Driver Licensing	0.7	2.3	2.4	2.4	7.8
Land Information Authority Efficiency Dividend	-1.3	-2.4	-3.4	-3.4	-10.5
PTA Efficiency Dividend	-6.4	-6.9	-7.1	-7.3	-27.7
Other policy decisions	20.3	13.0	4.9	3.8	42.0
<i>Total Policy Decisions</i>	<i>65.0</i>	<i>71.1</i>	<i>64.2</i>	<i>63.1</i>	<i>263.4</i>
<i>Parameter Movements <sup>(c)</sup></i>					
Fiona Stanley Hospital Non-Clinical Services	1.0	2.3	76.8	71.8	151.9
RfR - other recurrent	37.2	110.8	37.1	-42.8	142.3
Enterprise Bargaining Agreements	12.1	22.5	37.6	40.8	113.0
WA Natural Disaster Relief and Recovery Arrangements	55.4	40.0	-	-	95.4
Feed-in Tariff	-	15.7	15.2	15.2	46.0
Redress WA Scheme	30.0	-	-	-	30.0
Albany Entertainment Centre	0.5	-66.2	4.0	70.0	8.3
RfR - revised royalty forecasts - recurrent	-	-61.4	-41.3	-26.0	-128.7
Interest costs	-75.1	-85.0	-30.2	-9.0	-199.2
Superannuation interest cost	-118.3	-49.3	-36.7	-24.6	-228.8
Other parameter movements	104.3	60.6	-120.3	-96.2	-51.5
<i>Total Parameter Movements</i>	<i>47.2</i>	<i>-10.0</i>	<i>-57.7</i>	<i>-0.8</i>	<i>-21.3</i>
<b>TOTAL EXPENSES</b>	<b>112.2</b>	<b>61.1</b>	<b>6.5</b>	<b>62.3</b>	<b>242.1</b>
<b>TOTAL VARIANCE</b>	<b>-233.0</b>	<b>-463.3</b>	<b>-193.0</b>	<b>-342.0</b>	<b>-1,231.3</b>
<b>2011-12 MID-YEAR REVIEW - NET OPERATING BALANCE</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>	

(a) Includes transfer of \$138 million in cash and \$0.6 million in non-cash assets, and associated service revenue changes.

(b) Includes assets transferred from public corporations.

(c) Parameter changes include movements due to issues not subject to policy decisions, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc.

Note: Columns/rows may not add due to rounding

## Revenue

Global economic uncertainty, particularly from events in the Eurozone, has resulted in the price of most commodities weakening since budget. With the major exceptions of gold and LNG, commodity prices have generally softened so far in 2011-12. At the same time, the \$US/\$A exchange rate is expected to average US101.6 cents in 2011-12, around US4 cents higher than assumed at budget-time<sup>4</sup>. Both of these factors are acting to reduce the State's royalty revenue.

The near-term outlook for tax revenue has also deteriorated since the budget. This mainly reflects lower transfer duty revenue, due to weaker house prices and lower turnover. This has been partly offset by stronger than expected growth in payroll tax.

### 2011-12

General government revenue in 2011-12 is estimated to be \$25.1 billion, which represents a decrease of \$121 million (or 0.5%) relative to the 2011-12 Budget forecast.

The major drivers of this change are outlined below (a detailed table of general government sector revenue is available in Appendix 2: *General Government Operating Revenue*).

- Royalty income has been revised down by \$215 million in 2011-12, due to the net impact of:
  - a fall in most commodity prices since budget, particularly for iron ore, oil and base metals which have weakened in response to global economic uncertainty; and
  - a higher \$US/\$A exchange rate, which is projected to average US101.6 cents over the remainder of 2011-12, compared with a budget assumption of US97.5 cents. The effect of this change (holding all other factors constant) is to reduce the royalty income estimates by \$169 million in 2011-12 alone.
- Taxation revenue has been revised up by \$11 million in 2011-12. This mainly reflects the combined impact of:
  - lower transfer duty (down \$103 million), due to continued weakness in the State's residential property market, both in terms of house prices and the number of house sales;
  - lower vehicle licence duty (down \$10 million), reflecting lower than expected collections in the year to date, due in part to subdued consumer and business confidence;
  - an upward revision to forecast payroll tax collections (up \$105 million), arising from stronger than expected performance in the State's labour market;

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<sup>4</sup> The exchange rate forecasts are based on a starting point assumption that incorporates the six-week average spot rate up to the mid-year review cut-off date, then an assumption that this six-week average reverts to its long-run average rate in a linear trend over the course of the forward estimates period.

- an upward revision to motor vehicle registrations (up \$13 million), reflecting the flow-on effect of a higher than expected outturn for 2010-11; and
  - an upward revision to forecast insurance duty (up \$5 million), reflecting higher than expected collections in the year to date.
- Commonwealth grants have been revised down by \$73 million in 2011-12, due mainly to the net impact of:
  - the early receipt of health infrastructure grants for the new State Rehabilitation Centre (\$80 million), with this payment received in 2010-11 following the achievement of project milestones;
  - revised GST revenue grants (down \$44 million), reflecting lower Commonwealth mid-year review forecasts of the national GST pool, revisions to population forecasts, and changes in forecast performance of other States and Territories;
  - the one-off receipt of \$43 million under the National Partnership Agreement on the Commonwealth Heads of Government Meeting 2011 (CHOGM), which funded the security arrangements, health services and traffic management aspects of CHOGM;
  - a downward revision to the Commonwealth's North West Shelf (NWS) petroleum royalties<sup>5</sup> of \$35 million, reflecting a higher exchange rate and weaker oil prices (only partially offset by stronger LNG prices); and
  - \$30 million of funding under the Ord-East Kimberley Expansion Project, previously budgeted to be received in 2010-11.
- Interest income has been revised down by \$42 million, reflecting a lower interest rate outlook and lower cash holdings by the sector.
- Dividends from public corporations are \$38 million higher than budget. This is due mainly to stronger sales revenue and lower operating costs for electricity sector agencies and better than expected outcomes for the Water Corporation in 2010-11 (reflected in dividend payments in the current year), partly offset by lower dividends for the Geraldton Port Authority (down \$10 million).
- Tax equivalent revenue is expected to be \$21 million lower than budget. Lower than expected port authority revenue accounts for the majority of the change (particularly Fremantle Port Authority, reflecting a change in accounting treatment for developers' contributions, and Geraldton Port Authority, mainly for revised projected port throughput and lower developer contributions following Mount Gibson Iron's decision to construct train loading infrastructure).
- Revenue from sales of goods and services has been revised up by \$26 million in 2011-12. This reflects the flow-on impact of higher than expected outcomes for 2010-11, resulting from higher than anticipated demand for goods and services provided by general government agencies.

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<sup>5</sup> Passed on to the State in the form of a grant and includes compensation from the Commonwealth due to the removal of the excise exemption for condensate.

- ‘Other revenue’ has been revised up by \$155 million, largely reflecting the transfer of assets (totalling \$138.6 million) from the Real Estate and Business Agents Supervisory Board and the Settlement Agents Supervisory Board to the Department of Commerce (see footnote earlier in this chapter).

*2012-13 to 2014-15*

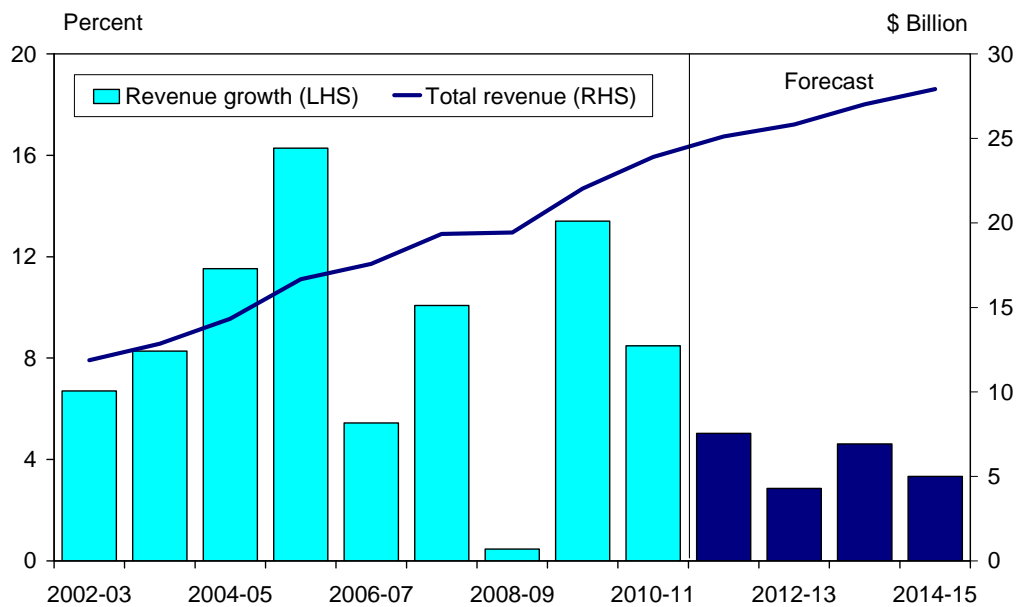
Across the outyears, general government revenue has been revised down by a total of \$868 million (or 1.1%). This largely reflects the net impact of:

- lower royalty income estimates (down \$736 million), mainly due to slightly lower than expected commodity prices (with the exception of gold and LNG), and a higher than expected \$US/\$A exchange rate;
- a downward revision to the taxation revenue forecasts (down \$528 million), which mainly comprises a significant reduction in transfer duty (down \$672 million) and vehicle licence duty (down \$35 million), partly offset by stronger payroll tax forecasts (up \$100 million) and higher revenue from motor vehicle registrations (up \$47 million);
- a Commonwealth funding contribution of \$172 million (of a total \$179 million) for the Gateway WA project, for upgrades to the arterial road network around Perth Airport;
- the receipt of natural disaster relief grants totalling around \$146 million across the three outyears, related to tropical cyclones, flooding and bushfires across the State;
- higher GST revenue grants (up a net \$124 million over the outyears). The negative impact from reduced Commonwealth mid-year review forecasts of the national GST pool has been more than offset by positive impacts from reduced mining royalty forecasts and other parameter changes. Western Australia’s projected GST relativity (i.e. share of the GST relative to Western Australia’s population share) by 2014-15 is slightly higher than the May 2011 Budget projections (36% compared with 33%), which mainly reflects the lagged (positive) impact of reduced mining royalty forecasts. This highlights the extreme sensitivity of Western Australia’s GST revenue to royalties, with, for example, every \$100 million decrease in iron ore royalties in 2011-12 leading to a \$69 million increase in GST grants over time (and vice versa);
- a downward revision to NWS royalties over the forecast period (\$65 million), reflecting a higher exchange rate and lower oil prices, partly offset by an increase in LNG prices;
- a downward revision to dividends and tax equivalent revenue (down \$76 million), largely driven by the net effect of:
  - lower revenue projections for the Geraldton Port Authority (down \$65 million), reflecting the same factors noted for 2011-12;
  - higher operating costs associated with the Mondarra gas storage facility for Verve Energy (down \$25 million); and

- lower operating costs for Western Power (up \$17 million), mainly due to lower depreciation costs (for streetlights, meters and movements in projected physical asset values over the forward estimates period), and lower projected interest costs (reflecting changes in projected borrowings and lower interest rate expectations);
- higher estimates for revenue from sales of goods and services (up \$92 million), reflecting the flow-through effect from the 2010-11 actual (discussed earlier); and
- the impact of changes to the outlook for interest rates and cash holdings on interest income (down \$33 million).

Figure 2

**GENERAL GOVERNMENT REVENUE GROWTH**



**Expenses**

*2011-12*

General government sector expenses are forecast to be \$24.9 billion in 2011-12, \$112 million higher than estimated at the time of the budget.

Revised annual growth of 11.6% for recurrent spending compares with 7.9% at budget-time. Almost all of this increase reflects the effect of a lower than expected expense outcome in 2010-11 (down \$675 million). Excluding the ‘base’ effect of this lower outcome, expenses are projected to grow at 8.4%, half a percentage point higher than the budget forecast<sup>6</sup>.

<sup>6</sup> The flow-on impact of lower than expected recurrent spending in 2010-11 is currently being managed by general government sector agencies within existing approved expense limits for 2011-12. Any need to adjust agencies’ expense limits to accommodate the impact of the 2010-11 underspend will be considered as part of the 2012-13 Budget.

Key changes in general government expenses in 2011-12 since the time of the 2011-12 Budget include the net impact of:

- spending on natural disaster relief (\$55 million) following a number of significant events which took place in 2010-11, including the Carnarvon floods, severe thunderstorms in the South West Land Division, cyclones and bush fires;
- higher than anticipated spending on eligible claims under the Redress WA scheme (\$30 million, bringing the total cost of this scheme to \$143 million);
- higher recurrent *Royalties for Regions* spending (up \$37 million), reflecting spending carried over from 2010-11<sup>7</sup> and other changes to project cash flows across the total program;
- the impact of a number of Enterprise Bargaining Agreements, including those for Health Salaried Officers (\$6 million), Police (\$3 million), prison medical staff (\$2 million), TAFE lecturers (\$1 million), and fire-fighters (\$1 million), making a range of State employees among the highest paid in the nation;
- new contractual arrangements for court security and custodial services (\$13 million);
- the inclusion of (industry-funded) operational expenditure requirements of the Real Estate and Business Agents Supervisory Board (REBA) and Settlement Agents Supervisory Board (SASB) into the Department of Commerce (up a net \$13 million);
- the leasing of a water-carrying helicopter for the 2011-12 summer fire season (\$4 million);
- additional spending on shark attack mitigation strategies (\$2 million);
- lower superannuation interest costs (down \$118 million), reflecting the effect of financial market uncertainty on the discount rate used to determine these costs (see balance sheet discussion of superannuation liabilities later in this chapter);
- lower interest expenses (down \$75 million), primarily reflecting the impact of lower interest rates and changes in the timing and magnitude of cash holdings through the year; and
- changes in agency spending across the sector, including revised timing for some programs, updates to spending funded from own-source revenue changes (including revised Commonwealth grants), and changes to the treatment of spending (i.e. previously disclosed infrastructure spending now expected to be classified as recurrent spending, and vice versa). These changes increase expenses by \$104 million in 2011-12, but reduce expenses by \$52 million across the four years to 2014-15.

#### 2012-13 to 2014-15

As was expected at the time of the budget, expense growth is anticipated to moderate in the outyears, growing by an average of 3.7% per annum over the period 2012-13 to 2014-15.

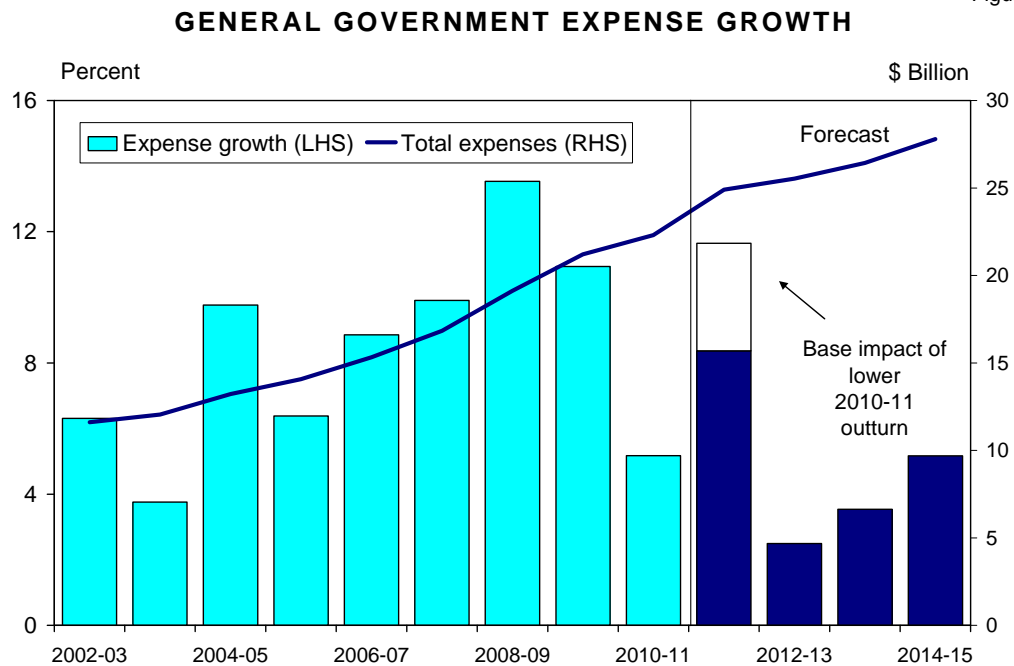
<sup>7</sup> Detailed in the 2010-11 *Annual Report on State Finances*.

Compared with budget, expenses are forecast to increase by around \$130 million across the three outyears. This increase mainly reflects the net impact of:

- Government policy decisions (\$198 million), including the outyear effects of those decisions outlined above for 2011-12, and other decisions commencing from 2012-13, discussed in Appendix 3: *Major Spending Changes Since Budget*;
- a contracting arrangement to deliver non-clinical services at the Fiona Stanley Hospital when the facility opens in April 2014 (\$151 million);
- the impact of a number of Enterprise Bargaining Agreements (\$101 million), including those for Health Salaried Officers (\$46 million), Police (\$34 million), TAFE lecturers (\$8 million) and fire-fighters (\$7 million);
- higher numbers of applications to the renewable energy Feed-in Tariff scheme, resulting in greater coverage and take up of this popular green energy initiative;
- further spending on natural disaster relief (\$40 million), noted above;
- lower recurrent *Royalties for Regions* spending (down \$24 million), including the impact of the lower royalties outlook (down \$129 million), partially offset by spending delayed from 2010-11 and other changes to project cash flows across the total program, as noted above (up \$105 million);
- lower superannuation interest costs (down \$111 million) due to the discount rate change noted above;
- lower outyear interest expenses (down \$124 million); and
- movements across the sector in spending supported by agency goods and services revenue and Commonwealth grants (and therefore with no net impact on the operating balance).



Figure 3



Further detail of material changes in agency spending is available in Appendix 3: *Major Spending Changes Since Budget*.

## Capital Investment

### 2011-12

General government sector infrastructure spending in 2011-12 is forecast to be \$4.2 billion, \$44 million (or 1.1%) lower than anticipated at budget-time. This modest change in spending largely reflects the combined impact of the following changes in agency Asset Investment Programs:

- State Development (down \$69 million), due mainly to timing changes in relation to the Ord-East Kimberley Expansion Project;
- Main Roads (down \$52 million), with \$74 million for rescheduled works (mainly associated with road upgrades at Port Hedland, the Esperance Port Access project, and work on the Roe Highway Interchange), partially offset by \$21 million in spending on a range of works originally expected to be completed in late 2010-11; and
- Western Australian Sports Centre Trust (up \$91 million, mainly for Perth Arena), reflecting cash payments totalling \$26 million delayed from 2010-11, and \$64 million for construction delays and revised project costs, including the settlement of a range of contractual claims. Total project construction and fit-out costs for the Perth Arena are now estimated at \$549 million.

*2012-13 to 2014-15*

Outyear infrastructure spending is forecast to total \$9.5 billion over the three years to 2014-15. This represents a \$752 million increase since the time of the budget and is mainly due to:

- a \$179 million provision for the expenditure of Commonwealth funding on the Gateway WA project to upgrade the public arterial road network around Perth Airport;
- a \$175 million provision for Perth's New Major Stadium and associated public transport infrastructure to be built on the Burswood Peninsula<sup>8</sup>;
- \$122 million associated with the partial rescheduling of a range of education projects from 2011-12 (including cash flows for the Karratha Senior High School Stage 2 development and Applecross Senior High School improvement), and spending by schools on a range of small projects previously shown as recurrent costs;
- \$91 million in new funds for the Ord Irrigation Project funded through the *Royalties for Regions* program, primarily for design works to allow for future expansion of the project, and unavoidable cost escalations; and
- \$43 million for Main Roads mainly due to spending deferred from 2011-12 (discussed above).

Further details on changes to infrastructure programs are disclosed in Appendix 3: *Major Spending Changes Since Budget*.

## **Balance Sheet**

Net worth for the general government sector is forecast to increase from \$112.2 billion at 30 June 2011 to \$124.8 billion at 30 June 2015. This reflects:

- operating surplus outcomes discussed earlier;
- stronger public corporation net worth (represented as an asset on the general government sector balance sheet); and
- the flow-on impact of a better than expected outcome for 2010-11, detailed in the *2010-11 Annual Report on State Finances*.

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<sup>8</sup> While the New Major Stadium is still subject to further scoping and planning work to be presented to Government in mid-2012, this mid-year review includes a \$175 million provision for construction work up to 2014-15. This is partially offset by \$100 million in surplus cash set aside for the stadium construction using funds from the better than expected royalties outcome reflected in the operating surplus for 2010-11. The final cost of the stadium and related infrastructure will be known once detailed project definition and planning is completed.

Table 4

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2011	2012	2013	2014	2015
	\$m	\$m	\$m	\$m	\$m
<b>2011-12 MID-YEAR REVIEW</b>					
Assets	130,594	136,282	142,270	148,068	152,105
Liabilities	18,391	22,151	24,410	26,185	27,324
<b>Net Worth</b>	<b>112,203</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<i>Net Debt</i>	236	3,539	6,082	7,612	8,601
<b>2011-12 BUDGET</b>					
Assets	129,116	135,507	140,827	145,963	150,918
Liabilities	17,851	21,039	22,574	24,403	25,450
<b>Net Worth</b>	<b>111,265</b>	<b>114,468</b>	<b>118,253</b>	<b>121,560</b>	<b>125,468</b>
<i>Net Debt</i>	1,086	4,129	5,665	6,543	7,001
<b>VARIANCE</b>					
Assets	1,478	775	1,443	2,105	1,187
Liabilities	540	1,112	1,836	1,782	1,874
<b>Net Worth</b>	<b>938</b>	<b>-336</b>	<b>-394</b>	<b>323</b>	<b>-687</b>
<i>Net Debt</i>	-850	-590	417	1,069	1,600

Note: Columns may not add due to rounding.

General government assets at 30 June 2015 are forecast to be around \$1.2 billion (or 0.8%) higher relative to the 2011-12 Budget. This reflects higher land and property, plant and equipment holdings (up a combined \$2.2 billion by 30 June 2015) and infrastructure spending increases across the forward estimates period (detailed earlier). This is partially offset by the flow-on impact of lower public corporation sector asset values reported in 2010-11 (down \$1.0 billion).

General government liabilities are forecast to increase from \$18.4 billion at 30 June 2011 to \$27.3 billion at 30 June 2015, an increase of \$1.9 billion compared with budget. Borrowings for the sector (up \$1.7 billion on the budget-time estimates) reflect the combined effect of higher infrastructure spending and weaker operating results<sup>9</sup>.

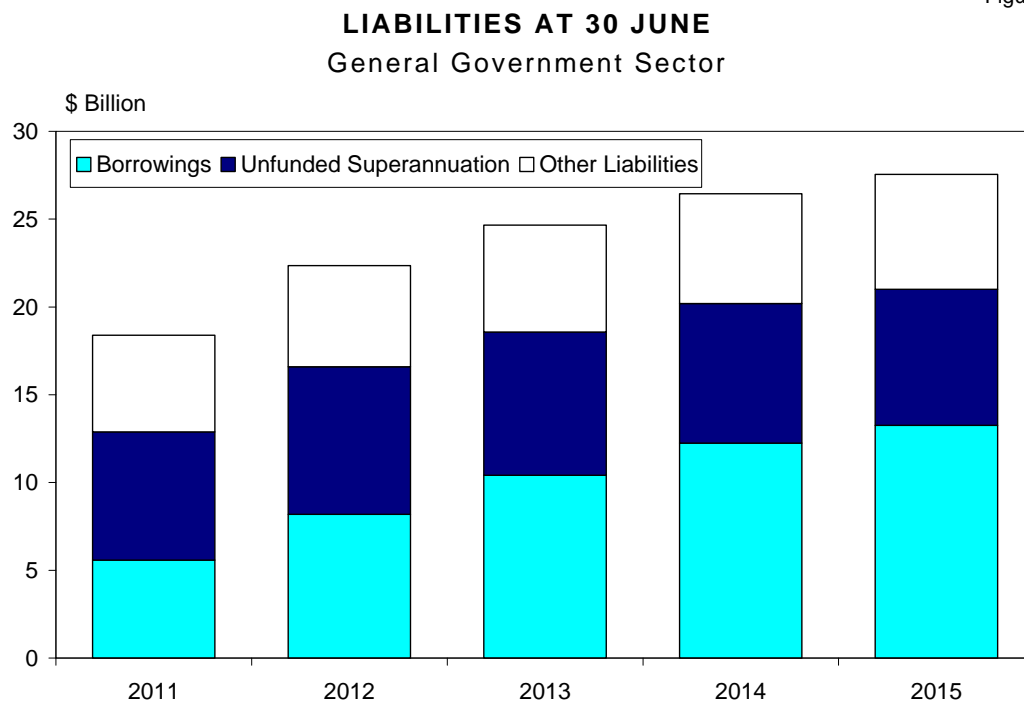
Unfunded superannuation liabilities are expected to increase significantly in 2011-12 (increasing from the budget-time forecast of \$7.2 billion to a revised \$8.3 billion at 30 June 2012). This reflects the impact in 2011-12 of financial market uncertainty on the discount rate used to value these liabilities<sup>10</sup>, together with a decline in the value of superannuation assets. This increase is expected to wind back across the forward estimates period, on the assumption that the discount rate will trend back to the long-term average (around 6%) over the period to 30 June 2015.

General government sector net debt is discussed later in this chapter.

<sup>9</sup> General government borrowings are part of the gross debt liabilities counted for total public sector net debt purposes (discussed at the end of this chapter). Net debt includes gross borrowings and finance lease obligations (which are typically incurred to support the Asset Investment Program), less cash and liquid asset holdings. Net debt does not include other general government liabilities such as accounts payable/creditors or unfunded superannuation.

<sup>10</sup> Long-term government bond rates are used by the actuary in year-end valuations of unfunded superannuation liabilities. Bond rates have declined during the first half of 2011-12, compared with a budget assumption that the bond rate would gradually trend back toward the long-term average (around 6%). A decrease in bond rate means that unfunded liabilities increase in value (and vice versa). The mid-year review impact of these changes is estimated by Treasury.

Figure 4



## Cash Flow Statement

As expected at the time of the 2011-12 Budget, a cash shortfall is in prospect in each year of the forward estimates period.

The general government sector is forecast to record cash surpluses from operating activities (the cash equivalent of the operating surplus discussed earlier). However, net cash flows from investments in non-financial assets (i.e. infrastructure spending less sales of surplus fixed assets) are expected to more than offset operating cash surpluses in each year of the forward estimates, meaning the sector will need to borrow to fund the shortfall (as anticipated at budget-time).

## Total Public Sector<sup>11</sup>

### Summary

Operating surpluses are forecast for each year of the forward estimates for the total public sector. This reflects surpluses for each of the individual sectors in each year of the forward estimates period. However, these surpluses are weaker than budgeted (down \$968 million over the four years to 2014-15), largely reflecting changes in the general government sector (noted earlier in this chapter).

An additional \$1.0 billion of infrastructure spending since budget-time is included in the State's four-year \$27.5 billion Asset Investment Program.

As the projected operating surpluses are not sufficient to fully fund this substantial infrastructure program, total public sector net debt is forecast to rise to \$23.9 billion at 30 June 2015. These projected net debt levels continue to remain affordable and consistent with a triple-A credit rating.

### Operating Statement

A \$214 million operating surplus is forecast for the total public sector for 2011-12. This is \$145 million lower than budget and reflects weaker results for the general government sector, partially offset by stronger projected public corporations sector outcomes.

Weaker than budgeted surpluses across the outyears are largely driven by general government sector outcomes, which is the primary focus of the Government's fiscal management and reporting.

#### Public Non-Financial Corporations

An operating surplus of \$639 million is forecast for the public non-financial corporations (PNFC) sector for 2011-12. This is \$111 million higher than the budget estimate. Operating surpluses are forecast to rise each year across the outyears, reaching almost \$1.1 billion by 2014-15.

Relative to the budget, major changes for the PNFC sector estimates include:

- the effect of higher gold prices (which have traded as high as \$US1,898 per troy ounce since budget). The budget projections assumed a gold price ranging between \$US1,445 and \$US1,525 per troy ounce across the forward estimates which has now been revised to between \$US1,735 and \$US1,810 per troy ounce. This has boosted both revenue and expenses for the Gold Corporation by between \$0.9 billion and \$1.2 billion per annum with no material change on the Corporation's profit outlook; and

<sup>11</sup> Also known as the whole-of-government, the total public sector consolidates the general government sector (discussed earlier in this chapter), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

- lower interest revenue (received from Keystart, a public financial corporation which borrows from the Western Australian Treasury Corporation (WATC) through the Housing Authority, a PNFC) and lower interest expenses (on-passed to WATC by the Housing Authority), reflecting lower expected growth in housing activity.

Rising surpluses across the outyears are in part due to the Government's 5% efficiency dividend imposed on the State's Government Trading Enterprises. The 2011-12 Budget included a provision for this measure which has been incorporated into the associated agency budgets in this mid-year review. Further details of the efficiency dividend are available in Appendix 5: *Government Trading Enterprise Efficiency Dividend*.

In relation to the State's four electricity entities, the mid-year review incorporates an overall net \$148 million payment in 2011-12 from the general government sector to support these entities. In round terms, this comprises \$535 million of operating subsidies and direct equity injections, partly offset by \$386 million of tax equivalent and dividend revenue.

These operating subsidies include payments for electricity tariff adjustment payments (which are made to offset the shortfall in electricity prices paid by customers relative to the cost of providing electricity), along with various other initiatives such as pensioner and senior concessions, the Feed-in Tariff scheme, etc.

The major direct equity injections provided by the general government sector in 2011-12 are to Horizon Power (for the Aboriginal and Remote Communities Project) and to Verve Energy (for new High Efficiency Gas Turbines).

The net payment from the general government sector forecast at the time of the budget was around \$183 million, with the revised lower net payment reflecting higher tax equivalent and dividend revenue (discussed earlier in this chapter).

### **Public Financial Corporations**

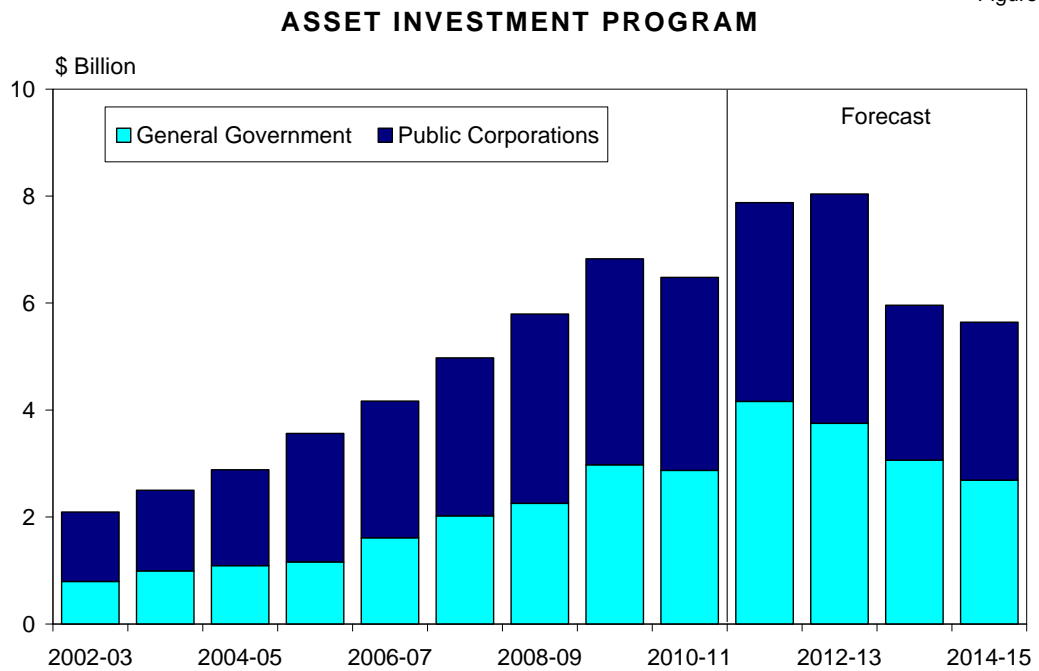
The public financial corporations sector is forecast to record a \$142 million surplus in 2011-12. Surplus outcomes are also expected across the outyears, increasing gradually to \$198 million by 2014-15.

These forecasts are between \$14 million and \$20 million higher than budgeted, and mainly reflect movements in the Keystart home lending program.

### **Asset Investment Program**

The total public sector Asset Investment Program is estimated to be \$7.9 billion in 2011-12 (up \$239 million on the budget-time forecast) and \$27.5 billion over the four years to 2014-15 (an increase of \$1.0 billion, or 4.0%). This very substantial infrastructure program delivers key economic and social infrastructure to support the Western Australian economy and the State's growing population.

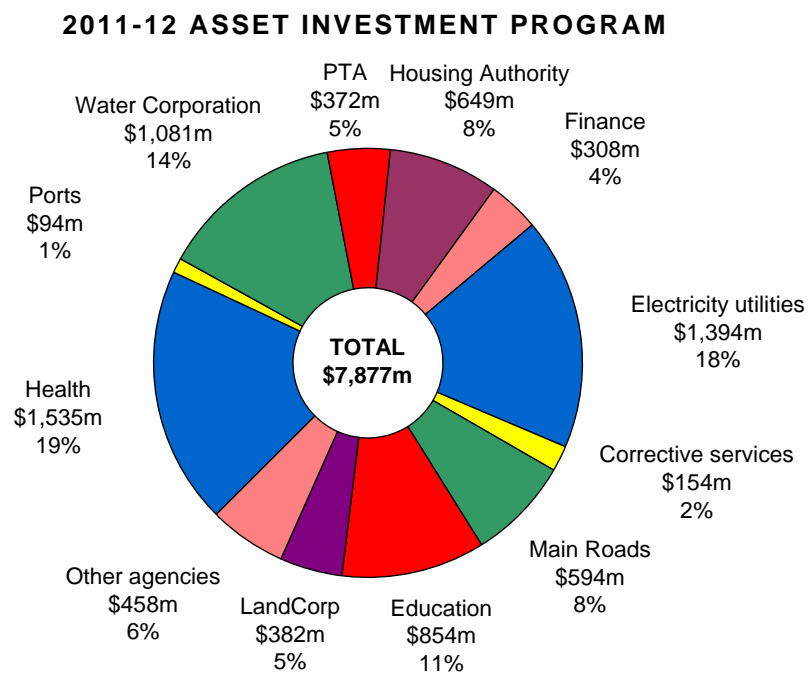
Figure 5



2011-12

The \$7.9 billion total public sector Asset Investment Program for 2011-12 largely reflects general government spending noted earlier in this chapter and expansion of the Southern Seawater Desalination Plant (\$220 million in 2011-12).

Figure 6



### *2012-13 to 2014-15*

Across the outyears, total public sector infrastructure spending is expected to be \$807 million higher than at the time of the 2011-12 Budget. This includes:

- \$752 million on general government sector infrastructure spending (discussed above); and
- \$56 million higher spending by public corporations, mainly for:
  - rescheduling of work from 2011-12 on Fremantle Port Authority projects (up \$61 million), including Kwinana Bulk Terminal infrastructure replacement and upgrades, seawall construction, and the Rous Head harbour extension;
  - *Royalties for Regions* funding to the Western Australian Land Authority for the Pilbara Cities – Karratha City Centre Infrastructure Works project (up \$46 million), partially offset by lower spending on the redevelopment of the Bunbury Waterfront project (down \$12 million);
  - customer-funded network projects by Western Power (up \$51 million); and
  - reprioritised spending by the Water Corporation to accommodate work to expand the Southern Seawater Desalination Plant (down a net \$66 million, see above).

Further details of material spending changes are available in Appendix 3.

## **Balance Sheet**

Total public sector net worth is equal to that of the general government sector (discussed earlier in this chapter). This reflects the consolidation of the net worth of public corporations as an equity asset in the balance sheet of the general government sector.

Further detail on total public sector net debt is outlined below.

## **Cash Flow Statement**

As expected at budget-time, and reflective of significant infrastructure investment, the total public sector is forecast to borrow in each year of the forward estimates period.

A cash shortfall of \$4.5 billion is forecast for 2011-12, around \$605 million higher than forecast in the budget. Shortfalls are projected to decrease in magnitude across the outyears, declining to around \$1.4 billion in 2014-15.



## Net Debt<sup>12</sup> and Other Liabilities

Total public sector net debt is projected to rise to \$23.9 billion by 30 June 2015, higher than the \$22.4 billion projection for 30 June 2015 at the time of the May 2011 State Budget.

Higher projected net debt levels mainly reflect:

- the lower than expected net debt outturn at 30 June 2011 (down \$1.4 billion)<sup>13</sup>;
- the effect on cash of lower total public sector operating surpluses (adding \$1.3 billion); and
- movements in the Government's Asset Investment Program (adding \$1.0 billion).

The majority of the net debt is held by PNFCs, which are responsible for providing economic infrastructure, such as electricity, water and ports. These debt obligations are largely met through commercial operations and user charges.

However, general government sector net debt is growing in order to accommodate the State's public infrastructure investment program which includes a significant \$4.5 billion for the Health building program.

The following table summarises changes in total public sector net debt projections since the 2011-12 Budget.

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<sup>12</sup> Net debt is a balance sheet measure based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (including loans made by governments) and financial liabilities that attract a debt servicing cost. Net debt is an important indicator of the strength of the public sector's financial position and the sustainability of the public sector's future call on cash.

<sup>13</sup> Discussed in the 2010-11 *Annual Report on State Finances*.

Table 5

**NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE**

	2012 \$m	2013 \$m	2014 \$m	2015 \$m
<b>2011-12 BUDGET - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>17,291</b>	<b>19,959</b>	<b>21,451</b>	<b>22,441</b>
<i>Plus</i> improvement from 2010-11 outturn	-1,361.3	-	-	-
<i>Less</i> change in net cash flows from operating activities and dividends paid				
General government	-304.1	-566.0	-222.8	-292.9
Public non-financial corporations	-8.5	64.4	83.4	20.0
Public financial corporations	-35.6	15.1	10.2	-17.3
Total public sector	-348.2	-486.5	-129.2	-290.3
<i>Plus</i> purchases of non-financial assets				
<i>Policy Decisions</i> <sup>(a)</sup>				
Southern Seawater Desalination Plant Expansion (and other associated infrastructure changes)	220.0	180.0	-140.0	-110.0
New Major Stadium	-	-	45.0	130.0
Ord Irrigation Project	-	39.1	51.9	-
Other policy decisions	0.7	4.9	-7.9	4.1
<i>Total Policy Decisions</i>	<i>220.7</i>	<i>224.0</i>	<i>-51.0</i>	<i>24.1</i>
<i>Parameter Movements</i>				
Education	4.3	94.5	-5.6	33.2
Finance	-0.8	32.9	8.0	22.9
Fremantle Port Authority	-52.3	31.3	-8.3	38.1
Gateway WA Provision	-	-	-	179.4
Health	-24.0	70.2	-60.4	-25.4
Main Roads	-52.9	61.3	-15.0	-3.4
Public Transport Authority	25.8	17.5	3.0	-20.5
<i>Royalties for Regions</i> - revised royalty forecasts - capital	-	-26.3	-17.7	-11.2
Sport and Recreation	-8.8	47.2	-28.4	-
State Development	-68.6	53.4	-	-
Western Australian Sports Centre Trust	91.3	0.7	0.6	0.9
Western Australia Police	1.0	29.0	-1.6	12.1
Transport	10.0	19.4	1.4	-3.9
Verve Energy	42.0	-	-	-
Western Power	19.9	61.0	1.8	-11.4
Western Australian Land Authority	19.3	25.0	20.8	-
Other parameter movements	11.9	-4.4	-18.2	6.3
<i>Total Parameter Movements</i>	<i>18.1</i>	<i>512.8</i>	<i>-119.6</i>	<i>217.1</i>
<i>Total purchase of non-financial assets</i>	<i>238.8</i>	<i>736.9</i>	<i>-170.5</i>	<i>241.1</i>
<i>Less</i> proceeds from sale of non-financial assets	-17.5	-17.8	-17.0	25.5
<i>Plus</i> all other financing				
Acquisition under finance leases and similar arrangements	64.8	-	417.4	-
Transfer of cash assets <sup>(b)</sup>	-138.0	-	-	-
All Other <sup>(c)</sup>	121.2	3.3	74.8	-47.3
<i>Cumulative impact on net debt at 30 June</i>	<i>-708.8</i>	<i>535.7</i>	<i>1,003.6</i>	<i>1,462.1</i>
<b>2011-12 MID-YEAR REVIEW - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>16,582</b>	<b>20,495</b>	<b>22,454</b>	<b>23,903</b>

(a) An agency listing of infrastructure policy decisions taken since the 2011-12 Budget is outlined in Table 6.

(b) Includes the transfer of \$138 million of cash assets to the Department of Commerce, following the wind-up of the REBA/SASB Boards (discussed elsewhere in this chapter).

(c) Includes revaluations of investment assets, restatement of agency net debt assets/liabilities, etc.

Note: Columns may not add due to rounding.

Importantly, net debt levels are affordable and consistent with the State's triple-A credit rating. In particular, total non-financial public sector<sup>14</sup>:

- net interest costs as a share of revenue, a key financial target for managing net debt, are projected to rise to 2.7% by 2014-15, well below the Government's 4.5% limit (and 0.3 percentage points lower than forecast at budget-time). Further detail on this target is provided in Chapter 2: *Financial Strategy*; and
- net financial liabilities as a share of revenue are projected to peak at 73.3% in 2012-13, before declining to 71.9% by 2014-15. This compares to the 90% credit rating review 'trigger' ratio identified by Standard and Poor's.

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<sup>14</sup> The total non-financial public sector comprises the general government sector (which provides services largely funded from tax and other central revenue), and the public non-financial corporations sector (which raises most of the State's net debt in support of infrastructure investment). It excludes the public financial corporations which are in net asset position (i.e. cash and liquid assets exceed gross debt liabilities).

## Statement of Risks

### Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), house prices, employment and wages. The approximate sensitivity of the estimates to changes in these parameters is outlined in the following table.

Table 6

**APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES**

Revenue item	Annual Variability <sup>(a)</sup> \$m	Parameter
Royalty income and North West Shelf grants	+56 (-56)	For each US1 cent decrease (increase) in the \$US/\$A exchange rate
Iron ore royalties	+26 (-26)	For each \$US 1 per tonne increase (decrease) in the price of iron ore
Petroleum royalties	+4 (-4)	For each \$US1 increase (decrease) in the price of a barrel of crude oil
Payroll tax	+30 (-30)	For each one percentage point increase (decrease) in wages or employment growth
Transfer duty	+16 (-16)	For each one percentage point increase (decrease) in average property price
GST grants	+69 (-69)	For each \$100 million decrease (increase) in iron ore royalties in 2011-12 <sup>(b)</sup>

(a) These sensitivities are not mutually exclusive and vary over time in accordance with movements in the underlying level of each variable.

(b) Sum of grant variances resulting from a change in royalties in 2011-12. Due to the time lags and data averaging in the Grants Commission process, these variances occur in 2013-14 and 2014-15.

In addition to the above sensitivities, specific factors that represent a potential risk to the revenue estimates are discussed below. Risks to the economic outlook are discussed in Chapter 3: *The Western Australian Economy*.

### Commonwealth Grants

#### *GST Grants*

Western Australia's GST grants are a function of the Commonwealth's national GST collections, Western Australia's population share and the Commonwealth Grants Commission's (CGC) annual recommendations on the States' and Territories' GST relativities.

Forecasts of the national GST pool are based on the Commonwealth's *2011-12 Mid-year Economic and Fiscal Outlook*. With uncertainty still surrounding the outlook for growth in the global and domestic economies, there is a risk that these projections could be revised further.

Population share estimates are periodically updated, and over time are affected by the relative economic prospects of States.

For 2011-12, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 72%). GST relativities beyond 2011-12 (i.e. 60% in 2012-13, 45% in 2013-14 and 36% in 2014-15) have been projected by the Department of Treasury on a 'no methodology change' basis, although the Commonwealth's GST Distribution Review could result in significant reforms from 2013-14 or 2014-15.

These reforms should result in a fairer return of the GST to Western Australia, reducing the penalty for the State's economic success. As part of the Review, the State Government will continue to push for a 'floor' under the share of the GST that any State can receive equal to 75% of its population share.

If achieved, this would add an estimated \$1.7 billion to Western Australia's GST grants in 2013-14 and a further \$2.4 billion in 2014-15.

Even on a 'no methodology change' basis, the accuracy of GST relativity projections is affected by, inter alia, the complexity of the CGC's methods, uncertainty surrounding projected revenue growth in Western Australia and other States, and the CGC's response to new issues (e.g. data availability and suitability) that emerge over time.

#### *Other Commonwealth Grants*

Risks associated with other Commonwealth grants received by the State are considered not to have changed significantly since the budget. However, the Commonwealth Government has indicated that it will examine mechanisms (such as reduced Commonwealth grants) to penalise States that seek to increase royalties that are creditable under the Commonwealth's Minerals Resource Rent Tax.

### **Royalty Income**

The royalty income estimates are particularly sensitive to movements in the \$US/\$A exchange rate and iron ore prices. In this regard:

- the spot price of iron ore (Indian fines, 63.5% purity, including cost, insurance and freight) has ranged between \$US133 per tonne and \$US190 per tonne since budget; and
- the \$A has traded between US95 cents and US110 cents over the same period.

#### *Exchange Rate*

The exchange rate projections underpinning the mid-year review estimates are based on an assumption that the current rate gradually returns to the long-run average over the forward estimates period.

Short-term movements in the exchange rate are typically difficult to predict but there is a revenue risk if the Australian dollar remains at its current high level for a prolonged period.

### *Iron Ore Prices*

Iron ore prices are also assumed to return to a long-run average value over the course of the forward estimates period. This reflects an expectation that the global supply of iron ore will gradually accelerate in coming years as global capacity increases in response to current high prices.

To the extent that global demand remains strong and/or global supply is slower coming on stream than currently expected, there is some upside risk to the price forecasts, particularly in the short run. Conversely, if global economic conditions were to deteriorate sharply, this could result in a significant contraction in iron ore prices (although this would most likely be accompanied by an offsetting depreciation in the \$US/\$A exchange rate).

### **Agency Goods and Services Revenue**

The 2010-11 *Annual Report on State Finances* showed that goods and services revenue raised by general government agencies in 2010-11 was \$35 million (or 2.1%) higher than estimated at the time of the 2011-12 State Budget. Similar movements between forecasts and actuals have also occurred in prior years. Further revisions may occur by year-end (reflecting changes in operating conditions, demand, etc.). In normal circumstances, any increase in agency revenue streams is accompanied by a similar rise in recurrent spending, reflecting adjustment to goods and services production by agencies.

## **Expenditure**

### **Relocation of Year 7 Students to Secondary Settings in Western Australian Public Schools**

The State Government recently announced the relocation of Year 7 students in government schools to secondary settings, commencing in 2015. The Department of Treasury is working closely with the Department of Education, the Department of Education Services, the Country High School Hostels Authority and the Public Transport Authority to quantify the costs involved, which will be considered by the State Government as part of the 2012-13 Budget.

### **Shared Services Decommissioning**

Earlier this year, the State Government released the Economic Regulation Authority's (ERA's) final report on the inquiry into the benefits and costs of providing shared corporate services in the Western Australian public sector. The report recommended the decommissioning of the Office of Shared Services and that agencies provide their own corporate services. The Government accepted the recommendations in-principle and is expected to consider options on agency corporate services, and the associated implementation costs, as part of the 2012-13 Budget.

### **Verve Energy – Operating Conditions**

Verve Energy's estimates are subject to a range of uncertain issues. These include, but are not limited to, the latest demand forecasts by the Independent Market Operator and updates of the fuel and sales outlook over the forward estimates period.

Incorporation of these parameters will likely have a significant impact on Verve Energy's financial position and its corresponding payments to the general government sector. While these parameters are beyond the State's control, given their relationship with prevailing market conditions, work is being undertaken in order to allow a full assessment as part of the 2012-13 Budget process.

### **Western Power – Access Arrangement 3**

Western Power submitted its proposed revised access arrangement to the ERA on 30 September 2011. This submission outlines Western Power's proposed operating expenditure and capital investment over the period 2012-13 to 2016-17. Subject to the ERA's review process and any subsequent approval by the Government, additional capital expenditure may be required to meet growth requirements in the network and undertake asset maintenance and replacement.

## **Contingent Liabilities**

Contingent liabilities are costs that the Government will have to meet should a particular event occur. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk to the financial projections.

Details of the quantified contingent liabilities of the State at 30 June 2011 are provided in the 2010-11 *Annual Report on State Finances*, which showed that quantified guarantees, indemnities and sureties totalled \$1.3 billion at the end of 2010-11. No material change to that disclosure has been noted to date.





# Financial Strategy

## Overview

This chapter provides an assessment of the mid-year review financial projections against the Government's financial targets, as required by the *Government Financial Responsibility Act 2000*. The following medium-term financial targets were presented in the 2011-12 Budget:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of non-financial public sector net interest costs as a share of revenue at or below 4.5%;
- ensure that real per capita own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian States.

The following table summarises compliance of the mid-year review projections with these targets.

Table 1

**2011-12 MID-YEAR REVIEW – FINANCIAL TARGET COMPLIANCE**

	2011-12	2012-13	2013-14	2014-15
Maintain or increase real net worth	Yes	Yes	Yes	Yes
Achieve a general government operating surplus	Yes	Yes	Yes	Yes
Maintain net interest costs as a share of revenue below 4.5%	Yes	Yes	Yes	Yes
Ensure real per capita own-purpose expenses do not increase	No	Yes	Yes	Yes
Maintain the State's tax competitiveness	Yes	Yes	Yes	Yes

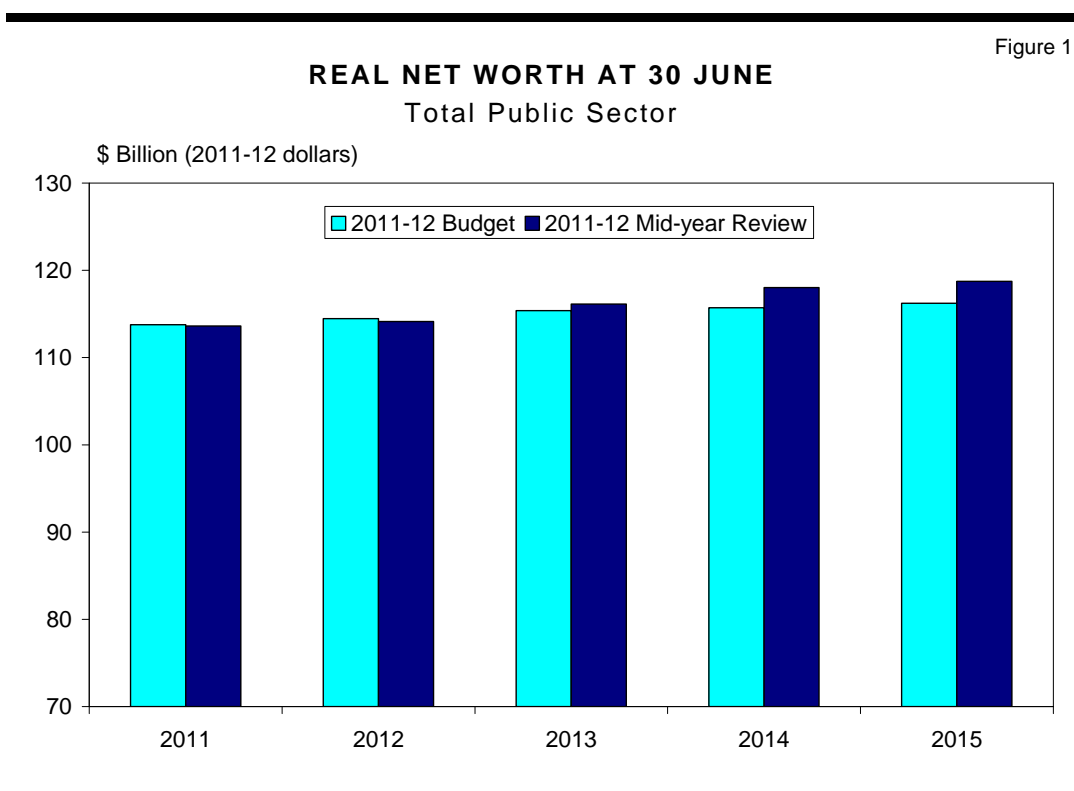
## Financial Targets

### Net Worth: Maintain or Increase Real Net Worth Of The Total Public Sector

This target is expected to be met in 2011-12 and across the forward estimates period.

In nominal terms (i.e. excluding adjustments for projected inflation), net worth is forecast to increase by almost \$12.6 billion across the forward estimates period, rising from \$112.2 billion at 30 June 2011 to an estimated \$124.8 billion by 30 June 2015. This is lower than projected net worth of \$125.5 billion at 30 June 2015 at budget-time, reflecting lower general government sector operating surplus projections (see following target).

However, in real (inflation-adjusted) terms, net worth by 30 June 2015 exceeds the budget forecast (see chart below), reflecting lower forecast growth in the deflator used to adjust for inflationary impacts.



### Operating Result: Achieve An Operating Surplus For The General Government Sector

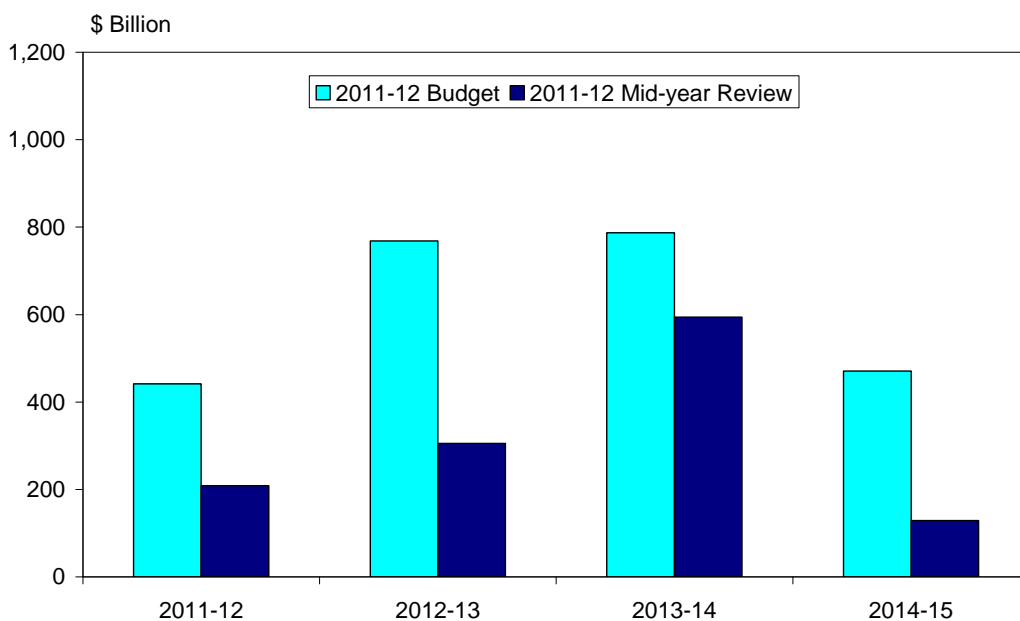
This target is forecast to be met in 2011-12 and across each year of the forward estimates period. Operating surpluses (i.e. the balance of revenue over expenditure on the general government sector’s day-to-day operating activities, excluding capital investment) are an important source of cash funding for infrastructure investment.

The operating surplus outlook across the forward estimates period has weakened since budget, reflecting in particular lower royalty revenue and weaker transfer duty projections (as discussed in Chapter 1). The downward revision to the projected operating surpluses over the period 2011-12 to 2014-15 totals \$1.2 billion, which means that borrowings will need to rise by a similar magnitude to fund the Government’s Asset Investment Program.

The surplus projections incorporate a substantial decline in Western Australia’s GST revenue grants, with the State expected to receive just 36% of its population share of national GST grants by 2014-15 (down from 72% in 2011-12).

Figure 2

#### NET OPERATING BALANCE General Government Sector



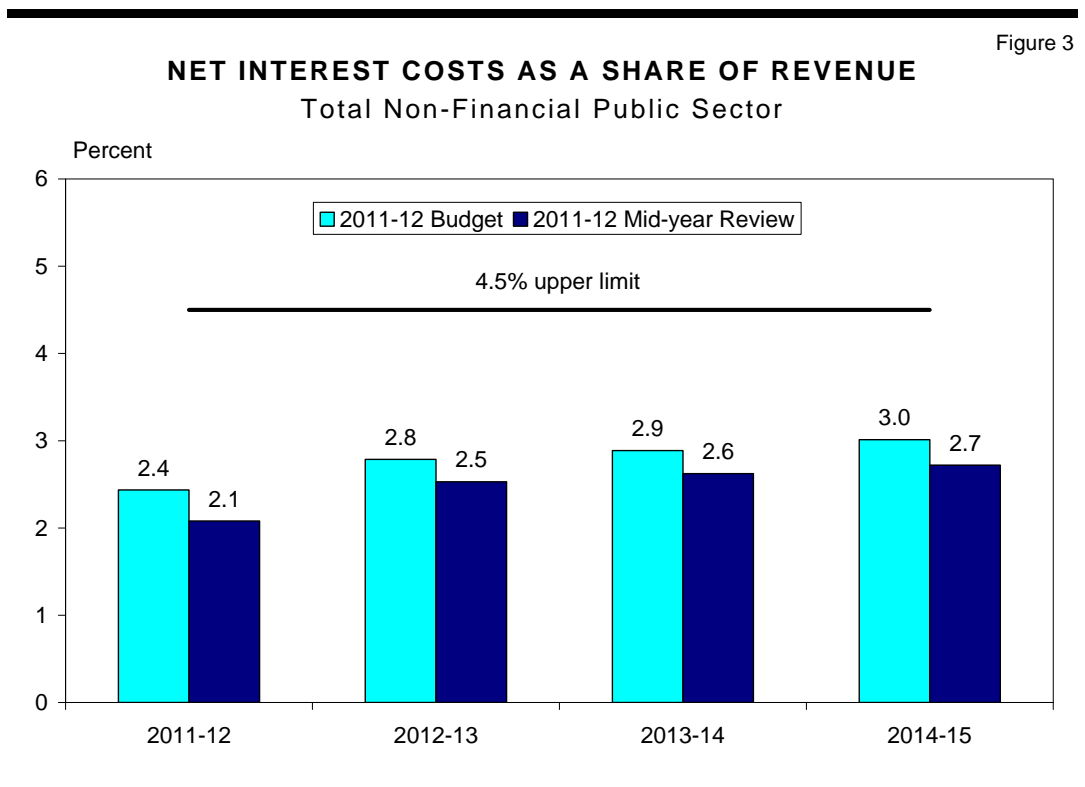
### Net Debt Affordability: Maintain Net Interest Costs As A Share Of Revenue Below 4.5%

This target is expected to be met in the current year and across the forward estimates period.

Net interest costs as a share of revenue are forecast to increase from 2.1% in 2011-12 to 2.7% by 2014-15. These levels are well below the Government's 4.5% upper target limit.

Relative to the budget forecasts, lower interest rate assumptions (see Table 2 in Chapter 1: *Financial Projections*) have contributed to lower interest expenses. At the same time, higher revenue for the public non-financial corporations sector has contributed to a lower net interest costs to revenue ratio (through the ratio's denominator) relative to the budget forecasts.

A projected 2.7% ratio in 2014-15 is consistent with sustainable and affordable increases in net debt over the medium term.



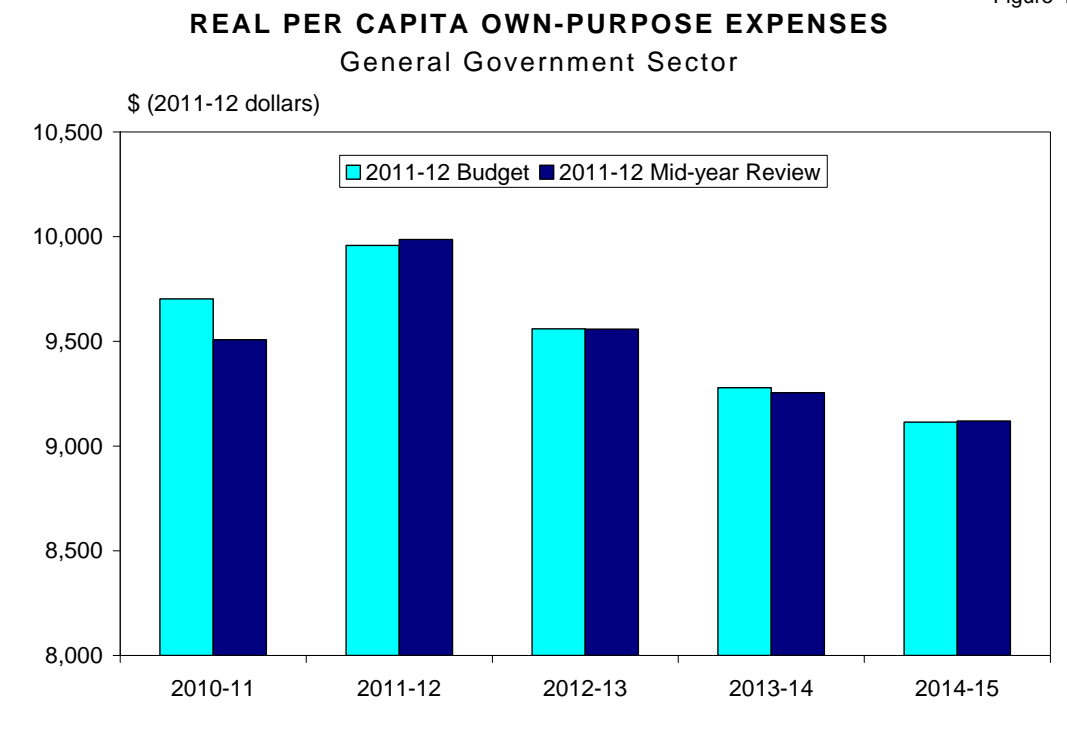
### Ensure That Real Per Capita Own-Purpose Expenses<sup>1</sup> For The General Government Sector Do Not Increase

Consistent with budget-time expectations, this target is not expected to be met in 2011-12. However, it is expected to be met across each of the outyears.

General government expense growth in 2011-12 is forecast to be 11.6% in nominal terms. This is up from an estimated 7.9% at the time of the budget.

Expenses for 2011-12 have increased by \$112 million since budget-time (adding 0.5 percentage points of the total increase in growth relative to budget). This reflects the additional expenditure detailed in Chapter 1: *Financial Projections*. The remaining 3.3 percentage point increase in growth since budget-time is due to the effect of lower than expected spending in 2010-11 (detailed in the 2010-11 *Annual Report on State Finances*). Expense growth in 2010-11 was 5.2%, the lowest rate of growth since 2003-04<sup>2</sup>.

Figure 4

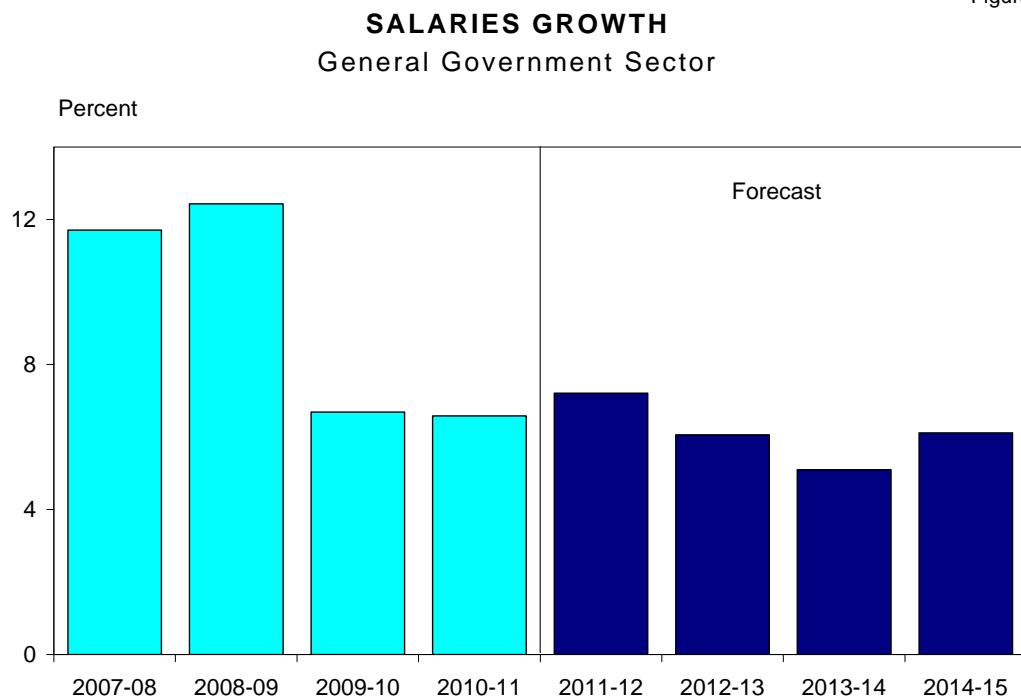


<sup>1</sup> Own-purpose expenses exclude Commonwealth grants on-passed through the State to third parties such as non-government schools and local governments.

<sup>2</sup> The flow-on impact of lower than expected recurrent spending in 2010-11 is currently being managed by general government sector agencies within existing approved expense limits for 2011-12. Any need to adjust an agency expense limit to accommodate the impact of the 2010-11 underspend will be considered as part of the 2012-13 Budget.

The single largest component of general government sector expenses is salaries, which account for around 40% of total expenses. Since coming to office, this has been the focus of the Government's expenditure management, through measures such as a ceiling on full-time equivalent employees, a new public sector wages policy, and three rounds of voluntary separations. These measures have seen total salaries growth slow to 6.6% in 2010-11 and an estimated 7.2% in 2011-12, a significant turn-around from the 11.7% and 12.4% rates of growth recorded in 2007-08 and 2008-09 respectively.

Figure 5



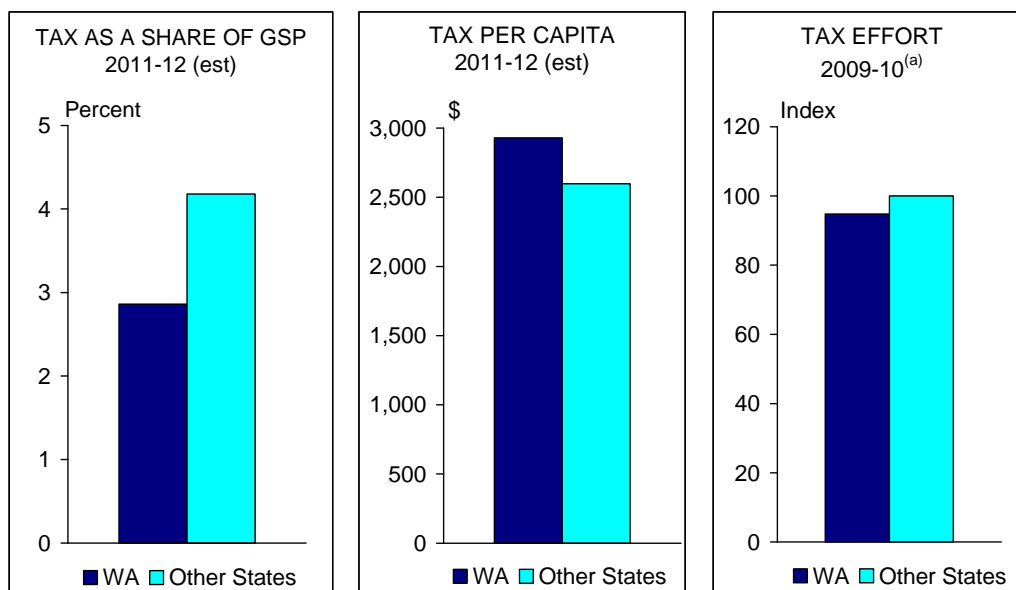
### Tax Competitiveness: Provide A Fair And Efficient Tax System That Is Competitive With Other States

The Government seeks to provide a fair and efficient taxation system that is competitive with other States and raises sufficient revenue to meet the infrastructure and service delivery needs of the Western Australian community. The competitiveness of Western Australia’s tax system can be assessed against a variety of criteria, including:

- tax revenue as a share of Gross State Product (GSP);
- tax revenue on a per capita basis; and
- tax ‘effort’ calculated from Commonwealth Grants Commission (CGC) data.

**TAX COMPETITIVENESS**  
Various Measures

Figure 6



(a) Source: CGC. Tax effort refers to the level of tax actually raised in a State, divided by a State’s ‘standardised’ tax revenue (i.e. the level of tax revenue that the CGC estimates the State would have raised had it applied national average State tax rates). 2009-10 is the latest year for which data is available.

Tax as a proportion of the economy (i.e. GSP) is an internationally recognised measure of tax competitiveness, which, unlike tax per capita, accounts for differences in the size and composition of the economic and revenue base in each jurisdiction. According to this measure, the tax burden in Western Australia is expected to be lower than the average of other States in 2011-12 (2.9% compared to an average of 4.2% estimated for other States).



In contrast, per capita tax revenue in Western Australia is expected to exceed the average of other States in 2011-12. This mainly reflects the relative strength of the State's economic base (and hence its revenue raising capacity), rather than higher average tax rates.

Based on the latest available data compiled by the CGC, Western Australia's tax 'effort' (i.e. its average tax rate) was 5.2% lower than the national average in 2009-10.



# The Western Australian Economy

## Overview

Despite significantly heightened risk and uncertainty in the global economic environment, Western Australia's economic outlook remains broadly consistent with expectations in the 2011-12 Budget.

Business investment will continue to drive economic growth in 2011-12 and 2012-13, with the recently approved \$29 billion Wheatstone LNG project adding to the strength of the business investment profile. As additional productive capacity comes on stream, exports are then expected to take the lead on growth in 2013-14 and 2014-15. Consequently, Gross State Product (GSP) is forecast to grow by 4.75% in 2011-12, up from the 4.5% growth forecast at budget-time.

GSP is forecast to grow by 4.25% in 2012-13 and 2013-14, and 4.0% in 2014-15, which is broadly consistent with Western Australia's long-run average rate of growth. These forecasts incorporate the economic impact of the Commonwealth's carbon tax (see feature box in Chapter 1: *Financial Projections*).

Relative to this time last year, households are now displaying less conservative spending patterns, with strong growth in wages and discretionary expenditure in the first half of 2011. In part this reflects an increase in the number of people employed in the resources sector and related industries since mid-2011. Household spending is expected to expand at a faster pace in 2011-12 and 2012-13, reflecting improved conditions in the labour market and stronger earnings. However, dwelling investment is expected to be weaker than projected at budget-time.

While the outlook for the State's growth remains positive over the medium term, the downside risk posed by the diminishing capacity of a number of European countries to finance their debt has escalated significantly. Western Australia's primary exposure to these developments has been through an increasingly volatile exchange rate and commodity prices such as iron ore.

Western Australia's direct exposure to developments in Europe is limited (with the European Union accounting for only about 6% of the State's merchandise exports). However, should the current developments translate into softening economic activity in China (which sells 20% of its exports into the European Union), Western Australia's economic outlook will be affected. Should conditions in Europe continue to worsen and negatively impact the availability and cost of credit, major resource projects underway or planned within Western Australia may be delayed as a result.

Table 1

**MAJOR ECONOMIC AGGREGATES, WESTERN AUSTRALIA**  
Annual growth (2011-12 Budget forecasts shown in brackets)

	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Mid-year	Forward	Forward	Forward
	%	Revision	Estimate	Estimate	Estimate
		%	%	%	%
Gross State Product (GSP)	3.5 (4.0)	4.75 (4.5)	4.25 (4.0)	4.25 (4.0)	4.0 (4.0)
Gross State Income (GSI)	20.0 (14.5)	10.0 (2.75)	1.75 (0.25)	3.75 (0.25)	3.75 (-0.25)
Employment	3.2 (3.0)	2.5 (2.5)	2.5 (2.5)	2.25 (2.25)	2.0 (2.0)
Unemployment rate <sup>(a)</sup>	4.4 (4.5)	4.5 (4.5)	4.25 (4.25)	4.25 (4.25)	4.0 (4.0)
Consumer Price Index (CPI)	2.8 (2.75)	2.75 (3.0)	3.5 (3.25)	3.25 (3.25)	3.25 (3.25)
Wage Price Index (WPI)	3.9 (4.0)	4.25 (4.25)	4.5 (4.5)	4.5 (4.5)	4.5 (4.5)
Population	2.3 (2.3)	2.2 (2.2)	2.2 (2.2)	2.1 (2.1)	2.1 (2.1)

(a) Average rate over the year.

Gross State Income (GSI), which incorporates the income and welfare effects of changes in the terms of trade (or the relative purchasing power of the State's exports), is forecast to increase by 10.0% in 2011-12, after growing by 20.0% in 2010-11, mainly due to the continued strength in commodity prices. In 2012-13 and beyond, growth in GSI is projected to soften as commodity prices ease from current high levels.

Table 2

**COMPONENTS OF GROSS STATE PRODUCT**  
Western Australia

	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Forward	Forward	Forward
	%	Estimate	Revision	Estimate	Estimate	Estimate
		%	%	%	%	%
<b>Demand and Output <sup>(a)</sup></b>						
Household consumption	4.5	3.75	4.25	4.25	4.0	4.0
Dwelling investment	5.3	3.0	2.0	3.0	4.0	4.5
Business investment	12.6	15.0	16.5	8.75	5.0	-1.5
Government consumption	2.8	2.5	6.25	3.75	3.25	3.25
Government investment	12.3	8.0	-2.5	0.5	-4.0	-0.5
State Final Demand (SFD)	6.5	7.25	7.5	5.5	3.5	2.0
Merchandise exports	1.2	6.5	6.75	3.75	6.5	6.5
Merchandise imports	-10.0	22.0	27.0	10.25	3.0	-0.75
Net exports <sup>(b)</sup>	5.8	-2.5	-2.75	-0.5	7.0	10.0
Gross State Product (GSP) <sup>(c)</sup>	3.5	4.5	4.75	4.25	4.25	4.0
GSP per capita	1.4	2.3	2.6	1.9	2.3	1.8
Nominal GSP	19.8	6.5	12.5	3.75	4.5	4.75
<b>Income <sup>(a)</sup></b>						
Terms of trade	28.6	-3.0	11.75	-4.0	-1.25	-0.75
Gross State Income (GSI)	20.0	2.75	10.0	1.75	3.75	3.75
<b>Labour market</b>						
Population <sup>(d)</sup>	2.3	2.2	2.2	2.2	2.1	2.1
Working age population (15-64) <sup>(d)</sup>	2.0	1.7	1.7	1.6	1.6	1.6
Employment	3.2	2.5	2.5	2.5	2.25	2.0
Unemployment rate <sup>(e)</sup>	4.4	4.5	4.5	4.25	4.25	4.0
Participation rate (15-64) <sup>(d)(e)</sup>	80.5	80.5	80.5	81.25	81.75	82.0
Average Weekly Earnings (AWE)	5.2	4.5	7.75	5.5	5.5	5.5
<b>Prices</b>						
Consumer Price Index (CPI)	2.8	3.0	2.75	3.5	3.25	3.25
Wage Price Index (WPI)	3.9	4.25	4.25	4.5	4.5	4.5
SFD deflator	1.5	2.25	1.25	1.5	1.75	1.75
GSP deflator	15.7	1.75	7.25	-0.25	0.25	0.75
Established house price index	-0.9	2.3	-2.2	6.0	5.8	5.5
<b>Other key parameters</b>						
Exchange rate (US cents/\$A)	99.1	97.5	101.6	94.5	87.3	80.1
Iron ore price (\$US/tonne) (FOB)	169.5	149.1	147.9	125.3	107.8	90.4
Crude oil price (\$US/barrel)	89.4	108.0	94.3	95.5	92.6	91.2

(a) Based on 2010-11 State Accounts data, released on 23 November 2011 (ABS Catalogue Number 5220.0).

(b) Net exports refer to international trade in both goods and services.

(c) Forecasts for ownership transfer costs, international trade in services, and the statistical discrepancy and balancing item components of the State Accounts are not separately reported.

(d) Estimated actuals for 2010-11.

(e) Data expressed in terms of the annual average during the financial year.

## International Conditions

Global economic conditions have weakened significantly since the 2011-12 Budget, largely driven by worsening sovereign debt issues in Europe and a weaker than expected recovery in the US economy. The International Monetary Fund (IMF) has revised down global growth for 2011 from 4.3% previously to 4.0% in the September World Economic Outlook, noting that the global economy is “in a dangerous new phase”.

The global economy is facing serious challenges as the Eurozone debt crisis continues to unfold. Unemployment in Europe is high and growing, along with social unrest. This has reduced confidence to new lows and wiped billions off wealth through local share markets, as the quality of debt was downgraded for many of the Eurozone countries. While the response to the Eurozone debt crisis is expected to lead to greater fiscal consolidation in the European Union, the adjustment will be protracted and is likely to slow the recovery of the global economy.

In a sign that the fallout is increasingly global, the US Federal Reserve and other major central banks have recently intervened in an emergency move to help foreign banks borrow and lend money, seeking to forestall a breakdown of global financial markets and give Eurozone countries more time to deal with their debts. This round of intervention by central banks, including the expansion of an existing Federal Reserve program that lets foreign banks borrow US dollars at a low interest rate, reflects deepening concerns that the problem could become intractable.

In the US, economic growth has strengthened slightly in the third quarter but overall growth is subdued, with unemployment levels remaining high and continuing weakness in the housing market.

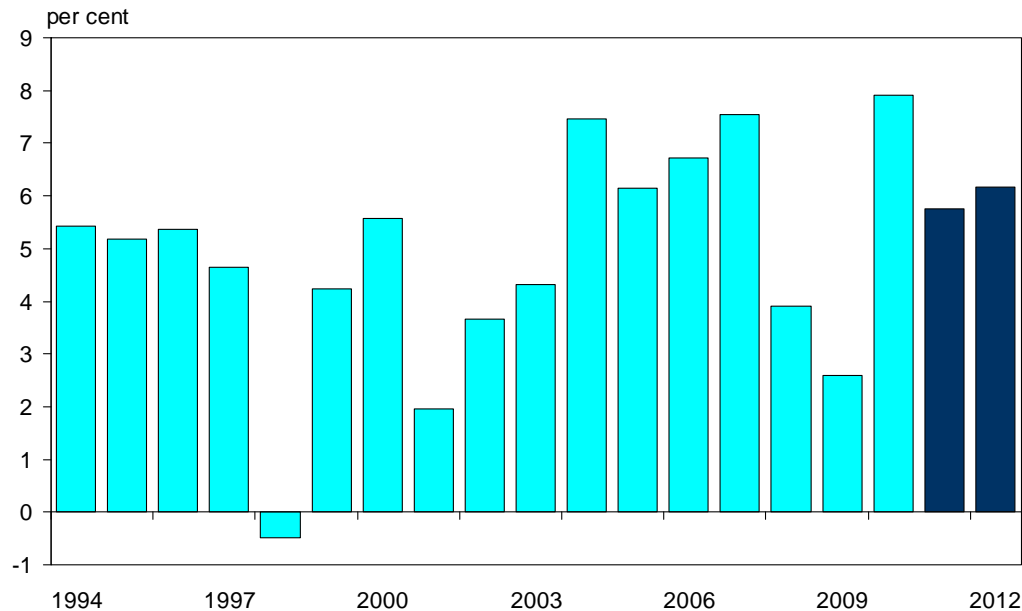
Growth in Asia continues to remain strong amidst the weaker global outlook, but there are signs that growth is moderating. China’s economy has begun to show mild signs of slowing as a result of its recent monetary tightening measures aimed at reducing inflationary pressures. China’s economic growth rate has averaged 10.6% per annum over the last decade and is now expected to moderate to around 8% to 9% per annum.

Chinese authorities have also indicated that exports may slow due to reduced demand from Europe and the US as their unemployment rate rises. This is particularly important for Western Australia, as its resource-driven economy relies heavily on continued strength of the Chinese economy and its demand for raw materials.

On balance, the economic outlook for the State’s main trading partners remains strong. Based on the latest IMF forecasts, the weighted average economic output of the State’s key export markets is forecast to grow by 5.8% in 2011 and 6.2% in 2012 (see chart below). Global risks to the outlook are discussed in detail in the Risks section.

**WESTERN AUSTRALIA'S MAJOR EXPORT MARKETS<sup>(a)</sup>**  
Annual Growth

Figure 1



(a) Includes China, Japan, South Korea, India and nine other countries. Together, these markets accounted for about 86% of the State's exports in the year to September 2011.

Source: IMF and Western Australian Department of Treasury.

## Domestic Economic Activity

### Household Sector

#### Private Consumption

Household consumption exceeded previous expectations and grew by 4.5% over 2010-11, with the pace of growth increasing during the second half of the financial year. There has been a change in household spending patterns since the 2011-12 State Budget, with increased spending on discretionary items, including 'hotels, cafés and restaurants', 'household furnishings' and 'recreation and culture'.

Indicators of the short-term outlook for household consumption are mixed. Consumer sentiment is relatively high, and the State's labour market is in a stronger position than the same time last year. The high value of the Australian dollar has also boosted the purchasing power of domestic consumers. Rising consumer sentiment is expected to continue as interest rates have recently decreased and wages continue to strengthen in the State.

However, household debt remains high, house prices in Western Australia have softened, and returns from equity markets have been weak. These factors suggest that fiscal conservatism by households may continue in the short-term.

Overall, household consumption is likely to grow at a solid pace of 4.25% in 2011-12 (up from the budget forecast of 3.75% growth). Growth of 4.25% is also forecast for 2012-13, mainly on the basis of stronger than expected discretionary spending on the back of stronger wages growth and the carbon tax compensation measures. Growth is then expected to return to long-run average rates of around 4.0% for the remaining two years.

### **Housing Market**

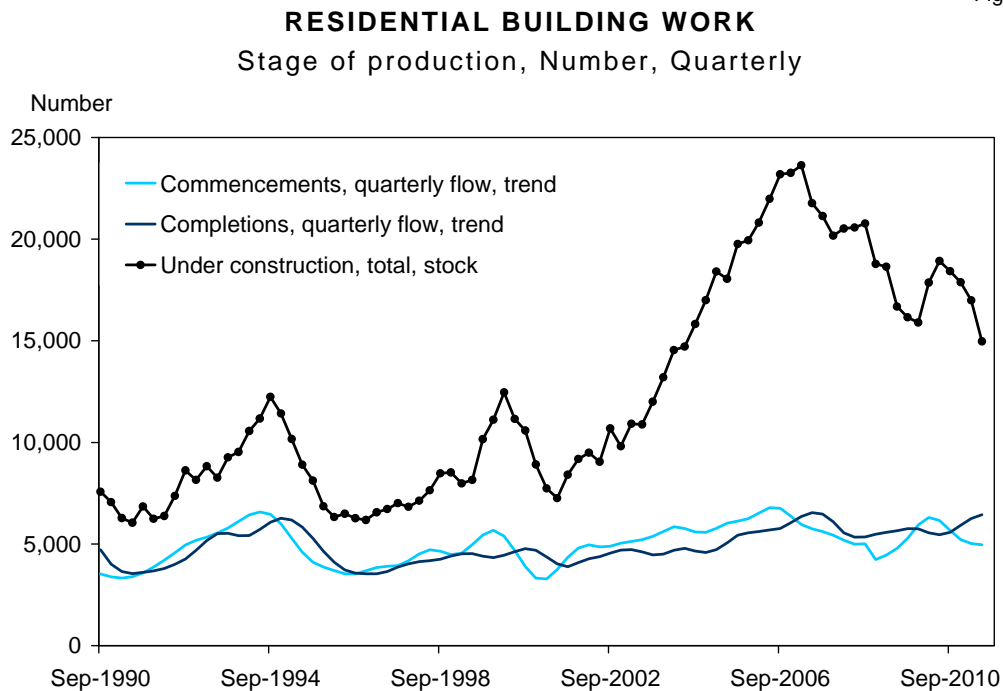
Conditions in Western Australia's established housing market are weaker than expected at budget-time. House prices in Perth have been falling since the March quarter 2010 and the number of dwellings sold remains at a very low level, consistent with the heightened level of consumer caution evident over the past year. The relatively large stock of dwellings currently listed for sale will prevent any significant price rise over the year to June 2012. Financial market uncertainty and relatively cautious lending practices will also dampen any price pressures. Consequently, house prices are now forecast to fall by 2.2% in 2011-12.

However, conditions are expected to improve in the outyears, with house prices projected to grow by 6.0% in 2012-13, 5.8% in 2013-14 and 5.5% in 2014-15 due to rising incomes, stronger household balance sheets and population growth.

Dwelling investment is expected to moderate significantly in 2011-12 from the unexpectedly high rate of 5.3% growth recorded for 2010-11. Dwelling commencements have declined significantly while building approvals and finance for new construction remain at low levels. A relatively high stock of dwellings under construction and increased activity from first home owners will act to moderate the decline in growth. On balance, dwelling investment is now forecast to grow by 2.0% in 2011-12.



Figure 2



Source: ABS Catalogue 8752.0 and Western Australian Department of Treasury.

Residential construction is set to strengthen in 2012-13. Continued growth in population and incomes will increase underlying demand for dwellings and should see activity increase if improved confidence in the economy by households, investors and developers can be sustained. Any weakness in the broader economy as a result of financial and economic turmoil overseas is likely to result in lower interest rates, which may help offset these impacts. Dwelling investment is therefore forecast to grow by 3.0% in 2012-13.

In 2013-14 and 2014-15 growth in dwelling investment is forecast to increase to 4.0% and 4.5% respectively, which is broadly in line with long-run growth rates and consistent with expectations of continued strength in the State's economy. A greater proportion of dwelling investment is expected to comprise the construction of new dwellings rather than renovations to existing dwellings (the latter was a key factor in the stronger than expected growth recorded for 2010-11).

## Business Sector

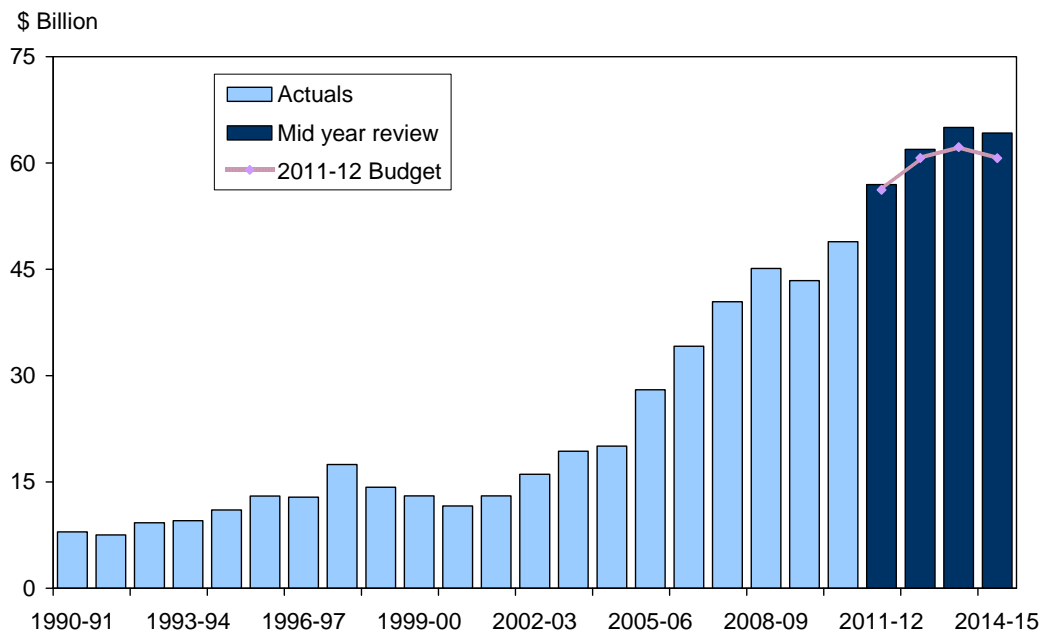
The outlook for business investment in Western Australia has strengthened since the 2011-12 Budget, with a number of major investment decisions announced, including Chevron's \$29 billion Wheatstone LNG project and Shell's \$9 billion Prelude Floating LNG project. These projects will add to the already significant level of existing investment activity, including Chevron's \$43 billion Gorgon LNG project, which is anticipated to hit peak construction during 2012-13.

As such, the total value of expected business investment spending has increased since earlier in the year<sup>1</sup>. Business investment is expected to grow by 16.5% in 2011-12 and by a further 8.75% in 2012-13.

In the outyears, growth in business investment is forecast to slow to 5.0% in 2013-14 before declining by 1.5% in 2014-15 (up from 2.5% and -2.5% respectively at budget), as construction activity on a number of major resource projects winds down.

**BUSINESS INVESTMENT IN WESTERN AUSTRALIA**  
Annual Levels, Chain Volume Terms

Figure 3



Source: ABS Catalogue 5220.0 and Western Australian Department of Treasury.

Note: Data are adjusted for the 1997-98 sale of the Dampier to Bunbury Natural Gas Pipeline.

<sup>1</sup> According to Deloitte Access Economics' *Investment Monitor*, Western Australia had \$268.4 billion worth of current and potential projects in the September quarter 2011. Projects 'under construction' were valued at \$84.8 billion (including the \$43 billion Gorgon project), and represented 26.6% of the national total. The 'pipeline' of projects (those listed as 'committed' or 'under construction') totalled \$137.4 billion, representing 33.8% of the national total.

### Wheatstone LNG Project

The final investment decision for the Wheatstone LNG project was made in September 2011. The project is a joint venture of Australian subsidiaries of Chevron, Apache Corporation, Kuwait Foreign Petroleum Exploration Company and Shell.

Total capital expenditure for the project is \$29 billion. The construction phase runs from 2011-12 through to 2016-17, with peak construction occurring in 2013-14. The project is expected to create around 6,500 jobs during peak construction. Wheatstone will have initial capacity of 8.9 million tonnes per annum (mtpa) with the capacity to expand to 25 mtpa. Production is expected to commence in 2016.

The direct short-term effect of the Wheatstone project on the Western Australian economy is likely to be relatively minor as the project is expected to take some time to ramp up to peak construction and employment. For the years 2011-12 to 2014-15 the Wheatstone project is estimated to have a direct impact on the State's payroll tax revenue of \$31 million. The Commonwealth will collect the royalties generated by this project, under its Petroleum Resource Rent Tax regime. While details of forecast Commonwealth collections are not available, Chevron has estimated \$20 billion in government revenue over the project's life.

During the construction phase it is estimated that at least 50% of the total cost of construction will be spent locally. The State Government has committed \$10 million of *Royalties for Regions* funding to a community development fund, and will meet all operational and staffing costs for services such as health and education.

Modelling results show that higher State Final Demand growth over the forecast period is likely due to the increase in business investment. However, the effect on Gross State Product growth from 2011-12 to 2012-13 is not as large, because much of the increase in investment is offset by higher imports. Exports are expected to rise substantially once gas production starts. However, this will occur beyond the forecast period.

## Government Sector

Public consumption and investment comprises spending by the Commonwealth, State and local governments.

Public consumption in Western Australia increased by 2.8% in 2010-11 and is expected to increase by 6.25% in 2011-12. Growth is then expected to return to 3.75% in 2012-13, and 3.25% per annum in 2013-14 and 2014-15, close to the historical rate of 3.3%. The expected acceleration in growth in 2011-12 is consistent with the expense growth projections in Chapter 1: *Financial Projections*. The main contributor to the high rate of growth in 2011-12 is the lower than expected recurrent spending outturn for 2010-11.

The impact of Commonwealth stimulus spending on public investment has carried through to 2010-11, with growth of 12.3% significantly higher than the 3.5% assumed in the 2011-12 Budget. Relative to this high level of public investment growth, spending is now expected to contract by 2.5% in 2011-12. State Government investment in infrastructure is expected to lift total public investment to growth of 0.5% in 2012-13. Growth in public investment is projected to contract in the out years but expenditure will still remain at relatively high levels. The revised growth profile in public investment correlates with the Asset Investment Program projections provided in Chapter 1: *Financial Projections*.

## International Trade

### Exports

Merchandise exports in 2010-11 were impacted by the shutdown of production at various mines due to floods and cyclones throughout the year, resulting in relatively low growth of 1.2%.

On the supply side, the outlook for exports is strong, boosted by higher than anticipated production from the North West Shelf project and initial production from Woodside's Pluto project in 2012. Other projects also anticipated to come on-line in 2012 include CITIC Pacific's Sino Iron project and Gindalbie Metals Karara project in the Mid West.

Strong growth in agricultural exports is also forecast, following higher winter crop production in 2011-12 due to improved weather conditions across the Western Australian grain belt.

On the demand side, LNG exports to Japan are anticipated to strengthen, as gas is substituted for nuclear power following the impacts of the 2011 earthquake and tsunami on Japan's electricity generation capacity.

These conditions combine to generate a forecast of stronger growth in exports than anticipated in the 2011-12 Budget, with growth of 6.75% in 2011-12 and 3.75% in 2012-13 now forecast.

For 2013-14 and 2014-15 strong export growth is forecast to continue, buoyed by continued expansions in the iron ore sector and the commissioning of the Gorgon LNG project in 2014-15. Production from Chevron's \$29 billion Wheatstone project and Shell's \$9 billion Prelude project will not add to export volumes until beyond the forward estimates. Exports are subsequently forecast to grow by a solid 6.5% per annum in 2013-14 and 2014-15, similar to expectations at budget-time.

### Imports

Following a contraction of 10.0% in 2010-11, growth in imports is forecast to rebound strongly in 2011-12 and 2012-13, due to continued business investment in the resource sector, strong household consumption and a high exchange rate. In particular, Chevron's Wheatstone project and Shell's Prelude Floating LNG project will be strong contributors to import growth over this period.

Consequently, import growth of 27.0% is forecast for 2011-12 and 10.25% for 2012-13 (revised up from 22.0% and 7.5% respectively at budget).

Similar to budget, growth in imports is expected to moderate in the outyears as construction activity on a number of major resource projects winds down.

## Labour Market

### Employment

The State's employment growth has softened so far in 2011-12, following reasonably strong growth of 3.2% in 2010-11. A moderation in growth of both part-time and full-time employment has caused overall employment growth to slow over the year to date. Nonetheless, employment is expected to grow by 2.5% in 2011-12 and 2012-13 (unchanged since budget).

While labour demand is likely to intensify over the outyears, labour supply is likely to constrain employment growth as the State's workforce ages and population growth moderates somewhat. As a result, employment in 2013-14 and 2014-15 is forecast to grow by 2.25% and 2.0% respectively.

### Unemployment

The unemployment rate in Western Australia has averaged 4.2% so far in 2011-12, compared to an average rate of 4.4% in 2010-11.

The State's unemployment rate is expected to average 4.5% over 2011-12, notwithstanding the recent moderation in both employment growth and participation. Across the outyears, the unemployment rate is forecast to decline to 4.0% by 2014-15, reflecting a continued expansion in economic activity and moderate growth in labour supply. The participation rate of those aged between 15 and 64 is expected to rise gradually over the forward estimates period.

### Wages and Earnings

The State's Wage Price Index (WPI) is expected to grow by 4.25% in 2011-12, following 3.9% growth in 2010-11. Recent data for the September quarter 2011 show relatively strong wages growth for the period, reinforcing expectations that wages growth will remain reasonably solid for the remainder of the year.

Growth in the State's WPI is then expected to stabilise, at 4.5%, in the outyears as the labour market tightens and the unemployment rate gradually moderates.

Average Weekly Earnings (AWE) rose by 5.2% in 2010-11, but based on current trends are likely to accelerate in the short-term. Earnings are expected to increase by 7.75% in 2011-12, with shifts in compositional factors<sup>2</sup> expected to continue to influence trends.

AWE are forecast to increase by 5.5% in each year thereafter, steadying as compositional influences begin to unwind. Nonetheless, earnings in the outyears are still expected to grow at an above average pace as the labour market tightens further.

## Inflation

### Consumer Price Index

Perth's Consumer Price Index (CPI) increased by 2.8% in 2010-11, consistent with the 2.75% estimate in the 2011-12 State Budget.

Consumer prices in Perth are forecast to rise by 2.75% in 2011-12, reflecting the relatively healthy pace of economic expansion in the State, reasonably strong wages growth and tightness in the State's labour market. These effects are partly offset by subdued price growth in the first quarter of 2011-12.

Perth's CPI is forecast to grow by 3.5% in 2012-13 (compared to the budget estimate of 3.25%), after adjusting for the introduction of the carbon tax in July 2012. The Commonwealth Treasury and the Reserve Bank of Australia (RBA) expect the introduction of the carbon tax to add 0.7 percentage points to the national CPI in 2012-13. Consistent with the budget forecast, Perth's inflation is then expected to flatten and grow by around 3.25% in 2013-14 and 2014-15.

These forecasts are broadly consistent with the RBA's latest projections for yearly growth in national headline inflation (including the estimated carbon tax impact) of between 2.0% to 3.25% out to the June quarter 2013<sup>3</sup>.

## Risks

### Global Risks

Global activity has weakened and become more uneven in recent months, with confidence falling sharply and downside risks growing.

The International Monetary Fund (IMF) in its September World Economic Outlook report warns that downside risks to activity have increased noticeably, with the most significant risks being:

- weak sovereigns and banks in a number of advanced economies;

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<sup>2</sup> Compositional effects that can influence AWE growth include: variations over time in the occupational distribution within and across industries; variations in the distribution of employment between industries; variations in the proportion of male and female employees; and variations over time in the proportions of full-time, part-time and casual workers. For this reason, WPI is the preferred measure of underlying wage pressures, as it is designed to measure changes for a fixed quantity and quality of labour.

<sup>3</sup> Source: RBA, *Statement on Monetary Policy*, November 2011. Note that yearly inflation refers to growth for a given quarter, relative to that same quarter a year prior, whereas the forecasts for Perth CPI are on an annual average basis (growth for the average CPI for Perth over the four quarters of a financial year, relative to the average of the four quarters a year prior).

- policies to address the legacy of the crisis in major advanced economies lacking strength;
- vulnerabilities in a number of emerging market economies; and
- volatile commodity prices and geopolitical tensions.

Many analysts have also recently reiterated their concerns on the health of the global economy. The US and Eurozone are “dangerously close to recession”, according to Morgan Stanley, with real GDP growth in the US falling in the first half of 2011, and with continental Europe faring no better.

The global developments over the past couple of months have wiped billions off share markets. Many equity markets remain highly volatile and sensitive to developments in the Eurozone, US and China. However, the 2011 financial problems are not the same as the 2008 global financial crisis. While big banks are still recovering from the crisis, the risks of a hard default by Greece and Italy are very high. Country defaults have implications well beyond their borders because large international banks have exposure to their debt and are interconnected. European banks like Deutsche Bank, Société Générale and Bank Pariba, with significant exposure to Greek and Italian debt, have substantial relationships with US banks, which like the British banks have limited direct exposure to such debt.

A default by Greece or Italy is seen as similar to the demise of the Lehman Brothers financial firm in 2008, which spread contagion throughout the world financial system. In the US, the \$US1 trillion Troubled Asset Relief Program was implemented to hold up the banking system. In total, as much as \$11 trillion in programs were implemented to support financial systems around the world. The capacity for such efforts would most likely have been fully exhausted.

For this reason, on 27 October 2011 European leaders announced a significant expansion of the European Financial and Stability Facility (EFSF), effective from November 2011. The three-point plan includes expanding the bailout fund from 440 billion euros to 1 trillion euros, banks being forced to raise more capital to protect themselves against losses resulting from any future defaults by Greece and other countries, and banks accepting a loss of 50% on money they have lent to Greece.

It is Italy that is now seen as the key risk among Europe's big economies and the main possible beneficiary of the enhanced EFSF bailout fund. Italy's \$2.6 trillion debt is far larger than the recently enhanced EFSF fund, prompting calls for a much bigger bailout fund to be made available.

The prospect of substantial fiscal tightening in Europe and the US is likely to limit growth in developed nations. Some forecasters have downgraded their projections for China over concerns that demand for Chinese exports may fall due to debt burdens and rising unemployment in developed nations. At the same time, China is planning to shift the focus of its export-driven economy towards domestic consumption and some of the risks to China's outlook include wages growth, inflation and the property market.

Western Australia's resource-driven economy relies heavily on continued strength of the Chinese economy and demand for raw materials. Accordingly, China is now the world's most "central" trader, with the most sizable connections to other major traders. This means that China's capacity to transmit economic and financial shocks, whether they originate domestically or elsewhere, is growing.

## Domestic Risks

The Federal Parliament passed the carbon tax on 8 November 2011. The carbon tax will take effect from 1 July 2012 and will distort economic activity away from emissions-intensive goods and services. The expected economic effects of the Commonwealth carbon tax arrangements are described in a feature box in Chapter 1.

There is still some uncertainty surrounding the final outcome of the Commonwealth Government's proposed minerals resource rent tax, which presents a downside risk to the State's outlook.

While Western Australia's direct exposure to developments in Europe is limited (with the European Union accounting for only about 6% of the State's merchandise exports), should conditions in Europe continue to worsen and negatively impact the availability and cost of credit, major resource projects underway or planned within Western Australia may be delayed or put on hold as a result.

A key upside risk is stronger than assumed business investment (particularly if producers achieve their ambitious investment programs), which could also further strengthen labour market conditions and wages growth. However, the unpredictable nature of resource investment, particularly in terms of timing, could mean that actual investment patterns are significantly different to those assumed. A number of large projects have not yet received final investment approvals, or need to secure financial capital and relevant government approvals prior to commencement. Depending on the outcomes for individual projects, this could result in a significant upside or downside risk to the business investment forecasts.

Should interest rates fall further this could lead to a faster than expected recovery in the housing market. Conversely mortgage delinquencies may increase as three year fixed rate contracts set during the global financial crisis expire and mortgage holders are exposed to higher interest rates. An increase in delinquencies will place downward pressure on prices and may reduce demand for new dwellings.

There is some upside risk that Perth's inflation could accelerate slightly faster if recent revisions to the ABS methodology lead to an upward bias to the CPI, as commentators have suggested. However, there is also the downside risk that the worsening global economic outlook could weaken household spending and dampen price pressures over the next couple of years, resulting in lower inflation.

Western Australia's population is expected to grow by 2.3% in 2010-11 (after peaking at 3.3% in 2008-09), partly due to lower growth in the Federal Government's migration program. Sizable deviations from the current migration program remain a risk to population growth forecasts.



# Detailed Financial Projections

This appendix contains detailed financial projections for the Western Australian public sector and its sub-sectors. The tables in this section satisfy Uniform Presentation Framework (UPF) requirements, and are consistent with Australian Accounting Standards and the presentation of whole-of-government financial projections contained in the 2011-12 State Budget.

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Table 1.1

**GENERAL GOVERNMENT**  
**Operating Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,763	6,965	6,976	7,635	8,299	9,148
Current grants and subsidies		8,003	8,806	8,819	8,565	8,236	8,022
Capital grants		1,336	956	870	915	727	721
Sales of goods and services		1,754	1,815	1,842	1,934	2,030	2,132
Interest income		321	355	313	295	346	342
Revenue from public corporations							
Dividends from other sector entities		687	699	737	812	1,027	1,162
Tax equivalent income		379	450	429	606	712	771
Royalty income		4,213	4,794	4,579	4,647	5,211	5,187
Other		454	393	548	421	434	438
<b>Total</b>	3	<b>23,909</b>	<b>25,233</b>	<b>25,112</b>	<b>25,830</b>	<b>27,022</b>	<b>27,923</b>
<b>EXPENSES</b>							
Salaries		8,829	9,642	9,466	10,040	10,552	11,197
Superannuation							
Concurrent costs		841	917	899	951	997	1,055
Superannuation interest cost		317	412	294	364	385	406
Other employee costs		367	366	388	404	417	424
Depreciation and amortisation		896	936	955	1,021	1,197	1,234
Services and contracts		1,501	2,065	1,801	1,718	1,859	2,014
Other gross operating expenses		3,723	3,874	4,691	4,806	4,684	4,779
Other interest		297	421	346	464	573	631
Current transfers	4	4,928	5,551	5,456	5,140	5,159	5,366
Capital transfers	4	606	607	608	616	602	687
<b>Total</b>	5	<b>22,306</b>	<b>24,791</b>	<b>24,903</b>	<b>25,525</b>	<b>26,428</b>	<b>27,794</b>
<b>NET OPERATING BALANCE</b>	6	<b>1,604</b>	<b>442</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		18	86	82	66	-6	-17
Net actuarial gains - superannuation		-112	-34	-1,133	107	101	95
Provision for doubtful debts		-25	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>-119</b>	<b>52</b>	<b>-1,051</b>	<b>173</b>	<b>95</b>	<b>77</b>
<b>OPERATING RESULT</b>		<b>1,485</b>	<b>493</b>	<b>-843</b>	<b>479</b>	<b>689</b>	<b>206</b>
<i>All other movements in equity</i>							
Revaluations		2,499	1,622	2,329	2,075	2,052	2,140
Gains recognised directly in equity		-4	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-28	-42	-763	-40	40	48
Change in net worth of the public corporations sectors		408	1,130	1,205	1,215	1,244	505
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>2,874</b>	<b>2,710</b>	<b>2,771</b>	<b>3,249</b>	<b>3,335</b>	<b>2,692</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>3,203</b>	<b>1,928</b>	<b>3,728</b>	<b>4,024</b>	<b>2,898</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>1,604</b>	<b>442</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,870	4,206	4,161	3,751	3,063	2,691
Changes in inventories		-4	-	5	-1	-	-
Other movement in non-financial assets		55	-70	68	-77	420	-66
<i>less:</i>							
Sales of non-financial assets		158	242	235	265	308	168
Depreciation		896	936	955	1,021	1,197	1,234
<b>Total net acquisition of non-financial assets</b>		<b>1,867</b>	<b>2,958</b>	<b>3,045</b>	<b>2,388</b>	<b>1,978</b>	<b>1,223</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-264</b>	<b>-2,517</b>	<b>-2,837</b>	<b>-2,083</b>	<b>-1,384</b>	<b>-1,095</b>
Note: Columns may not add due to rounding.							

Table 1.2

**GENERAL GOVERNMENT**  
**Balance Sheet at 30 June**

	Note	2011	2012	2012	2013	2014	2015
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		698	545	775	674	714	543
Advances paid		694	673	681	661	642	622
Investments, loans and placements		4,713	3,607	3,853	3,591	3,752	3,954
Receivables		2,413	2,362	2,312	2,490	2,608	2,603
Investment property		9	8	9	9	9	9
Shares and other equity							
Investments in other public sector entities - equity method		42,882	44,821	44,087	45,302	46,545	47,050
Investments in other public sector entities - direct injections		4,899	5,462	5,321	5,798	5,973	6,110
Investments in other entities		-	-	-	-	-	-
Other financial assets		-	-	-	-	-	-
<b>Total financial assets</b>		<b>56,307</b>	<b>57,478</b>	<b>57,039</b>	<b>58,524</b>	<b>60,242</b>	<b>60,891</b>
<i>Non-financial assets</i>							
Land		39,038	38,568	39,836	40,667	41,422	42,350
Property, plant and equipment		34,366	38,696	38,596	42,262	45,616	48,127
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		102	99	100	98	96	94
Other inventories		64	66	69	68	68	67
Intangibles		447	420	437	439	422	398
Non-current assets held for sale		52	30	46	46	46	46
Other		218	147	158	162	154	130
<b>Total non-financial assets</b>		<b>74,288</b>	<b>78,029</b>	<b>79,244</b>	<b>83,745</b>	<b>87,826</b>	<b>91,214</b>
<b>TOTAL ASSETS</b>		<b>130,594</b>	<b>135,507</b>	<b>136,282</b>	<b>142,270</b>	<b>148,068</b>	<b>152,105</b>
<b>LIABILITIES</b>							
Deposits held		384	320	261	307	275	294
Advances received		468	454	454	439	424	409
Borrowings		5,577	8,268	8,221	10,351	12,109	13,105
Unfunded superannuation		7,306	7,211	8,299	8,103	7,920	7,751
Other employee benefits		2,512	2,524	2,633	2,746	2,854	2,963
Payables		575	653	605	610	609	610
Other liabilities		1,569	1,609	1,678	1,854	1,995	2,192
<b>TOTAL LIABILITIES</b>		<b>18,391</b>	<b>21,039</b>	<b>22,151</b>	<b>24,410</b>	<b>26,185</b>	<b>27,324</b>
<b>NET ASSETS</b>		<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		10,833	5,468	10,376	10,854	11,542	11,748
Other reserves		101,371	109,000	103,756	107,005	110,341	113,034
<b>NET WORTH</b>	6	<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		37,916	36,439	34,888	34,114	34,056	33,567
<i>Net financial liabilities</i>		9,865	13,844	14,520	16,985	18,462	19,594
<i>Net debt</i>							
Gross debt liabilities		6,429	9,041	8,936	11,097	12,807	13,808
less: liquid financial assets		6,105	4,825	5,309	4,926	5,107	5,119
less: convergence differences impacting net debt		88	88	88	88	88	88
<b>Net debt</b>		<b>236</b>	<b>4,129</b>	<b>3,539</b>	<b>6,082</b>	<b>7,612</b>	<b>8,601</b>

Note: Columns may not add due to rounding.

Table 1.3

**GENERAL GOVERNMENT**  
**Cash Flow Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,662	6,969	6,982	7,641	8,304	9,154
Grants and subsidies received		9,372	9,735	9,608	9,464	8,947	8,731
Receipts from sales of goods and services		1,808	1,845	1,884	1,961	2,055	2,162
Interest receipts		316	347	305	287	339	334
Dividends and tax equivalents		1,067	1,109	1,176	1,291	1,783	1,925
Other receipts		5,638	6,114	6,038	6,020	6,365	6,605
<i>Total cash received</i>		<b>24,863</b>	<b>26,119</b>	<b>25,993</b>	<b>26,664</b>	<b>27,793</b>	<b>28,912</b>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-9,853	-10,858	-10,662	-11,316	-11,895	-12,610
Payments for goods and services		-5,793	-6,275	-6,941	-6,882	-6,891	-7,150
Interest paid		-302	-380	-315	-450	-557	-630
Grants and subsidies paid		-5,219	-5,721	-5,577	-5,307	-5,373	-5,574
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,381	-1,204	-1,121	-1,276	-1,181	-1,293
<i>Total cash paid</i>		<b>-22,547</b>	<b>-24,438</b>	<b>-24,616</b>	<b>-25,231</b>	<b>-25,897</b>	<b>-27,258</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,316</b>	<b>1,681</b>	<b>1,377</b>	<b>1,433</b>	<b>1,896</b>	<b>1,654</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,870	-4,206	-4,161	-3,751	-3,063	-2,691
Sales of non-financial assets		158	242	235	265	308	168
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,712</b>	<b>-3,964</b>	<b>-3,927</b>	<b>-3,487</b>	<b>-2,756</b>	<b>-2,523</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		14	-	-	-	-	-
For liquidity purposes		85	-	-	-	-	-
<i>Cash paid</i>							
For policy purposes		-780	-693	-686	-470	-175	-137
For liquidity purposes		-5	-8	-11	-	-	-
<i>Total cash flows from investments in financial assets</i>		<b>-687</b>	<b>-701</b>	<b>-697</b>	<b>-470</b>	<b>-176</b>	<b>-138</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,399</b>	<b>-4,665</b>	<b>-4,623</b>	<b>-3,957</b>	<b>-2,931</b>	<b>-2,661</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		14	14	14	15	15	15
Borrowings		1,298	2,971	2,768	2,262	1,514	1,190
Deposits received		-	-	-	-	-	-
Other financing receipts		32	33	32	34	37	90
<i>Total cash receipts from financing activities</i>		<b>1,344</b>	<b>3,018</b>	<b>2,815</b>	<b>2,311</b>	<b>1,566</b>	<b>1,296</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-93	-46	-148	-127	-169	-138
Deposits paid		-	-	-	-	-	-
Other financing payments		-81	-95	-98	-73	-112	-126
<i>Total payments for financing activities</i>		<b>-188</b>	<b>-155</b>	<b>-260</b>	<b>-214</b>	<b>-296</b>	<b>-280</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,155</b>	<b>2,863</b>	<b>2,554</b>	<b>2,096</b>	<b>1,270</b>	<b>1,016</b>
<b>Net increase in cash and cash equivalents</b>		<b>72</b>	<b>-122</b>	<b>-692</b>	<b>-428</b>	<b>235</b>	<b>10</b>
Cash and cash equivalents at the beginning of the year		5,346	4,068	5,418	4,726	4,298	4,533
Cash and cash equivalents at the end of the year		5,418	3,947	4,726	4,298	4,533	4,543
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,316	1,681	1,377	1,433	1,896	1,654
Net cash flows from investing in non-financial assets		-2,712	-3,964	-3,927	-3,487	-2,756	-2,523
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-397</b>	<b>-2,283</b>	<b>-2,550</b>	<b>-2,054</b>	<b>-860</b>	<b>-869</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Operating Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		1,947	2,135	2,181	2,161	2,062	2,036
Capital grants		96	109	119	153	202	197
Sales of goods and services		13,614	14,727	15,612	17,361	19,017	20,988
Interest income		281	345	267	315	323	326
Other		518	459	459	457	500	535
<i>Total</i>		<i>16,456</i>	<i>17,774</i>	<i>18,638</i>	<i>20,447</i>	<i>22,104</i>	<i>24,082</i>
<b>EXPENSES</b>							
Salaries		973	1,050	1,041	1,078	1,120	1,163
Superannuation							
Concurrent costs		93	100	99	102	106	110
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		48	36	35	35	36	37
Depreciation and amortisation		1,524	1,651	1,607	1,695	1,757	1,816
Services and contracts		735	712	667	604	674	705
Other gross operating expenses		10,381	11,298	12,323	13,597	14,677	16,207
Other interest		972	1,226	1,057	1,203	1,260	1,316
Tax equivalents		367	429	406	573	674	730
Current transfers		707	742	762	820	870	917
Capital transfers		273	-	-	-	3	4
<i>Total</i>		<i>16,074</i>	<i>17,245</i>	<i>17,999</i>	<i>19,708</i>	<i>21,177</i>	<i>23,004</i>
<b>NET OPERATING BALANCE</b>	6	<b>382</b>	<b>529</b>	<b>639</b>	<b>739</b>	<b>927</b>	<b>1,078</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		112	171	145	394	365	363
Net actuarial gains - superannuation		-23	-	-	-	-	-
Provision for doubtful debts		-26	-10	-16	-17	-18	-18
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<i>63</i>	<i>160</i>	<i>128</i>	<i>377</i>	<i>348</i>	<i>345</i>
<b>OPERATING RESULT</b>		<b>445</b>	<b>689</b>	<b>768</b>	<b>1,115</b>	<b>1,275</b>	<b>1,423</b>
<i>Other non-owner movements in equity</i>							
Revaluations		-11	1,059	741	765	859	120
Gains recognised directly in equity		304	-51	-45	-50	-50	-54
Changes in accounting policy/correction of prior period errors		211	27	401	44	40	55
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<i>504</i>	<i>1,035</i>	<i>1,096</i>	<i>760</i>	<i>850</i>	<i>121</i>
<i>Movements in owner equity</i>							
Dividends		-684	-693	-731	-806	-1,021	-1,155
Capital injections		824	718	422	476	175	137
<i>Total movements in owner equity</i>		<i>140</i>	<i>25</i>	<i>-308</i>	<i>-330</i>	<i>-845</i>	<i>-1,018</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,089</b>	<b>1,749</b>	<b>1,555</b>	<b>1,545</b>	<b>1,280</b>	<b>525</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>382</b>	<b>529</b>	<b>639</b>	<b>739</b>	<b>927</b>	<b>1,078</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		3,643	3,454	3,734	4,316	2,940	2,980
Changes in inventories		352	5	35	39	-3	-6
Other movement in non-financial assets		-326	-40	27	-44	-55	-60
<i>less:</i>							
Sales of non-financial assets		528	820	810	1,098	1,091	1,041
Depreciation		1,524	1,651	1,607	1,695	1,757	1,816
<i>Total net acquisition of non-financial assets</i>		<i>1,617</i>	<i>947</i>	<i>1,380</i>	<i>1,516</i>	<i>34</i>	<i>57</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-1,235</b>	<b>-419</b>	<b>-740</b>	<b>-778</b>	<b>893</b>	<b>1,021</b>

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2011	2012	2012	2013	2014	2015
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		786	523	670	781	743	948
Advances paid		-	-	-	-	-	-
Investments, loans and placements		4,362	5,544	4,971	5,491	5,559	5,571
Receivables		1,155	1,087	1,178	1,242	1,288	1,412
Investment property		26	24	22	21	21	21
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		41	23	35	59	56	55
Other financial assets		903	1,023	1,028	1,173	1,296	1,458
<b>Total financial assets</b>		<b>7,273</b>	<b>8,223</b>	<b>7,905</b>	<b>8,768</b>	<b>8,964</b>	<b>9,466</b>
<i>Non-financial assets</i>							
Land		13,966	14,315	14,261	14,918	15,516	15,356
Property, plant and equipment		43,820	46,648	46,018	48,221	49,152	50,086
Biological assets		333	357	335	341	346	351
Inventories							
Land inventories		1,627	1,759	1,648	1,664	1,658	1,747
Other inventories		3,387	3,013	3,423	3,461	3,458	3,451
Intangibles		370	247	270	266	253	241
Non-current assets held for sale		29	15	27	27	27	27
Other		168	131	113	112	116	120
<b>Total non-financial assets</b>		<b>63,699</b>	<b>66,486</b>	<b>66,095</b>	<b>69,011</b>	<b>70,527</b>	<b>71,380</b>
<b>TOTAL ASSETS</b>		<b>70,973</b>	<b>74,709</b>	<b>73,999</b>	<b>77,779</b>	<b>79,491</b>	<b>80,845</b>
<b>LIABILITIES</b>							
Deposits held		5	-	3	3	3	3
Advances received		468	454	454	439	424	409
Borrowings		17,938	20,038	19,738	21,877	22,471	23,258
Unfunded superannuation		126	113	101	78	54	29
Other employee benefits		355	317	359	362	366	369
Payables		4,166	3,594	4,096	4,281	4,217	4,318
Other liabilities		1,583	1,402	1,362	1,308	1,246	1,223
<b>TOTAL LIABILITIES</b>		<b>24,642</b>	<b>25,918</b>	<b>26,114</b>	<b>28,348</b>	<b>28,781</b>	<b>29,609</b>
<b>NET ASSETS</b>		<b>46,330</b>	<b>48,791</b>	<b>47,886</b>	<b>49,431</b>	<b>50,710</b>	<b>51,236</b>
<i>Of which:</i>							
Contributed equity		4,899	5,462	5,321	5,798	5,973	6,110
Accumulated surplus		18,625	4,612	19,268	19,498	19,680	19,870
Other reserves		22,806	38,718	23,296	24,135	25,057	25,255
<b>NET WORTH</b>	6	<b>46,330</b>	<b>48,791</b>	<b>47,886</b>	<b>49,431</b>	<b>50,710</b>	<b>51,236</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-63,699	-66,486	-66,095	-69,011	-70,527	-71,380
<i>Net debt</i>							
Gross debt liabilities		18,411	20,491	20,195	22,319	22,898	23,670
less: liquid financial assets		5,148	6,066	5,641	6,272	6,302	6,519
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>13,264</b>	<b>14,425</b>	<b>14,554</b>	<b>16,047</b>	<b>16,596</b>	<b>17,151</b>

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		1,859	2,073	2,131	2,140	2,081	2,036
Receipts from sales of goods and services		13,775	14,790	15,641	17,338	18,988	20,882
Interest receipts		267	345	286	315	322	326
Dividends and tax equivalents		25	39	67	41	56	84
Other receipts		1,312	853	789	906	949	945
<i>Total cash received</i>		<i>17,239</i>	<i>18,100</i>	<i>18,913</i>	<i>20,740</i>	<i>22,396</i>	<i>24,273</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,069	-1,163	-1,194	-1,209	-1,260	-1,308
Payments for goods and services		-10,515	-10,557	-11,652	-12,423	-13,651	-15,135
Interest paid		-943	-1,213	-1,048	-1,197	-1,258	-1,300
Grants and subsidies paid		-569	-617	-618	-673	-721	-761
Tax equivalents		-324	-408	-439	-462	-720	-729
Other payments		-1,884	-2,621	-2,414	-2,644	-2,613	-2,617
<i>Total cash paid</i>		<i>-15,303</i>	<i>-16,579</i>	<i>-17,366</i>	<i>-18,608</i>	<i>-20,223</i>	<i>-21,849</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,935</b>	<b>1,521</b>	<b>1,548</b>	<b>2,132</b>	<b>2,174</b>	<b>2,424</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-3,643	-3,454	-3,734	-4,316	-2,940	-2,980
Sales of non-financial assets		528	820	810	1,098	1,091	1,041
<i>Total cash flows from investments in non-financial assets</i>		<i>-3,115</i>	<i>-2,634</i>	<i>-2,925</i>	<i>-3,218</i>	<i>-1,849</i>	<i>-1,939</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		421	5	7	-	66	119
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-416	-30	-41	-49	-135	-128
<i>Total cash flows from investments in financial assets</i>		<i>6</i>	<i>-25</i>	<i>-34</i>	<i>-49</i>	<i>-69</i>	<i>-10</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,109</b>	<b>-2,659</b>	<b>-2,958</b>	<b>-3,267</b>	<b>-1,918</b>	<b>-1,949</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		5	-	-	-	-	-
Borrowings		19,857	32,552	12,958	16,783	11,744	12,063
Deposits received		-	-	-	-	-	-
Other financing receipts		806	761	746	502	234	172
<i>Total cash received</i>		<i>20,668</i>	<i>33,313</i>	<i>13,705</i>	<i>17,285</i>	<i>11,978</i>	<i>12,234</i>
<i>Cash paid</i>							
Advances paid		-19	-14	-14	-15	-15	-15
Borrowings repaid		-18,989	-31,596	-11,763	-15,126	-11,143	-11,252
Deposits paid		-	-	-	-	-	-
Other financing payments		-64	-64	-64	-64	-69	-68
Dividends paid		-728	-691	-726	-811	-1,024	-1,152
<i>Total cash paid</i>		<i>-19,800</i>	<i>-32,366</i>	<i>-12,568</i>	<i>-16,015</i>	<i>-12,250</i>	<i>-12,487</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>868</b>	<b>947</b>	<b>1,137</b>	<b>1,270</b>	<b>-272</b>	<b>-252</b>
<b>Net increase in cash and cash equivalents</b>		<b>-305</b>	<b>-190</b>	<b>-274</b>	<b>135</b>	<b>-17</b>	<b>223</b>
Cash and cash equivalents at the beginning of the year		1,430	684	1,124	850	985	968
Cash and cash equivalents at the end of the year		1,124	494	850	985	968	1,191
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		1,935	1,521	1,548	2,132	2,174	2,424
Net cash flows from investing in non-financial assets		-3,115	-2,634	-2,925	-3,218	-1,849	-1,939
Dividends paid		-728	-691	-726	-811	-1,024	-1,152
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-1,907</b>	<b>-1,804</b>	<b>-2,103</b>	<b>-1,897</b>	<b>-699</b>	<b>-667</b>

Note: Columns may not add due to rounding.



Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,466	6,671	6,661	7,309	7,965	8,806
Current grants and subsidies		8,003	8,806	8,819	8,565	8,236	8,022
Capital grants		1,336	956	870	915	727	721
Sales of goods and services		15,008	16,161	17,076	18,909	20,654	22,703
Interest income		562	658	538	570	635	636
Royalty income		4,213	4,794	4,579	4,647	5,211	5,187
Dividend and tax equivalents		63	61	63	75	95	126
Other		892	807	943	812	850	860
<i>Total</i>		<b>36,543</b>	<b>38,915</b>	<b>39,550</b>	<b>41,803</b>	<b>44,374</b>	<b>47,062</b>
<b>EXPENSES</b>							
Salaries		9,802	10,692	10,507	11,117	11,672	12,360
Superannuation							
Concurrent costs		934	1,017	998	1,053	1,103	1,165
Superannuation interest cost		317	412	294	364	385	406
Other employee costs		268	244	265	266	274	275
Depreciation and amortisation		2,420	2,587	2,562	2,716	2,954	3,049
Services and contracts		2,232	2,770	2,461	2,315	2,526	2,712
Other gross operating expenses		13,733	14,784	16,627	18,019	18,969	20,572
Other interest		1,229	1,606	1,361	1,627	1,799	1,915
Current transfers		3,524	4,028	3,868	3,624	3,789	4,067
Capital transfers		783	498	489	463	401	490
<i>Total</i>		<b>35,241</b>	<b>38,638</b>	<b>39,432</b>	<b>41,565</b>	<b>43,873</b>	<b>47,010</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,302</b>	<b>278</b>	<b>117</b>	<b>237</b>	<b>501</b>	<b>52</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		130	257	227	460	360	346
Net actuarial gains - superannuation		-135	-34	-1,133	107	101	95
Provision for doubtful debts		-51	-11	-17	-17	-18	-19
All other		-	-	-	-	-	-
<i>Total other economic flows</i>		<b>-56</b>	<b>212</b>	<b>-923</b>	<b>550</b>	<b>443</b>	<b>422</b>
<b>OPERATING RESULT</b>		<b>1,246</b>	<b>490</b>	<b>-806</b>	<b>788</b>	<b>944</b>	<b>474</b>
<i>All other movements in equity</i>							
Revaluations		2,488	2,681	3,070	2,840	2,911	2,260
Gains recognised directly in equity		300	-51	-46	-50	-50	-55
Changes in accounting policy/correction of prior period errors		183	-15	-362	4	79	103
Change in net worth of the PFC sector		142	98	72	146	140	117
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<b>3,113</b>	<b>2,713</b>	<b>2,734</b>	<b>2,940</b>	<b>3,080</b>	<b>2,425</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>3,203</b>	<b>1,928</b>	<b>3,728</b>	<b>4,024</b>	<b>2,898</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>1,302</b>	<b>278</b>	<b>117</b>	<b>237</b>	<b>501</b>	<b>52</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,473	7,627	7,863	8,035	5,954	5,639
Changes in inventories		348	5	41	37	-3	-7
Other movement in non-financial assets		-271	-110	95	-121	366	-126
<i>less:</i>							
Sales of non-financial assets		645	1,030	1,012	1,331	1,349	1,177
Depreciation		2,420	2,587	2,562	2,716	2,954	3,049
<i>Total net acquisition of non-financial assets</i>		<b>3,485</b>	<b>3,905</b>	<b>4,425</b>	<b>3,904</b>	<b>2,013</b>	<b>1,280</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-2,183</b>	<b>-3,628</b>	<b>-4,307</b>	<b>-3,667</b>	<b>-1,512</b>	<b>-1,229</b>

Note: Columns may not add due to rounding.

Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	Note	2011	2012	2012	2013	2014	2015
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,324	969	1,261	1,226	1,260	1,275
Advances paid		226	219	228	223	218	213
Investments, loans and placements		9,074	9,140	8,814	9,072	9,301	9,515
Receivables		3,353	3,293	3,298	3,411	3,617	3,727
Investment property		35	32	31	30	30	30
Shares and other equity							
Investments in other public sector entities - equity method		1,450	1,492	1,522	1,668	1,808	1,925
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		41	23	35	59	56	55
Other financial assets		-	-	-	-	-	-
<b>Total financial assets</b>		<b>15,504</b>	<b>15,169</b>	<b>15,189</b>	<b>15,689</b>	<b>16,290</b>	<b>16,739</b>
<i>Non-financial assets</i>							
Land		53,004	52,884	54,097	55,585	56,938	57,706
Property, plant and equipment		78,186	85,344	84,614	90,484	94,768	98,212
Biological assets		335	359	337	343	349	354
Inventories							
Land inventories		1,728	1,858	1,748	1,762	1,754	1,842
Other inventories		3,451	3,079	3,491	3,529	3,525	3,519
Intangibles		818	668	707	705	675	639
Non-current assets held for sale		81	45	73	73	74	74
Other		351	278	270	275	270	249
<b>Total non-financial assets</b>		<b>137,952</b>	<b>144,515</b>	<b>145,338</b>	<b>152,756</b>	<b>158,353</b>	<b>162,594</b>
<b>TOTAL ASSETS</b>		<b>153,456</b>	<b>159,684</b>	<b>160,527</b>	<b>168,446</b>	<b>174,643</b>	<b>179,333</b>
<b>LIABILITIES</b>							
Deposits held		229	211	71	71	71	71
Advances received		468	454	454	439	424	409
Borrowings		23,515	28,305	27,959	32,228	34,580	36,363
Unfunded superannuation		7,432	7,325	8,399	8,181	7,974	7,780
Other employee benefits		2,868	2,842	2,992	3,109	3,220	3,332
Payables		4,530	4,098	4,513	4,577	4,553	4,647
Other liabilities		2,210	1,981	2,007	1,983	1,938	1,950
<b>TOTAL LIABILITIES</b>		<b>41,253</b>	<b>45,216</b>	<b>46,396</b>	<b>50,586</b>	<b>52,760</b>	<b>54,552</b>
<b>NET ASSETS</b>		<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,523	10,144	29,709	30,417	31,287	31,683
Other reserves		82,681	104,324	84,422	87,443	90,596	93,099
<b>NET WORTH</b>	6	<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-25,749	-30,047	-31,207	-34,897	-36,470	-37,813
<i>Net financial liabilities</i>		27,240	31,562	32,764	36,625	38,335	39,793
<i>Net debt</i>							
Gross debt liabilities		24,213	28,970	28,484	32,738	35,074	36,842
less: liquid financial assets		10,625	10,328	10,302	10,520	10,778	11,003
less: convergence differences impacting net debt		88	88	88	88	88	88
<b>Net debt</b>		<b>13,500</b>	<b>18,554</b>	<b>18,093</b>	<b>22,130</b>	<b>24,208</b>	<b>25,752</b>

Note: Columns may not add due to rounding.

Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,360	6,673	6,664	7,313	7,968	8,810
Grants and subsidies received		9,372	9,735	9,608	9,464	8,947	8,731
Receipts from sales of goods and services		15,222	16,256	17,146	18,916	20,652	22,641
Interest receipts		542	650	549	562	627	628
Dividends and tax equivalents		40	49	79	59	96	128
Other receipts		6,576	6,961	6,803	6,900	7,289	7,525
<b>Total cash received</b>		<b>38,114</b>	<b>40,324</b>	<b>40,850</b>	<b>43,214</b>	<b>45,579</b>	<b>48,463</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,922	-12,022	-11,856	-12,526	-13,155	-13,918
Payments for goods and services		-15,598	-16,453	-18,215	-18,922	-20,152	-21,882
Interest paid		-1,204	-1,552	-1,322	-1,607	-1,780	-1,898
Grants and subsidies paid		-3,910	-4,265	-4,045	-3,818	-3,992	-4,277
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-2,956	-3,522	-3,214	-3,588	-3,454	-3,561
<b>Total cash paid</b>		<b>-34,590</b>	<b>-37,813</b>	<b>-38,651</b>	<b>-40,460</b>	<b>-42,533</b>	<b>-45,536</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3,523</b>	<b>2,511</b>	<b>2,198</b>	<b>2,754</b>	<b>3,046</b>	<b>2,927</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,473	-7,627	-7,863	-8,035	-5,954	-5,639
Sales of non-financial assets		645	1,030	1,012	1,331	1,349	1,177
<b>Total cash flows from investments in non-financial assets</b>		<b>-5,827</b>	<b>-6,598</b>	<b>-6,851</b>	<b>-6,704</b>	<b>-4,605</b>	<b>-4,462</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		9	-	-	-	-	-
For liquidity purposes		507	5	7	-	66	119
<i>Cash paid</i>							
For policy purposes		-8	-	-	-	-	-
For liquidity purposes		-421	-38	-51	-49	-135	-129
<b>Total cash flows from investments in financial assets</b>		<b>86</b>	<b>-33</b>	<b>-44</b>	<b>-49</b>	<b>-69</b>	<b>-10</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-5,741</b>	<b>-6,630</b>	<b>-6,895</b>	<b>-6,754</b>	<b>-4,674</b>	<b>-4,472</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		21,155	35,522	15,727	19,045	13,258	13,253
Deposits received		-	-	-	-	-	-
Other financing receipts		70	53	52	41	36	89
<b>Total cash received</b>		<b>21,225</b>	<b>35,575</b>	<b>15,779</b>	<b>19,086</b>	<b>13,295</b>	<b>13,343</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-19,082	-31,642	-11,911	-15,253	-11,312	-11,390
Deposits paid		-	-	-	-	-	-
Other financing payments		-144	-111	-122	-112	-121	-159
<b>Total cash paid</b>		<b>-19,240</b>	<b>-31,767</b>	<b>-12,048</b>	<b>-15,379</b>	<b>-11,448</b>	<b>-11,564</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,985</b>	<b>3,808</b>	<b>3,731</b>	<b>3,707</b>	<b>1,846</b>	<b>1,778</b>
<b>Net increase in cash and cash equivalents</b>		<b>-233</b>	<b>-312</b>	<b>-966</b>	<b>-293</b>	<b>218</b>	<b>233</b>
Cash and cash equivalents at the beginning of the year		6,776	4,752	6,542	5,576	5,283	5,502
Cash and cash equivalents at the end of the year		6,542	4,440	5,576	5,283	5,502	5,734
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		3,523	2,511	2,198	2,754	3,046	2,927
Net cash flows from investing in non-financial assets		-5,827	-6,598	-6,851	-6,704	-4,605	-4,462
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-2,304</b>	<b>-4,087</b>	<b>-4,653</b>	<b>-3,951</b>	<b>-1,559</b>	<b>-1,536</b>

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
**Operating Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		5	5	5	5	5	5
Capital grants		-	-	-	-	-	-
Sales of goods and services		831	821	821	919	985	1,016
Interest income		1,708	2,123	2,042	2,216	2,251	2,255
Other		4	-	-	-	-	-
<b>Total</b>		<b>2,548</b>	<b>2,949</b>	<b>2,868</b>	<b>3,140</b>	<b>3,241</b>	<b>3,276</b>
<b>EXPENSES</b>							
Salaries		39	41	41	43	46	47
Superannuation							
Concurrent costs		4	4	4	4	4	4
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	2	2	2	2	2
Depreciation and amortisation		14	12	12	12	14	13
Services and contracts		2	18	13	13	14	14
Other gross operating expenses		902	756	751	817	868	892
Other interest		1,582	1,961	1,875	2,030	2,059	2,056
Tax equivalents		12	21	23	33	38	41
Current transfers		3	4	4	4	3	4
Capital transfers		-	2	1	4	4	4
<b>Total</b>		<b>2,559</b>	<b>2,822</b>	<b>2,726</b>	<b>2,961</b>	<b>3,052</b>	<b>3,078</b>
<b>NET OPERATING BALANCE</b>	6	<b>-11</b>	<b>127</b>	<b>142</b>	<b>179</b>	<b>188</b>	<b>198</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		122	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>111</b>	<b>127</b>	<b>142</b>	<b>179</b>	<b>188</b>	<b>198</b>
<i>Other non-owner movements in equity</i>							
Revaluations		22	4	23	14	14	9
Gains recognised directly in equity		87	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-22	12	-48	-	-	-
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>88</b>	<b>16</b>	<b>-25</b>	<b>14</b>	<b>14</b>	<b>9</b>
<i>Movements in owner equity</i>							
Dividends		-57	-45	-45	-47	-63	-91
Capital injections		-	-	-	-	-	-
<b>Total movements in owner equity</b>		<b>-57</b>	<b>-45</b>	<b>-45</b>	<b>-47</b>	<b>-63</b>	<b>-91</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>142</b>	<b>98</b>	<b>72</b>	<b>146</b>	<b>140</b>	<b>117</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-11</b>	<b>127</b>	<b>142</b>	<b>179</b>	<b>188</b>	<b>198</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		9	10	13	5	4	4
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		14	12	12	12	14	13
<b>Total net acquisition of non-financial assets</b>		<b>-5</b>	<b>-2</b>	<b>1</b>	<b>-7</b>	<b>-10</b>	<b>-10</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-6</b>	<b>129</b>	<b>141</b>	<b>187</b>	<b>199</b>	<b>208</b>

Note: Columns may not add due to rounding.

Table 1.11

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2011	2012	2012	2013	2014	2015
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		14	31	33	49	71	84
Advances paid		3,929	5,156	4,531	5,072	5,101	5,106
Investments, loans and placements		29,162	32,893	31,252	32,378	33,436	33,514
Receivables		852	963	827	825	822	819
Investment property		498	482	527	563	599	642
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,173	1,134	1,254	1,359	1,472	1,596
Other financial assets		52	36	52	52	52	52
<b>Total financial assets</b>		<b>35,680</b>	<b>40,693</b>	<b>38,476</b>	<b>40,298</b>	<b>41,554</b>	<b>41,812</b>
<i>Non-financial assets</i>							
Land		121	21	35	36	36	37
Property, plant and equipment		230	224	230	237	244	247
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		10	22	19	18	4	1
Non-current assets held for sale		-	-	-	-	-	-
Other		4	79	80	80	78	75
<b>Total non-financial assets</b>		<b>364</b>	<b>346</b>	<b>364</b>	<b>371</b>	<b>363</b>	<b>359</b>
<b>TOTAL ASSETS</b>		<b>36,044</b>	<b>41,038</b>	<b>38,841</b>	<b>40,669</b>	<b>41,917</b>	<b>42,172</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	1	1	1	1	1
Borrowings		31,628	36,815	34,304	35,862	36,854	36,854
Unfunded superannuation		10	10	9	9	9	9
Other employee benefits		8	8	8	8	8	8
Payables		121	36	103	124	129	148
Other liabilities		2,823	2,676	2,893	2,997	3,108	3,227
<b>TOTAL LIABILITIES</b>		<b>34,593</b>	<b>39,546</b>	<b>37,319</b>	<b>39,001</b>	<b>40,109</b>	<b>40,247</b>
<b>NET ASSETS</b>		<b>1,450</b>	<b>1,492</b>	<b>1,522</b>	<b>1,668</b>	<b>1,808</b>	<b>1,925</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,232	1,171	1,181	1,314	1,439	1,547
Other reserves		218	321	341	355	369	378
<b>NET WORTH</b>	6	<b>1,450</b>	<b>1,492</b>	<b>1,522</b>	<b>1,668</b>	<b>1,808</b>	<b>1,925</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-364	-346	-364	-371	-363	-359
<i>Net debt</i>							
Gross debt liabilities		31,631	36,816	34,305	35,863	36,855	36,855
less: liquid financial assets		33,105	38,079	35,816	37,498	38,609	38,704
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-1,474</b>	<b>-1,263</b>	<b>-1,511</b>	<b>-1,635</b>	<b>-1,753</b>	<b>-1,848</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		5	5	5	5	5	5
Receipts from sales of goods and services		872	825	824	884	946	1,013
Interest receipts		1,655	2,123	2,042	2,216	2,251	2,255
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		119	114	115	122	129	135
<i>Total cash received</i>		2,652	3,067	2,986	3,227	3,331	3,408
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-43	-45	-45	-47	-50	-52
Payments for goods and services		-691	-702	-693	-743	-785	-802
Interest paid		-1,427	-1,962	-1,894	-2,030	-2,059	-2,056
Grants and subsidies paid		-	-	-	-	-	-
Tax equivalents		-12	-4	-5	-12	-33	-38
Other payments		-166	-156	-157	-168	-179	-189
<i>Total cash paid</i>		-2,339	-2,869	-2,795	-3,001	-3,106	-3,137
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>312</b>	<b>198</b>	<b>191</b>	<b>227</b>	<b>224</b>	<b>271</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-9	-10	-13	-5	-4	-4
Sales of non-financial assets		-	-	-	-	-	-
<i>Total cash flows from investments in non-financial assets</i>		-9	-10	-13	-5	-4	-3
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,631	1,871	2,023	2,041	2,122	2,244
<i>Cash paid</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-5,774	-2,502	-2,758	-2,698	-2,254	-2,404
<i>Total cash flows from investments in financial assets</i>		-1,143	-630	-735	-658	-132	-160
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-1,152</b>	<b>-641</b>	<b>-748</b>	<b>-662</b>	<b>-136</b>	<b>-163</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		44,746	48,954	37,058	41,599	39,574	39,694
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<i>Total cash received</i>		44,746	48,954	37,058	41,599	39,574	39,694
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-44,154	-48,455	-36,442	-41,091	-39,568	-39,690
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-28	-45	-73	-47	-63	-91
<i>Total cash paid</i>		-44,183	-48,500	-36,516	-41,138	-39,631	-39,781
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>563</b>	<b>454</b>	<b>542</b>	<b>461</b>	<b>-57</b>	<b>-87</b>
<b>Net increase in cash and cash equivalents</b>		<b>-276</b>	<b>12</b>	<b>-14</b>	<b>25</b>	<b>32</b>	<b>21</b>
Cash and cash equivalents at the beginning of the year		2,336	2,350	2,060	2,046	2,071	2,103
Cash and cash equivalents at the end of the year		2,060	2,362	2,046	2,071	2,103	2,124
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		312	198	191	227	224	271
Net cash flows from investing in non-financial assets		-9	-10	-13	-5	-4	-3
Dividends paid		-28	-45	-73	-47	-63	-91
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>275</b>	<b>143</b>	<b>105</b>	<b>175</b>	<b>158</b>	<b>177</b>

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		6,463	6,669	6,658	7,306	7,962	8,803
Current grants and subsidies		8,003	8,806	8,819	8,565	8,236	8,022
Capital grants		1,336	956	870	915	727	721
Sales of goods and services		15,595	16,749	17,664	19,583	21,379	23,457
Interest income		970	970	1,081	966	884	767
Royalty income		4,213	4,794	4,579	4,647	5,211	5,187
Other		892	807	943	812	850	860
<b>Total</b>		<b>37,472</b>	<b>39,751</b>	<b>40,614</b>	<b>42,795</b>	<b>45,249</b>	<b>47,817</b>
<b>EXPENSES</b>							
Salaries		9,841	10,733	10,548	11,161	11,718	12,407
Superannuation							
Concurrent costs		938	1,021	1,002	1,057	1,107	1,169
Superannuation interest cost		317	412	294	364	385	406
Other employee costs		269	246	267	268	276	277
Depreciation and amortisation		2,435	2,600	2,574	2,728	2,969	3,063
Services and contracts		2,234	2,788	2,475	2,328	2,540	2,726
Other gross operating expenses		14,387	15,307	17,144	18,590	19,578	21,202
Other interest		1,510	1,757	1,737	1,838	1,856	1,848
Current transfers		3,524	4,028	3,868	3,624	3,789	4,067
Capital transfers		783	501	491	467	404	494
<b>Total</b>		<b>36,238</b>	<b>39,392</b>	<b>40,400</b>	<b>42,425</b>	<b>44,622</b>	<b>47,658</b>
<b>NET OPERATING BALANCE</b>	6	<b>1,234</b>	<b>359</b>	<b>214</b>	<b>370</b>	<b>627</b>	<b>159</b>
<i>Other economic flows</i>							
Net gains on assets/liabilities		252	257	227	460	360	346
Net actuarial gains - superannuation		-135	-34	-1,133	107	101	95
Provision for doubtful debts		-51	-11	-17	-17	-18	-19
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>67</b>	<b>212</b>	<b>-923</b>	<b>550</b>	<b>443</b>	<b>422</b>
<b>OPERATING RESULT</b>		<b>1,301</b>	<b>571</b>	<b>-709</b>	<b>920</b>	<b>1,069</b>	<b>581</b>
<i>All other movements in equity</i>							
Revaluations		2,510	2,685	3,093	2,854	2,925	2,269
Gains recognised directly in equity		387	-51	-46	-50	-50	-55
Changes in accounting policy/correction of prior period errors		161	-3	-410	4	79	103
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>3,058</b>	<b>2,631</b>	<b>2,637</b>	<b>2,808</b>	<b>2,954</b>	<b>2,317</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,359</b>	<b>3,203</b>	<b>1,928</b>	<b>3,728</b>	<b>4,024</b>	<b>2,898</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>1,234</b>	<b>359</b>	<b>214</b>	<b>370</b>	<b>627</b>	<b>159</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		6,482	7,638	7,877	8,040	5,958	5,642
Changes in inventories		348	5	41	37	-3	-7
Other movement in non-financial assets		-271	-110	95	-121	366	-126
<i>less:</i>							
Sales of non-financial assets		646	1,030	1,012	1,331	1,349	1,177
Depreciation		2,435	2,600	2,574	2,728	2,969	3,063
<b>Total net acquisition of non-financial assets</b>		<b>3,479</b>	<b>3,903</b>	<b>4,426</b>	<b>3,897</b>	<b>2,002</b>	<b>1,270</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-2,245</b>	<b>-3,544</b>	<b>-4,211</b>	<b>-3,527</b>	<b>-1,375</b>	<b>-1,111</b>

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
**Balance Sheet at 30 June**

	Note	2011	2012	2012	2013	2014	2015
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,338	999	1,293	1,273	1,330	1,358
Advances paid		4,152	5,373	4,757	5,293	5,318	5,318
Investments, loans and placements		11,783	8,695	7,988	5,237	4,879	4,029
Receivables		3,750	3,832	3,750	3,828	4,025	4,130
Investment property		533	514	558	593	629	672
Equity - Investments in other entities		1,214	1,157	1,289	1,418	1,528	1,651
Other financial assets		52	36	52	52	52	52
<i>Total financial assets</i>		<i>22,821</i>	<i>20,606</i>	<i>19,687</i>	<i>17,695</i>	<i>17,762</i>	<i>17,209</i>
<i>Non-financial assets</i>							
Land		53,125	52,905	54,133	55,621	56,974	57,742
Property, plant and equipment		78,415	85,568	84,844	90,721	95,013	98,459
Biological assets		335	359	337	343	349	354
Inventories							
Land inventories		1,728	1,858	1,748	1,762	1,754	1,842
Other inventories		3,451	3,079	3,491	3,529	3,525	3,519
Intangibles		827	690	726	724	680	639
Non-current assets held for sale		81	45	73	73	74	74
Other		355	357	350	355	348	324
<i>Total non-financial assets</i>		<i>138,316</i>	<i>144,860</i>	<i>145,703</i>	<i>153,128</i>	<i>158,716</i>	<i>162,953</i>
<b>TOTAL ASSETS</b>		<b>161,138</b>	<b>165,466</b>	<b>165,389</b>	<b>170,823</b>	<b>176,477</b>	<b>180,162</b>
<b>LIABILITIES</b>							
Deposits held		229	210	69	70	70	70
Advances received		468	454	454	439	424	409
Borrowings		28,690	31,782	30,185	31,877	33,576	34,217
Unfunded superannuation		7,442	7,334	8,409	8,190	7,983	7,789
Other employee benefits		2,876	2,850	3,000	3,117	3,228	3,340
Payables		4,533	4,044	4,494	4,562	4,545	4,659
Other liabilities		4,696	4,323	4,647	4,709	4,770	4,897
<b>TOTAL LIABILITIES</b>		<b>48,934</b>	<b>50,998</b>	<b>51,258</b>	<b>52,964</b>	<b>54,595</b>	<b>55,381</b>
<b>NET ASSETS</b>		<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		30,755	11,315	30,890	31,730	32,726	33,230
Other reserves		81,449	103,153	83,241	86,129	89,156	91,551
<b>NET WORTH</b>	6	<b>112,203</b>	<b>114,468</b>	<b>114,131</b>	<b>117,859</b>	<b>121,883</b>	<b>124,781</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-26,113	-30,392	-31,571	-35,269	-36,833	-38,172
<i>Net financial liabilities</i>		27,327	31,550	32,860	36,687	38,361	39,823
<i>Net debt</i>							
Gross debt liabilities		29,387	32,446	30,708	32,386	34,069	34,695
less: liquid financial assets		17,273	15,067	14,038	11,803	11,527	10,704
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<i>12,026</i>	<i>17,291</i>	<i>16,582</i>	<i>20,495</i>	<i>22,454</i>	<i>23,903</i>
Note: Columns may not add due to rounding.							



Table 1.15

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
		Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
		\$m	Estimate	Revision	Revision	Revision	Revision
			\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		6,311	6,623	6,615	7,260	7,912	8,749
Grants and subsidies received		9,372	9,735	9,608	9,464	8,947	8,731
Receipts from sales of goods and services		15,851	16,846	17,735	19,551	21,334	23,372
Interest receipts		955	1,004	1,099	967	881	762
Dividends and tax equivalents		-	-	-	-	-	-
Other		6,693	7,070	6,913	7,017	7,412	7,653
<i>Total cash received</i>		<b>39,182</b>	<b>41,278</b>	<b>41,969</b>	<b>44,258</b>	<b>46,485</b>	<b>49,268</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-10,965	-12,067	-11,902	-12,573	-13,205	-13,970
Payments for goods and services		-16,045	-16,919	-18,672	-19,416	-20,672	-22,402
Interest paid		-1,389	-1,745	-1,724	-1,825	-1,843	-1,833
Grants and subsidies paid		-3,905	-4,260	-4,040	-3,813	-3,987	-4,272
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-3,070	-3,624	-3,316	-3,697	-3,570	-3,683
<i>Total cash paid</i>		<b>-35,374</b>	<b>-38,614</b>	<b>-39,654</b>	<b>-41,324</b>	<b>-43,277</b>	<b>-46,161</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>3,808</b>	<b>2,664</b>	<b>2,316</b>	<b>2,933</b>	<b>3,208</b>	<b>3,107</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-6,482	-7,638	-7,877	-8,040	-5,958	-5,642
Sales of non-financial assets		646	1,030	1,012	1,331	1,349	1,177
<i>Total cash flows from investments in non-financial assets</i>		<b>-5,836</b>	<b>-6,608</b>	<b>-6,864</b>	<b>-6,709</b>	<b>-4,609</b>	<b>-4,466</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		9	-	-	-	-	-
For liquidity purposes		5,129	1,876	2,030	2,041	2,188	2,362
<i>Cash paid</i>							
For policy purposes		-8	-	-	-	-	-
For liquidity purposes		-6,186	-2,539	-2,809	-2,748	-2,389	-2,532
<i>Total cash flows from investments in financial assets</i>		<b>-1,057</b>	<b>-663</b>	<b>-779</b>	<b>-707</b>	<b>-201</b>	<b>-170</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-6,893</b>	<b>-7,271</b>	<b>-7,643</b>	<b>-7,416</b>	<b>-4,810</b>	<b>-4,636</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		25,697	16,626	24,506	27,005	28,565	29,026
Deposits received		-	-	-	-	-	-
Other financing receipts		70	53	52	41	36	89
<i>Total cash received</i>		<b>25,767</b>	<b>16,679</b>	<b>24,558</b>	<b>27,046</b>	<b>28,601</b>	<b>29,115</b>
<i>Cash paid</i>							
Advances paid		-14	-14	-14	-15	-15	-15
Borrowings repaid		-23,033	-12,247	-20,075	-22,704	-26,612	-27,158
Deposits paid		-	-	-	-	-	-
Other financing payments		-144	-111	-122	-112	-121	-159
<i>Total cash paid</i>		<b>-23,191</b>	<b>-12,373</b>	<b>-20,211</b>	<b>-22,831</b>	<b>-26,749</b>	<b>-27,333</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,576</b>	<b>4,307</b>	<b>4,347</b>	<b>4,215</b>	<b>1,852</b>	<b>1,782</b>
<b>Net increase in cash and cash equivalents</b>		<b>-510</b>	<b>-300</b>	<b>-980</b>	<b>-267</b>	<b>250</b>	<b>254</b>
Cash and cash equivalents at the beginning of the year		9,112	7,102	8,602	7,621	7,354	7,604
Cash and cash equivalents at the end of the year		8,602	6,802	7,621	7,354	7,604	7,858
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		3,808	2,664	2,316	2,933	3,208	3,107
Net cash flows from investing in non-financial assets		-5,836	-6,608	-6,864	-6,709	-4,609	-4,466
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-2,029</b>	<b>-3,944</b>	<b>-4,548</b>	<b>-3,776</b>	<b>-1,401</b>	<b>-1,358</b>

Note: Columns may not add due to rounding.

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### NOTE 1: STATEMENT OF COMPLIANCE

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The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*, applying to all reporting periods from 1 July 2008.

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements constitute general purpose financial reports for the total public sector (also known as the whole-of-government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the non-financial public sector (i.e. general government and the public non-financial corporations – such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

(a) *The reporting entity*

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) *Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2010-11 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2010-11 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

(c) *Unaudited data*

These financial projections are not subject to audit.

(d) *Comparative figures*

Comparative information for 2010-11 are based on the audited actual data presented in the 2010-11 ARSF.

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**NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE**


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A detailed dissection of general government revenue is included at Appendix 2: *General Government Operating Revenue*.

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**NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES**


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Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with Uniform Presentation Framework disclosure requirements.

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**TRANSFER EXPENSES <sup>(a)</sup>**  
**General Government**


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	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>CURRENT TRANSFERS</i>						
Local government	246	452	475	382	403	436
Local government on-passing	149	156	153	161	169	176
Private and not-for-profit sector	1,779	2,017	1,856	1,575	1,578	1,687
Private and not-for-profit sector on-passing	776	770	770	848	928	1,012
Other sectors of government	1,979	2,157	2,202	2,175	2,081	2,056
<i>Total Current Transfers</i>	<i>4,928</i>	<i>5,551</i>	<i>5,456</i>	<i>5,140</i>	<i>5,159</i>	<i>5,366</i>
<i>CAPITAL TRANSFERS</i>						
Local government	57	185	175	139	121	199
Local government on-passing	98	101	101	105	110	114
Private and not-for-profit sector	126	173	173	194	144	146
Private and not-for-profit sector on-passing	230	40	40	24	26	31
Other sectors of government	96	109	119	153	202	197
<i>Total Capital Transfers</i>	<i>606</i>	<i>607</i>	<i>608</i>	<i>616</i>	<i>602</i>	<i>687</i>

(a) Includes grants, subsidies and other transfer expenses.

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**NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON  
THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT  
PURPOSE CLASSIFICATION <sup>(a)</sup>**

	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	395	683	818	935	938	1,420
Public order and safety	2,716	2,739	2,792	2,841	2,963	3,079
Education	5,699	5,744	5,729	5,848	6,039	6,247
Health	5,546	6,073	6,094	6,539	6,954	7,196
Social security and welfare	1,504	1,649	1,630	1,675	1,818	1,909
Housing and community amenities	1,611	2,113	2,156	1,921	2,031	2,111
Recreation and culture	739	774	797	802	803	872
Fuel and energy	442	554	556	589	426	335
Agriculture, forestry, fishing and hunting	346	365	378	362	321	328
Mining and mineral resources other than fuels; manufacturing; and construction	176	211	215	213	190	187
Transport and communications	1,692	1,829	1,834	1,934	2,033	2,147
Other economic affairs	667	1,066	1,110	874	769	748
Other purposes	773	991	795	992	1,141	1,216
<b>Total General Government Expenses</b>	<b>22,306</b>	<b>24,791</b>	<b>24,903</b>	<b>25,525</b>	<b>26,428</b>	<b>27,794</b>
<i>Purchases of new non-financial assets</i>						
General public services	253	336	334	222	182	230
Public order and safety	294	401	401	347	289	189
Education	650	847	853	389	295	217
Health	801	1,497	1,505	1,171	978	706
Social security and welfare	57	78	88	56	45	32
Housing and community amenities	103	311	276	365	412	344
Recreation and culture	152	196	276	162	94	351
Fuel and energy	8	7	10	3	2	2
Agriculture, forestry, fishing and hunting	15	31	34	27	25	61
Mining and mineral resources other than fuels; manufacturing; and construction	2	1	1	1	1	1
Transport and communications	425	674	629	819	625	515
Other economic affairs	110	200	128	189	116	44
Other purposes	-	-375	-375	-	-	-
<b>Total Purchases of Non-financial Assets</b>	<b>2,870</b>	<b>4,206</b>	<b>4,161</b>	<b>3,751</b>	<b>3,063</b>	<b>2,691</b>

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which has a different sectoral coverage to the Asset Investment Program.

**NOTE 6: CONVERGENCE DIFFERENCES**

Where possible, AASB 1049 harmonises GFS and accounting concepts into a single presentation. Where harmonisation cannot be achieved (e.g. the recognition of a doubtful debts provision is excluded from GFS net worth), a convergence difference arises.

The following tables detail all convergence differences in the forward estimates.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Operating Balance

	2010-11 Actual \$m	2011-12 Budget Estimate \$m	2011-12 Mid-year Revision \$m	2012-13 Mid-year Revision \$m	2013-14 Mid-year Revision \$m	2014-15 Mid-year Revision \$m
<i>General government</i>						
AASB1049 net operating balance	1,604	442	209	305	594	129
Plus GFS revenue adjustments	-	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
<b>GFS net operating balance</b>	<b>1,604</b>	<b>442</b>	<b>209</b>	<b>305</b>	<b>594</b>	<b>129</b>
<i>Public non-financial corporations</i>						
AASB1049 net operating balance	382	529	639	739	927	1,078
Less GFS expense adjustments						
Capitalised interest	55	46	45	45	52	56
Dividends	684	693	731	806	1,021	1,155
Total GFS expense adjustments	739	739	775	851	1,072	1,212
Total GFS adjustments to AASB 1049 net operating balance	-739	-739	-775	-851	-1,072	-1,212
<b>GFS net operating balance</b>	<b>-357</b>	<b>-210</b>	<b>-136</b>	<b>-112</b>	<b>-145</b>	<b>-133</b>
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	1,302	278	117	237	501	52
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	55	46	45	45	52	56
Total GFS expense adjustments	55	46	45	45	52	56
Total GFS adjustments to AASB 1049 net operating balance	-55	-46	-45	-45	-52	-56
<b>GFS net operating balance</b>	<b>1,247</b>	<b>232</b>	<b>73</b>	<b>193</b>	<b>449</b>	<b>-5</b>
<u>Public financial corporations</u>						
AASB1049 net operating balance	-11	127	142	179	188	198
Less GFS expense adjustments						
Dividends	57	45	45	47	63	91
Total GFS expense adjustments	57	45	45	47	63	91
Total GFS adjustments to AASB 1049 net operating balance	-57	-45	-45	-47	-63	-91
<b>GFS net operating balance</b>	<b>-68</b>	<b>82</b>	<b>97</b>	<b>133</b>	<b>126</b>	<b>108</b>
<i>Total public sector</i>						
AASB1049 net operating balance	1,234	359	214	370	627	159
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	55	46	45	45	52	56
Total GFS expense adjustments	55	46	45	45	52	56
Total GFS adjustments to AASB 1049 net operating balance	-55	-46	-45	-45	-52	-56
<b>GFS net operating balance</b>	<b>1,179</b>	<b>313</b>	<b>170</b>	<b>325</b>	<b>575</b>	<b>103</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Lending/-Borrowing

	2010-11 Actual \$m	2011-12 Budget Estimate \$m	2011-12 Mid-year Revision \$m	2012-13 Mid-year Revision \$m	2013-14 Mid-year Revision \$m	2014-15 Mid-year Revision \$m
<u>General government</u>						
AASB1049 net lending/-borrowing	-264	-2,517	-2,837	-2,083	-1,384	-1,095
Plus Net operating balance convergence difference (noted above)	-	-	-	-	-	-
<b>GFS net lending/-borrowing</b>	<b>-264</b>	<b>-2,517</b>	<b>-2,837</b>	<b>-2,083</b>	<b>-1,384</b>	<b>-1,095</b>
<u>Public non-financial corporations</u>						
AASB1049 net lending/-borrowing	-1,235	-419	-740	-778	893	1,021
Plus Net operating balance convergence difference (noted above)	-739	-739	-775	-851	-1,072	-1,212
<b>GFS net lending/-borrowing</b>	<b>-1,974</b>	<b>-1,157</b>	<b>-1,515</b>	<b>-1,629</b>	<b>-179</b>	<b>-190</b>
<u>Total non-financial public sector</u>						
AASB1049 net lending/-borrowing	-2,183	-3,628	-4,307	-3,667	-1,512	-1,229
Plus Net operating balance convergence difference (noted above)	-55	-46	-45	-45	-52	-56
<b>GFS net lending/-borrowing</b>	<b>-2,238</b>	<b>-3,674</b>	<b>-4,352</b>	<b>-3,711</b>	<b>-1,563</b>	<b>-1,285</b>
<u>Public financial corporations</u>						
AASB1049 net lending/-borrowing	-6	129	141	187	199	208
Plus Net operating balance convergence difference (noted above)	-57	-45	-45	-47	-63	-91
<b>GFS net lending/-borrowing</b>	<b>-62</b>	<b>84</b>	<b>96</b>	<b>140</b>	<b>136</b>	<b>118</b>
<u>Total public sector</u>						
AASB1049 net lending/-borrowing	-2,245	-3,544	-4,211	-3,527	-1,375	-1,111
Plus Net operating balance convergence difference (noted above)	-55	-46	-45	-45	-52	-56
<b>GFS net lending/-borrowing</b>	<b>-2,300</b>	<b>-3,590</b>	<b>-4,256</b>	<b>-3,571</b>	<b>-1,427</b>	<b>-1,167</b>

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)

### Net Worth at 30 June

	2011 Actual \$m	2012 Budget Estimate \$m	2012 Mid-year Revision \$m	2013 Mid-year Revision \$m	2014 Mid-year Revision \$m	2015 Mid-year Revision \$m
<u>General government</u>						
AASB1049 net worth	112,203	114,468	114,131	117,859	121,883	124,781
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	191	179	189	189	189	189
Impact on public corporations net worth	24	8	30	30	31	32
Total GFS net worth adjustments	303	276	307	307	308	309
<b>GFS net worth</b>	<b>112,506</b>	<b>114,743</b>	<b>114,438</b>	<b>118,166</b>	<b>122,191</b>	<b>125,090</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	46,330	48,791	47,886	49,431	50,710	51,236
<i>Plus</i>						
Impact of general government equity injections	-4,573	-5,462	-5,318	-5,798	-5,973	-6,110
Provision for doubtful debts	24	8	30	30	31	32
Total GFS net worth adjustments	-4,549	-5,454	-5,288	-5,767	-5,942	-6,078
<b>GFS net worth</b>	<b>41,781</b>	<b>43,337</b>	<b>42,598</b>	<b>43,663</b>	<b>44,768</b>	<b>45,158</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	112,203	114,468	114,131	117,859	121,883	124,781
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	215	187	218	219	220	221
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	303	276	307	307	308	309
<b>GFS net worth</b>	<b>112,506</b>	<b>114,743</b>	<b>114,438</b>	<b>118,166</b>	<b>122,191</b>	<b>125,090</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,450	1,492	1,522	1,668	1,808	1,925
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
<b>GFS net worth</b>	<b>1,450</b>	<b>1,493</b>	<b>1,522</b>	<b>1,668</b>	<b>1,808</b>	<b>1,925</b>
<u>Total public sector</u>						
AASB1049 net worth	112,203	114,468	114,131	117,859	121,883	124,781
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	215	188	218	219	220	221
Total GFS net worth adjustments	303	276	307	307	308	309
<b>GFS net worth</b>	<b>112,506</b>	<b>114,743</b>	<b>114,438</b>	<b>118,166</b>	<b>122,191</b>	<b>125,090</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES (CONT.)**
**Cash Surplus/-Deficit**


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	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<i>General government</i>						
AASB1049 cash surplus/-deficit	-397	-2,283	-2,550	-2,054	-860	-869
Less Acquisitions under finance leases and similar arrangements	41	1	1	-	417	-
<b>GFS cash surplus/-deficit</b>	<b>-437</b>	<b>-2,285</b>	<b>-2,551</b>	<b>-2,054</b>	<b>-1,277</b>	<b>-869</b>
<i>Public non-financial corporations</i>						
AASB1049 cash surplus/-deficit	-1,907	-1,804	-2,103	-1,897	-699	-667
Less Acquisitions under finance leases and similar arrangements	-	6	71	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-1,907</b>	<b>-1,810</b>	<b>-2,175</b>	<b>-1,897</b>	<b>-699</b>	<b>-667</b>
<i>Total non-financial public sector</i>						
AASB1049 cash surplus/-deficit	-2,304	-4,087	-4,653	-3,951	-1,559	-1,536
Less Acquisitions under finance leases and similar arrangements	41	8	73	-	417	-
<b>GFS cash surplus/-deficit</b>	<b>-2,345</b>	<b>-4,095</b>	<b>-4,726</b>	<b>-3,951</b>	<b>-1,976</b>	<b>-1,536</b>
<i>Public financial corporations</i>						
AASB1049 cash surplus/-deficit	275	143	105	175	158	177
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>275</b>	<b>143</b>	<b>105</b>	<b>175</b>	<b>158</b>	<b>177</b>
<i>Total public sector</i>						
AASB1049 cash surplus/-deficit	-2,029	-3,944	-4,548	-3,776	-1,401	-1,358
Less Acquisitions under finance leases and similar arrangements	41	8	73	-	417	-
<b>GFS cash surplus/-deficit</b>	<b>-2,070</b>	<b>-3,952</b>	<b>-4,621</b>	<b>-3,776</b>	<b>-1,819</b>	<b>-1,358</b>

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**NOTE 7: LOAN COUNCIL ALLOCATION**


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The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's cash deficit position<sup>1</sup>.

An LCA deficit of \$4,813 million is forecast for 2011-12, higher than the budget-time projection of \$4,151 million. Significant changes include a higher cash deficit for the total non-financial public sector (up \$566 million), reflecting larger deficits for both the general government (up \$267 million) and public non-financial corporations sectors (up \$300 million).

These issues are discussed in Chapter 1: *Financial Projections* of this mid-year review.

Acquisitions under finance leases and similar arrangements are forecast to be \$65 million higher, reflecting a new finance lease for Synergy for the Emu Downs Wind Farm.

An LCA deficit of \$3,875 million is forecast for 2012-13. This primarily reflects lower cash deficits for both the general government and public non-financial corporations sectors (down a combined \$702 million).

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**LOAN COUNCIL ALLOCATIONS**  
 Western Australia
 

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	2011-12		2012-13 Nomination \$m
	Budget Estimate \$m	Mid-year Revision \$m	
General government cash surplus/deficit	2,283	2,550	2,054
Public non-financial corporations sector cash surplus/deficit	1,804	2,103	1,897
<i>Total non-financial public sector cash surplus/deficit</i>	<i>4,087</i>	<i>4,653</i>	<i>3,951</i>
Acquisitions under finance leases and similar arrangements	8	73	-
<i>GFS cash surplus/deficit</i>	<i>4,095</i>	<i>4,726</i>	<i>3,951</i>
Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes	-	-	-
Plus: Memorandum items	56	87	-76
<b>Loan Council Allocation</b>	<b>4,151</b>	<b>4,813</b>	<b>3,875</b>
<i>Tolerance Limit</i> <sup>(a)</sup>			864

(a) The tolerance limit is set at 2% of total non-financial public sector operating receipts and is specified at the time of the nomination. The limit provides an upper and lower bound for LCA variation reporting purposes.

Note: Columns may not add due to rounding.

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<sup>1</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

2011-12 Mid-year Financial Projections Statement

## APPENDIX 2

# General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	2,628	2,927	3,032	3,358	3,723	4,139
Property taxes						
<i>Land tax</i>	521	548	549	549	604	665
Transfer duty	1,226	1,345	1,246	1,445	1,546	1,775
Landholder duty	47	49	45	52	56	64
<i>Total duty on transfers</i>	1,273	1,394	1,291	1,497	1,602	1,840
Other stamp duties	-	-	-	-	-	-
Metropolitan Region Improvement Tax	78	84	84	84	93	102
Emergency Services Levy	205	216	216	231	248	257
Loan guarantee fees	23	28	27	29	30	32
<i>Total other property taxes</i>	306	327	326	344	371	391
Taxes on provision of goods and services						
Lotteries Commission	126	138	138	142	146	150
Video lottery terminals	-	1	1	1	1	1
Casino tax	90	115	115	117	120	122
Betting tax	34	34	36	37	38	40
Other	20	-	-	-	-	-
<i>Total taxes on gambling</i>	270	288	289	296	304	312
Insurance duty	442	467	472	512	550	592
Other	26	21	21	22	22	22
<i>Total taxes on insurance</i>	468	488	493	534	572	614
Taxes on use of goods and performance of activities						
Vehicle licence duty	338	365	355	384	413	445
Permits - oversize vehicles and loads	6	5	5	5	6	6
Motor vehicle recording fee	45	47	47	48	50	51
Motor vehicle registrations	557	575	588	620	653	685
<i>Total motor vehicle taxes</i>	946	992	995	1,057	1,122	1,187
Other taxes on use of goods and performance of activities	350	-	-	-	-	-
<b>Total Taxation</b>	<b>6,763</b>	<b>6,965</b>	<b>6,976</b>	<b>7,635</b>	<b>8,299</b>	<b>9,148</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
**General Government**

	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<b>CURRENT GRANTS AND SUBSIDIES</b>						
<i>General Purpose Grants</i>						
GST grants	3,158	3,617	3,573	3,188	2,527	2,134
North West Shelf grants	933	1,028	995	1,083	1,176	1,242
Compensation for Commonwealth crude oil excise arrangements	61	57	55	60	65	68
<i>Grants Through the State</i>						
Schools assistance – non-government schools	776	770	770	848	928	1,012
Local government financial assistance grants	148	156	153	161	169	176
Local government roads	98	101	101	105	110	114
First Home Owners' Boost	29	-	1	-	-	-
Other	-	25	25	25	25	25
<i>National Specific Purpose Payment Agreement Grants</i>						
National Healthcare	1,224	1,330	1,308	1,402	1,511	1,677
National Schools	357	379	387	414	447	485
National Agreement for Skills and Workforce Development	135	139	140	144	148	153
National Disability Services	94	113	124	136	141	150
National Affordable Housing	127	129	128	131	135	139
<i>Other Grants/National Partnerships</i>						
Health	473	450	448	459	496	418
Housing	6	15	17	15	15	14
Roads	84	68	69	67	66	52
Other	300	429	525	326	278	162
<b>Total Current Grants and Subsidies</b>	<b>8,003</b>	<b>8,806</b>	<b>8,819</b>	<b>8,565</b>	<b>8,236</b>	<b>8,022</b>
<b>CAPITAL GRANTS</b>						
<i>Grants Through the State</i>						
Schools assistance – non-government schools	230	40	40	24	26	31
<i>Nation Building and Jobs Plan</i>						
Schools	437	40	40	-	-	-
Housing	155	20	20	-	-	-
<i>Other Grants/National Partnerships</i>						
Housing	101	106	106	139	191	191
Transport	174	346	347	564	381	400
Other	238	403	317	188	129	99
<b>Total Capital Grants</b>	<b>1,336</b>	<b>956</b>	<b>870</b>	<b>915</b>	<b>727</b>	<b>721</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15
	Actual	Budget	Mid-year	Mid-year	Mid-year	Mid-year
	\$m	Estimate	Revision	Revision	Revision	Revision
		\$m	\$m	\$m	\$m	\$m
<b>SALES OF GOODS AND SERVICES</b>						
Department of Transport	169	178	177	180	186	192
WA Health	389	388	388	407	424	443
Department of Education	166	156	162	167	172	178
Department of Training and Workforce Development	53	46	49	48	50	50
State Training Providers	115	121	116	122	127	129
Western Australian Land Information Authority	101	113	102	128	149	154
Department of the Attorney General	75	86	91	87	91	94
Department of Corrective Services	29	20	24	24	25	25
Department of Environment and Conservation	105	106	103	107	108	108
Department of Commerce	55	77	87	74	71	69
Department of Fisheries	30	30	30	30	30	31
Department of Culture and the Arts	35	31	26	31	32	27
Western Australia Police	38	36	36	37	37	37
All Other	394	428	452	492	529	593
<b>Total Sale of Goods and Services</b>	<b>1,754</b>	<b>1,815</b>	<b>1,842</b>	<b>1,934</b>	<b>2,030</b>	<b>2,132</b>
<b>INTEREST INCOME</b>	<b>321</b>	<b>355</b>	<b>313</b>	<b>295</b>	<b>346</b>	<b>342</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	687	699	737	812	1,027	1,162
Tax Equivalent Regime	379	450	429	606	712	771
<b>Total Revenue from Public Corporations</b>	<b>1,066</b>	<b>1,149</b>	<b>1,166</b>	<b>1,418</b>	<b>1,739</b>	<b>1,933</b>
<b>ROYALTY INCOME</b>	<b>4,213</b>	<b>4,794</b>	<b>4,579</b>	<b>4,647</b>	<b>5,211</b>	<b>5,187</b>
<b>OTHER</b>						
Lease rentals	83	80	80	82	84	86
Fines	133	171	171	183	189	187
Revenue not elsewhere counted	238	142	296	156	161	164
<b>Total Other</b>	<b>454</b>	<b>393</b>	<b>548</b>	<b>421</b>	<b>434</b>	<b>438</b>
<b>TOTAL REVENUE</b>	<b>23,909</b>	<b>25,233</b>	<b>25,112</b>	<b>25,830</b>	<b>27,022</b>	<b>27,923</b>

Note: Columns may not add due to rounding.

# Major Spending Changes Since Budget

This appendix provides details of material changes in general government expenses and total public sector infrastructure spending since the 2011-12 Budget. The portfolio disclosures in this appendix are consistent with arrangements at the time of the mid-year review cut-off date.

Spending changes detailed in this appendix include:

- all decisions made between the cut-off date for the 2011-12 Budget (20 April 2011) and the cut-off date for this mid-year review (1 December 2011); and
- other changes of a material nature affecting agency spending over the forward estimates period<sup>1</sup>. These include the impact of issues such as variations in Commonwealth-funded programs, higher cost and demand for government services, depreciation, and the settlement of Enterprise Bargaining Agreements.

Changes related purely to timing are not included in this appendix as they are broadly net debt neutral across the forward estimates period. Any material timing changes are discussed in Chapter 1.

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<sup>1</sup> For general government expenses, materiality is determined in dollar terms. For example, adjustments to forecast recurrent costs for the State's largest Department, Health, are only included if they exceed \$10 million in any one year. For agencies with an expense base of less than \$100 million per annum, any change in excess of \$1 million is included. For changes in infrastructure spending, a change in annual spending in excess of 1% or \$1 million in a year (whichever is larger) is considered material for the purposes of disclosure in this appendix.

## Major Spending Changes (by Portfolio)

**PREMIER; MINISTER FOR STATE DEVELOPMENT**

<b>MAJOR PORTFOLIO SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>PREMIER AND CABINET</b>				
<b>Expenses</b>				
Native Title Holder Incentive Grants	2.5	4.0	4.7	4.9
Browse LNG Precinct – Native Title Agreements Implementation Costs	-	1.2	1.2	1.3
<b>PUBLIC SECTOR COMMISSION</b>				
<b>Expenses</b>				
Special Inquiry	1.5	-	-	-
<b>LOTTERIES COMMISSION</b>				
<b>Asset Investment</b>				
Computer and software upgrades	1.6	-	-	-
<b>SALARIES AND ALLOWANCES TRIBUNAL</b>				
<b>Expenses</b>				
Government Trading Enterprises – CEO Salary Determinations	0.2	0.1	0.1	0.1
<b>STATE DEVELOPMENT</b>				
<b>Expenses</b>				
Browse LNG Precinct – Regional Benefits Package	-26.9	20.9	-0.4	11.3
Browse LNG Precinct – Executive Officer	-	0.2	0.2	0.2
Financial Assistance Package – BHP Direct Reduce Iron Pty Ltd	2.5	-	-	-
<b>Asset Investment</b>				
Royalties for Regions – Ord-East Kimberley Expansion Project Phase 2	-	39.1	51.9	-

**Premier and Cabinet***Expenses***Native Title Holder Incentive Grants**

A total of \$16.2 million will be spent over four years, commencing in 2011-12, to implement a financial incentive scheme for native title holders who endorse a Government Indigenous Land Use Agreement. The Agreements will expedite the grant of exploration and prospecting licences within areas where native title rights have been recognised and create an efficient and timely regulatory regime and approvals process in Western Australia.

**Browse LNG Precinct – Native Title Agreements Implementation Costs**

The implementation of the State's \$256 million benefits package, under the Native Title Agreements related to the Browse LNG Precinct, requires the delivery of services by a number of State Government agencies, including the Department of the Premier and Cabinet (DPC). DPC will be the lead agency responsible for coordinating the implementation of the Agreements, which requires the establishment of a dedicated team to undertake extensive consultation with key stakeholders, including Indigenous organisations. A total of \$3.7 million will be spent by DPC on implementation costs over the forward estimates period.



## **Public Sector Commission**

### *Expenses*

#### **Special Inquiry**

The Commission will incur additional expenditure of \$1.5 million in 2011-12 to hold a special inquiry under the *Public Sector Management Act 1994* into the response of State government agencies and officials in relation to allegations of sexual abuse at St Andrew's Hostel.

## **Lotteries Commission**

### *Asset Investment*

#### **Computer and Software Upgrades**

The Lotteries Commission will spend an additional \$1.6 million in 2011-12 on essential computer and software upgrades and infrastructure to support its lottery product and grant funding operations.

## **Salaries and Allowances Tribunal**

### *Expenses*

#### **Government Trading Enterprises – CEO Salary Determinations**

Subject to the necessary amendments to the *Salaries and Allowances Act 1975*, the Salaries and Allowances Tribunal will incur additional expenditure of \$0.7 million over the forward estimates period to provide annual advice on the salaries and allowances of CEOs in Government Trading Enterprises.

## **State Development**

### *Expenses*

#### **Browse LNG Precinct – Regional Benefits Package**

Expenditure totalling \$90.1 million between 2011-12 and 2014-15 will facilitate the establishment of a Regional Benefits Agreement with the Goolarabooloo Jabirr Jabirr native title claimants, the Kimberley Land Council and Woodside Energy Limited. A provision of \$85.1 million was previously approved for the Regional Benefits Agreement, resulting in a net expenditure and funding increase of \$5 million.

#### **Browse LNG Precinct – Executive Officer**

Expenditure of \$0.2 million per annum from 2012-13 will be incurred to employ an Executive Officer to support the Browse LNG Precinct Management Committee. This Committee has the responsibility to oversee the governance of the Precinct and the interaction between the State, project proponent and the Native Title party.

### Financial Assistance Package – BHP Direct Reduce Iron Pty Ltd

An operating expense increase of \$2.5 million in 2011-12 has been approved to allow reimbursement to BHP Direct Reduce Iron Pty Ltd for royalties paid by the company, under a previously agreed financial assistance package.

### Asset Investment

#### Royalties for Regions – Ord-East Kimberley Expansion Project Phase 2

An additional \$91 million will be spent on the Ord-East Kimberley Expansion Project Phase 2 across 2012-13 and 2013-14, relating primarily to design works to allow for future expansion and development of irrigable land in the region, expansion of the capacity of the M1 and M2 irrigation channels, the construction of a workers camp, and cost escalations due to delays in obtaining environmental approvals.

## DEPUTY PREMIER; MINISTER FOR HEALTH; TOURISM

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>WA HEALTH</b>				
<b>Expenses</b>				
Health Salaried Officers Enterprise Bargaining Agreement	5.8	9.5	17.2	19.8
Bethesda Hospital	-	0.5	0.6	0.6
Fiona Stanley Hospital – Non-Clinical Services	1.0	2.3	76.8	71.8
<b>Asset Investment</b>				
Fiona Stanley Hospital – Non-Clinical Services	-32.8	-22.5	-80.9	-25.0
<b>WESTERN AUSTRALIAN TOURISM COMMISSION</b>				
<b>Expenses</b>				
Perth International Golf Championship 2012 to 2014	-	1.2	1.2	1.2

### WA Health

#### Expenses

#### Health Salaried Officers' Enterprise Bargaining Agreement

An additional \$52.3 million will be spent over the forward estimates period in support of pay increases of 12% over three years for health salaried officers.

#### Bethesda Hospital

WA Health has entered into an arrangement with Bethesda Hospital to secure additional palliative care services at a cost of \$1.7 million over the forward estimates period.

### **Fiona Stanley Hospital – Non-Clinical Services (Expense and Asset Investment)**

Additional recurrent expenditure of \$151.9 million over four years has been approved to meet costs associated with the contracting arrangement to deliver non-clinical services at the Fiona Stanley Hospital (FSH). This additional recurrent expenditure is funded by an offsetting reduction in the Department's Asset Investment Program, including the FSH project. The contractual arrangement provides for the private financing of an integrated asset solution for furniture, fittings, medical equipment and an Information and Communication Technology (ICT) solution, which includes non-clinical ICT systems and infrastructure networks.

Consistent with accounting standards, the contracting arrangement has a \$380 million net debt impact over the period to 30 June 2015. This recognises the full lease obligation of the State for furniture, fittings, medical equipment and ICT assets procured as part of the hospital set-up by the contractor, the cost of which will be paid over the lease term.

### **Western Australian Tourism Commission**

#### *Expenses*

#### **Perth International Golf Championship 2012 to 2014**

Additional expenditure of \$3.6 million over three years has been approved for the Perth International Golf Championship event to secure a world class field of international players.

## **MINISTER FOR MINES AND PETROLEUM; FISHERIES; ELECTORAL AFFAIRS**

### **MAJOR PORTFOLIO SPENDING CHANGES**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>FISHERIES</b>				
<b>Expenses</b>				
Strategic Planning and Monitoring of Aquaculture Zones	0.4	1.2	0.3	-
<b>Asset Investment</b>				
Redevelopment of Accommodation at Victoria Park Site	0.5	2.1	-	-

### **Fisheries**

#### *Expenses*

#### **Strategic Planning and Monitoring of Aquaculture Zones**

An amount of \$1.9 million will be spent over three years, commencing in 2011-12, to undertake relevant environmental studies and obtain approvals to establish aquaculture zones in the Kimberley and Mid West regions.

**Asset Investment****Redevelopment of Accommodation at Victoria Park Site**

The Department of Fisheries will spend \$2.6 million over 2011-12 and 2012-13 to demolish and rebuild accommodation at its site in Victoria Park, which has reached the end of its useful life. The redeveloped site will accommodate more staff and fulfil accommodation requirements resulting from the introduction and implementation of new operational and compliance activities. The additional capital funding will be offset over time from the sale of four surplus properties valued at \$2.1 million.

## MINISTER FOR REGIONAL DEVELOPMENT; LANDS; MINISTER ASSISTING THE MINISTER FOR STATE DEVELOPMENT

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>REGIONAL DEVELOPMENT AND LANDS</b>				
<b>Expenses</b>				
Regional Development Council	0.9	0.7	0.7	0.6
Browse LNG Precinct – Land Transfers	-	4.3	4.5	3.6
College Grove Joint Venture	2.8	-	-	-
<b>ROYALTIES FOR REGIONS – REGIONAL AND STATE-WIDE INITIATIVES</b>				
<b>Expenses</b>				
Revised Royalty Forecast – Recurrent Impact	-	-61.4	-41.3	-26.0
<b>Asset Investment</b>				
Revised Royalty Forecast – Capital Impact	-	-26.3	-17.7	-11.2
<b>WESTERN AUSTRALIAN LAND AUTHORITY</b>				
<b>Expenses</b> <sup>(a)</sup>				
Redevelopment of the Bunbury Waterfront	3.2	-0.3	-	-
<b>Asset Investment</b>				
Redevelopment of the Bunbury Waterfront	-6.5	-5.9	-10.2	4.1
<b>WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY</b>				
<b>Expenses</b>				
Services to Other State Government Agencies	2.7	4.3	-	-
GTE Efficiency Dividend	-1.3	-2.4	-3.4	-3.4

(a) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through the Department of Treasury.

## Regional Development and Lands

### Expenses

#### Regional Development Council

An amount of \$2.8 million over four years, commencing in 2011-12, has been approved for additional staff and operational costs supporting the Regional Development Council to provide strategic direction and policy prioritisation for the State's Regional Development Commission network.

### **Browse LNG Precinct – Land Transfers**

An amount of \$12.4 million will be spent over the forward estimates period to coordinate land transfers incorporated in the Regional Benefits Agreement associated with the Browse LNG Precinct project, including salaries costs and land survey and assembly costs.

### **College Grove Joint Venture**

Additional expenditure of \$2.8 million has been approved in 2011-12 to facilitate the development of land at College Grove in Bunbury.

## ***Royalties for Regions* – Regional and State-wide Initiatives**

### ***Expenses***

#### **Revised Royalty Forecast – Recurrent Impact**

Based on movements in royalty forecasts (discussed in detail in Chapter 1), spending in the forward estimates for *Royalties for Regions* has decreased by \$183.9 million over 2012-13 to 2014-15. In line with the historical profile of *Royalties for Regions* projects, this mid-year review includes a notional recurrent/capital expenditure split of 70%/30%. As part of the 2012-13 Budget process, the Government will formally identify the adjustments required to meet the revised forward estimate expenditure profile.

### ***Asset Investment***

#### **Revised Royalty Forecast – Capital Impact**

This adjustment represents the 30% infrastructure spending component of the revised royalty forecasts for *Royalties for Regions* (see disclosure above).

## **Western Australian Land Authority**

### ***Expenses***

#### **Redevelopment of the Bunbury Waterfront**

The State will contribute \$3.5 million in 2011-12, towards the refurbishment of the Bunbury Timber Jetty. This payment has been partially offset by a reduction in the Community Service Obligation allocation over two years relating to the finance costs associated with the Authority pre-funding the jetty costs.

### ***Asset Investment***

#### **Redevelopment of the Bunbury Waterfront**

The redevelopment proposal for the Bunbury Waterfront incorporates the final Bunbury Waterfront Concept plan based on the recommendations of the Taskforce report and reflects a reduced development footprint (reducing spending by \$18.6 million over the four years to 2014-15).

Stage 1 comprises two development areas at Koombana North and Marlston North, which will provide for a mixture of commercial, tourist and residential uses as well as improved public open space.

## Western Australian Land Information Authority

### *Expenses*

#### Services to Other State Government Agencies

An additional \$2.7 million in 2011-12 and \$4.3 million in 2012-13 has been approved to support existing valuations, title searches and registrations services provided by the Western Australian Land Information Authority to other State Government agencies.

#### GTE Efficiency Dividend

The Authority's total expenditure will be reduced by \$10.5 million over the forward estimates period to reflect the imposition of the 5% efficiency dividend approved in the 2011-12 Budget (this was reflected in a global provision in the 2011-12 Budget, but has now been allocated to individual GTEs).

## TREASURER; ATTORNEY GENERAL

<b>MAJOR PORTFOLIO SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>TREASURY</b>				
<b>Expenses</b>				
Shark Attack Mitigation Strategies	2.5	3.1	3.1	2.6
Amendments to <i>Unclaimed Money (Superannuation and RSA Providers) Act 2003</i>	-	0.2	-	-
<b>ATTORNEY GENERAL</b>				
<b>Expenses</b>				
Ex-gratia Payment to Mr Darryl Beamish	0.4	-	-	-
Ex-gratia Payment to a Serious Assault Victim	0.1	-	-	-
Browse LNG Precinct – Implementation Costs for the State Solicitor's Office	-	1.3	1.3	1.4

## Treasury

### *Expenses*

#### **Shark Attack Mitigation Strategies**

An additional \$11.2 million will be spent by Surf Life Saving Western Australia and the Department of Fisheries between 2011-12 and 2014-15 to implement safety, awareness and research initiatives in response to recent shark attacks.

#### **Amendments to *Unclaimed Money (Superannuation and RSA Providers) Act 2003***

Negotiations with the Commonwealth have resulted in a national plan to transfer the responsibility for public sector unclaimed superannuation to the Australian Taxation Office (ATO). The objective of this arrangement is for a single repository for unclaimed superannuation money to facilitate fund members claiming their lost superannuation. The State holds \$0.2 million in unclaimed superannuation in the Consolidated Account. This will be transferred to the ATO in 2012-13 as part of the new arrangement.

## Attorney General

### *Expenses*

#### **Ex-gratia Payment to Mr Darryl Beamish**

The Government has approved an ex-gratia payment of \$425,000 to Mr Darryl Beamish.

#### **Ex-gratia Payment to a Serious Assault Victim**

The Government has approved an ex-gratia payment of \$75,000 to a serious assault victim.

#### **Browse LNG Precinct – Implementation Costs for the State Solicitor’s Office**

An additional \$4 million will be spent across the forward estimates period by the State Solicitor’s Office to meet increased legal costs associated with the implementation of the Browse LNG Precinct project.

## MINISTER FOR EDUCATION

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### MAJOR PORTFOLIO SPENDING CHANGES

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	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>EDUCATION</b>				
<b>Expenses</b>				
Depreciation	12.2	-1.3	2.5	8.0
Independent Public Schools – Third Intake	1.1	2.6	2.3	2.4
<b>CURRICULUM COUNCIL</b>				
<b>Expenses</b>				
Compulsory Year 12 Examinations	2.3	-	-	-

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## Education

### *Expenses*

#### **Depreciation**

Increased depreciation expenses totalling \$21.4 million are anticipated over the forward estimates period, reflecting increased investment in school capital equipment and an increase to the Department's building values.

#### **Independent Public Schools – Third Intake**

Expenditure totalling \$8.3 million over the forward estimates period has been approved for transition costs and administrative support spending by schools included in the third intake of Independent Public Schools. The third intake will bring to 207 the total number of Independent Public Schools in Western Australia.

## Curriculum Council

### *Expenses*

#### **Compulsory Year 12 Examinations**

An additional \$2.3 million will be spent in 2011-12 in respect of compulsory Year 12 examinations, reflecting an updated assessment of costs associated with the number of examinations, students taking those examinations and associated administration costs.

## MINISTER FOR FINANCE; COMMERCE; SMALL BUSINESS

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>FINANCE</b>				
<b>Expenses</b>				
Pay-roll Tax Grouping Exclusion	0.4	1.4	1.3	1.3
<b>Asset Investment</b>				
Old Treasury Building and St George's Cathedral Heritage Precinct	-	-	-	35.0
<b>COMMERCE</b>				
<b>Expenses</b>				
Energy Safety Business Plan	-0.6	-1.2	-2.6	-2.2
Real Estate and Business Agents Supervisory Board and Settlement Agents Supervisory Board	13.4	14.1	14.7	15.5



## Finance

### *Expenses*

#### **Pay-roll Tax Grouping Exclusion**

Expenditure of \$4.4 million will be incurred by the Department over the forward estimates period for the Office of State Revenue to administer pay-roll tax grouping exclusions following amendments to the *Pay-roll Tax Assessment Act 2002*, which take effect from 1 July 2012. The amendments will allow certain commonly controlled businesses, that have previously been grouped for pay-roll tax purposes, to apply for a grouping exclusion.

### *Asset Investment*

#### **Old Treasury Building and St George's Cathedral Heritage Precinct**

Consistent with the Government's Office Accommodation Master Plan, an additional \$35 million will be spent in 2014-15 to fit out the office buildings within the Old Treasury Building and St George's Cathedral Heritage Precinct development. An amount of \$55.1 million was allocated to the Department in 2014-15 for generic office fit-outs. The additional funding will be spent on specialised fit-outs for the Supreme Court and State Administrative Tribunal within the Old Treasury Building and St George's Cathedral Heritage Precinct respectively.

## Commerce

### *Expenses*

#### **Energy Safety Business Plan**

The Department has reduced its expenditure by \$6.6 million over the forward estimates period, in line with the approved Energy Safety business plan for 2011-12, to reflect that previously forecast contributions to the in-house development of software to manage Energy Safety databases and systems are no longer required now that the program is nearing completion.

#### **Real Estate and Business Agents Supervisory Board and Settlement Agents Supervisory Board**

As a result of legislative changes, the Real Estate and Business Agents Supervisory Board (REBA) and the Settlement Agents Supervisory Board (SASB) have been abolished with their roles and functions vested in the Department of Commerce (DoC). These external Boards were wound up as part of the State Government's commitment to reduce the number of statutory boards and committees. Abolition of the boards will result in a more streamlined operating structure with a single regulator across a number of operational areas, and better integration with generalist laws such as the Australian Consumer Law.

Increased expenditure of \$57.7 million over four years reflects the removal of the service delivery agreement between the DoC and the former boards and the inclusion of their operational forecasts in the DoC's financial statements. The increased operational expenditure is industry funded, and is primarily due to payments under the Home Buyer Grants Scheme.

**MINISTER FOR POLICE; ROAD SAFETY**

<b>MAJOR PORTFOLIO SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>WESTERN AUSTRALIA POLICE</b>				
<b>Expenses</b>				
Police Enterprise Bargaining Agreement 2011	3.2	7.7	12.7	13.2
<b>Asset Investment</b>				
Programs Funded from the Confiscation Proceeds Account	2.1	-	-	-
Aircraft Equipment	1.7	-	-	-

**Western Australia Police***Expenses***Police Enterprise Bargaining Agreement 2011**

Additional expenditure of \$36.7 million over the forward estimates period will be incurred in support of wage increases of 13.25% over three years, for Police Officers covered by the Western Australia Police Industrial Agreement 2011. The total cost of the Agreement over the forward estimates period, including the CPI component funded in the Western Australia Police budget, is \$356.2 million.

*Asset Investment***Programs Funded from the Confiscation Proceeds Account**

An amount of \$2.1 million has been approved for the purchase of equipment to assist in police activities to combat organised crime, to be funded from the Confiscation Proceeds Account in accordance with a Memorandum of Understanding with the Department of the Attorney General.

**Aircraft Equipment**

An additional \$1.7 million will be spent in 2011-12 to purchase aircraft equipment to be funded, in accordance with an Inter-Governmental Agreement, by the National Counter Terrorism Committee.

## MINISTER FOR SPORT AND RECREATION; RACING AND GAMING

<b>MAJOR PORTFOLIO SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>SPORT AND RECREATION</b>				
<b>Asset Investment</b>				
Perth Rectangular Stadium	-0.6	36.2	-28.4	-
<b>WESTERN AUSTRALIAN SPORTS CENTRE TRUST</b>				
<b>Expenses</b>				
Perth Arena – Revised Estimate	2.2	-	-	-
Perth Arena – Fit-out Depreciation	-	3.5	3.5	3.5
Buildings Depreciation	-	1.5	1.6	1.8
Champion Lakes Regatta Centre	1.1	2.3	2.5	2.8
<b>Asset Investment</b>				
Perth Arena – Revised Estimate	63.5	-	-	-
Champion Lakes Regatta Centre	-	1.0	0.9	1.2

### Sport and Recreation

#### *Asset Investment*

#### **Perth Rectangular Stadium**

Additional expenditure of \$7.1 million has been approved to add corporate amenity facilities on the eastern side of the Perth Rectangular Stadium. The timing of the expenditure on the project has also been brought forward to reflect the construction program.

### Western Australian Sports Centre Trust

#### *Expenses*

#### **Perth Arena – Revised Estimate**

An additional \$2.2 million of recurrent expenditure has been approved. This mainly relates to additional payments to the appointed venue operator to replace revenue foregone due to the delayed project completion and, to a lesser extent, insurance premiums and legal expenses.

#### **Perth Arena – Fit-out Depreciation**

To recognise annual depreciation charges flowing from the fit-out costs on the Perth Arena, a \$3.5 million per year increase in annual expenditure has been approved, from 2012-13.

#### **Buildings Depreciation**

Additional depreciation expenses of \$4.9 million over the forward estimates period will be incurred to align estimates with the revaluation of the Trust's asset portfolio.

### Champion Lakes Regatta Centre

As part of the transfer of the Champion Lakes Regatta Centre to the Trust from the Armadale Redevelopment Authority, \$8.7 million in expenses, including depreciation, has been approved over four years to ensure the facility is operated in a sustainable and effective manner.

#### *Asset Investment*

### Perth Arena – Revised Estimate

Additional expenditure of \$63.5 million has been approved in 2011-12 for the settlement of contractual claims by the lead contractor for the Perth Arena for extension of time and related delay damages (of this amount \$38.0 million was included in the 2011-12 Budget as a global provision). The claims in question relate to contract conditions agreed by the former Department of Housing and Works in negotiations with BGC Construction Pty Ltd in early 2007. This brings the estimated total cost of the project to \$548.7 million. The project is due to be completed in August 2012.

### Champion Lakes Regatta Centre

As part of the transfer of the Champion Lakes Regatta Centre to the Trust from the Armadale Redevelopment Authority, \$3.2 million has been approved for asset investment over a three year period to ensure the facility is of a suitable operating standard.

## MINISTER FOR PLANNING; CULTURE AND THE ARTS; SCIENCE AND INNOVATION

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>ARMADALE REDEVELOPMENT AUTHORITY</b>				
<b>Asset Investment</b>				
Champion Lakes Regatta Centre	-1.5	1.8	1.8	-
Revised Business Plan	-3.9	4.5	2.6	9.4
<b>WESTERN AUSTRALIAN PLANNING COMMISSION</b>				
<b>Expenses</b>				
Upgrade and Maintenance of Rental Properties	2.5	0.2	-	-
<b>CULTURE AND THE ARTS</b>				
<b>Expenses</b>				
Albany Entertainment Centre	0.5	-66.2	4.0	70.0
<b>CHEMISTRY CENTRE (WA)</b>				
<b>Asset Investment</b>				
Replacement and Acquisition of Scientific Equipment	1.2	0.8	0.9	0.6
<b>COMMERCE</b>				
Australian Square Kilometre Array Pathfinder	-	5.5	-	-

## **Armadale Redevelopment Authority**

### *Asset Investment*

#### **Champion Lakes Regatta Centre**

As part of the transfer of the Champion Lakes Regatta Centre to the Western Australian Sports Centre Trust, the Authority has delayed the timing for the development of the Champion Lakes commercial precinct in line with current market conditions. The net financial returns from the sale of the land will be returned to the State.

#### **Revised Business Plan**

An increase in the Authority's land development activity is expected, due mainly to the realignment of developer contributions in both the residential and industrial sectors, together with increased developer contributions for the Wugong Urban Water project and the inclusion of the Forrestdale Business Park West Developer Contribution Scheme.

## **Western Australian Planning Commission**

### *Expenses*

#### **Upgrade and Maintenance of Rental Properties**

The Western Australian Planning Commission will spend an extra \$2.7 million over 2011-12 and 2012-13 to maintain and upgrade rental properties it owns.

## **Culture and the Arts**

### *Expenses*

#### **Albany Entertainment Centre**

To facilitate the transfer of the Albany Entertainment Centre to the City of Albany, the State has agreed to retain ownership and management responsibility of the Centre for a further two years. As a result, additional expenditure of \$0.5 million in 2011-12, \$3.8 million in 2012-13 and \$4 million in 2013-14 has been approved to meet the ongoing operating costs of the facility, which is proposed to be partially funded from contributions of \$0.7 million in both 2012-13 and 2013-14 from City of Albany. The \$70.0 million expense in 2014-15 reflects the deferral of the asset transfer from 1 July 2012 to 1 July 2014.

## **Chemistry Centre (WA)**

### *Asset Investment*

#### **Replacement and Acquisition of Scientific Equipment**

Additional capital expenditure of \$3.5 million over four years has been approved for the replacement and upgrade of scientific equipment to maintain the Chemistry Centre's emergency response services and best practice chemical and forensic analysis capabilities.

## Commerce

### *Expenses*

#### **Australian Square Kilometre Array Pathfinder**

A \$5.5 million contribution to Horizon Power will be made in 2012-13 for the construction of a hybrid diesel/solar photovoltaic generation system at the Murchison Radio-astronomy Observatory to support the operation of the Australian Square Kilometre Array Pathfinder (ASKAP) project.

## MINISTER FOR ENERGY; TRAINING AND WORKFORCE DEVELOPMENT; INDIGENOUS AFFAIRS

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>HORIZON POWER</b>				
<b>Asset Investment</b>				
Hybrid Diesel/Solar Photovoltaic Generation System	-	5.5	-	-
<b>SYNERGY</b>				
<b>Expenses</b> <sup>(a)</sup>				
Feed-in Tariff	-	15.7	15.2	15.2
<b>WESTERN POWER</b>				
<b>Asset Investment</b>				
Customer-Funded Network Projects	19.8	60.9	1.6	-11.7
<b>TRAINING AND WORKFORCE DEVELOPMENT</b>				
<b>Expenses</b>				
TAFE Lecturers' Enterprise Bargaining Agreement	0.7	1.8	3.1	3.1
<b>INDIGENOUS AFFAIRS</b>				
<b>Expenses</b>				
Browse LNG Precinct – Land Transfers	-	3.4	2.5	1.1
Aboriginal Heritage Electronic Lodgements Program	-	0.4	0.7	0.4
<b>Asset Investment</b>				
Aboriginal Heritage Electronic Lodgements Program	0.8	1.2	0.6	-

(a) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through the Department of Treasury.

## Horizon Power

### *Asset Investment*

#### **Hybrid Diesel/Solar Photovoltaic Generation System**

Horizon Power will spend \$5.5 million in 2012-13 on constructing a hybrid diesel/solar photovoltaic generation system at the Murchison Radio-astronomy Observatory to support the operation of the ASKAP.

## Synergy

### *Expenses*

#### **Feed-in Tariff**

The mid-year review reflects additional estimated general government expenditure on the Feed-in Tariff scheme of \$46.0 million over the period 2011-12 to 2014-15 (relative to the 2011-12 Budget estimates). This additional expenditure is based on the preliminary estimates of the currently installed panel capacity to applicants under the scheme being estimated at 164 megawatts.

In addition, Synergy will be required to meet the additional expenditure in 2011-12 (\$19.8 million) from its currently approved Community Service Obligation (CSO) allocation for this year. For the remainder, the Government has approved net additional CSO funding to Synergy of \$46.0 million over the period 2012-13 to 2014-15.

The Government is also undertaking an audit of all applications received after 21 May 2011 to ensure that all finally approved applications met all the requirements of the scheme.

## Western Power

### *Asset Investment*

#### **Customer-Funded Network Projects**

Western Power will spend \$70.5 million over 2011-12 to 2014-15 on customer-funded network projects funded from higher revenue.

## Training and Workforce Development

### *Expenses*

#### **TAFE Lecturers' Enterprise Bargaining Agreement**

A total of \$8.7 million over the forward estimates has been approved as part of the Government's offer to finalise the TAFE lecturers' Enterprise Bargaining Agreement.

## Indigenous Affairs

### *Expenses*

#### **Browse LNG Precinct – Land Transfers**

A total of \$7 million will be spent on land tenure reform and land transfers as part of an agreement between the State Government and the Kimberley Land Council representing the Dampier Peninsula native title holders and claimants to secure access to land at James Price Point for the establishment of an LNG Precinct to process gas from the Browse Basin Gas reserves.

**Aboriginal Heritage Electronic Lodgements Program**

Additional recurrent expenditure of \$1.5 million will be incurred on establishing and operating a new Aboriginal Heritage Electronic Lodgements Program.

***Asset Investment***

**Aboriginal Heritage Electronic Lodgements Program**

In addition to the above recurrent expenditure, additional capital expenditure of \$2.6 million has been approved to develop and implement a new electronic heritage information and management system to replace the current manual, paper-based system.



## MINISTER FOR TRANSPORT; HOUSING; EMERGENCY SERVICES

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>TRANSPORT</b>				
<b>Expenses</b>				
Esperance Clean Up and Recovery Project	5.8	-	-	-
Driver's Licensing for People in Remote Communities	0.7	2.3	2.4	2.4
Taxi Industry Security Initiatives	0.8	1.7	0.9	0.9
<b>Asset Investment</b>				
Taxi Industry Security Initiatives – Information Technology Requirements	0.3	0.3	-	-
<b>COMMISSIONER OF MAIN ROADS</b>				
<b>Expenses</b>				
Revised Expenditure Forecasts	7.5	6.5	5.7	5.4
Western Australian Disaster Relief and Recovery Arrangements	2.8	-	-	-
<b>Asset Investment</b>				
Graham Farmer Freeway Improvements – Detailed Planning	1.0	-	-	-
<b>PUBLIC TRANSPORT AUTHORITY</b>				
<b>Expenses <sup>(a)</sup></b>				
GTE Efficiency Dividend	-6.4	-6.9	-7.1	-7.3
Operating Funding to Support New Railcars	10.0	4.8	1.6	3.1
Maintenance	-11.3	-10.4	-9.7	-6.9
Depreciation Adjustment	-2.4	-4.4	-8.2	-15.5
<b>Asset Investment</b>				
Network Improvements to Support New Railcars	12.8	8.5	8.0	-
Capitalised Maintenance Savings	-1.2	-1.3	-2.0	-2.9
<b>HOUSING AUTHORITY <sup>(b)</sup></b>				
<b>Expenses <sup>(a)</sup></b>				
Closure of the Oombulgurri Aboriginal Community	2.4	-	-	-
<b>Asset Investment</b>				
Closure of the Oombulgurri Aboriginal Community	4.0	-	-	-
<b>FIRE AND EMERGENCY SERVICES AUTHORITY OF WESTERN AUSTRALIA</b>				
<b>Expenses</b>				
Aerial Fire Suppression	3.8	-	-	-
Western Australian Fire Service Enterprise Bargaining Agreement 2011	0.8	1.7	2.6	2.6
Western Australian Natural Disaster Relief and Recovery Arrangements	1.6	-	-	-
Improving Fire Fighting Capability of Standby Fleet	0.3	-	-	-
<b>Asset Investment</b>				
High Fire Season Appliances	2.2	-	-	-

(a) Represented in general government expenses as grants and subsidies from the Consolidated Account, paid through the Department of Treasury.

(b) The Housing Authority is subject to the Government's 5% efficiency dividend arrangements for GTEs. The Authority's savings under this initiative do not impact general government sector expenses and are thus not reflected in this table. Further details of the efficiency dividend can be found in Appendix 5: *Government Trading Enterprise Efficiency Dividend*.

## **Transport**

### *Expenses*

#### **Esperance Clean Up and Recovery Project**

An additional \$5.8 million will be spent in 2011-12 to complete the clean up of lead contamination in the Esperance town site.

#### **Driver's Licensing for People in Remote Communities**

The Government has approved additional expenditure of \$7.8 million over four years, from 2011-12, on an outreach licensing service to provide a regular, full online driver and vehicle service to remote communities. The outreach services will be able to process transactions directly into the Department's database and provide the most current information to staff, clients and Western Australia Police.

The service will include learner's permit and driver's licence testing, acceptance of payments for transactions such as licence renewals and licence transfers, issue and surrender of vehicle number plates, issue of concessional licences, assistance in the clearance of outstanding penalties, driver and vehicle licence status checks, and changes of address.

#### **Taxi Industry Security Initiatives**

A total of \$4.3 million over four years, from 2011-12, has been approved for initiatives to improve security and safety in the taxi industry. These initiatives will include an awareness campaign, a mobile hand-held device trial, improvements to driver identification cards, and a 12-month mobile security patrol trial to protect drivers against antisocial behaviour, which will be established permanently if the trial proves to be successful.

### *Asset Investment*

#### **Taxi Industry Security Initiatives – Information Technology Requirements**

In addition to the above recurrent expenditure, further capital expenditure of \$0.6 million over 2011-12 and 2012-13 will support the Taxi Action Plan projects that are linked to improving security and safety for both taxi drivers and their passengers, including driver identification cards, mobile hand-held devices and the development of information technology requirements to support the plan.

## **Commissioner of Main Roads**

### *Expenses*

#### **Revised Expenditure Forecasts**

An additional \$25.1 million will be spent between 2011-12 and 2014-15, mainly due to increased expenditure associated with the State Road Funds to Local Government Agreement (relating to the increase in motor vehicle license fee collections).

## **Western Australian Natural Disaster Relief and Recovery Arrangements**

An additional \$2.8 million has been spent in July and August 2011 on restoring roads affected by flooding in the Carnarvon, Pilbara and Mid West regions, under the Western Australian Natural Disaster Relief and Recovery Arrangements.

### ***Asset Investment***

#### **Graham Farmer Freeway Improvements – Detailed Planning**

An amount of \$1 million has been approved for the development of detailed plans for proposed improvements to the Graham Farmer Freeway tunnel and the northbound exit to the Mitchell Freeway.

## **Public Transport Authority**

### ***Expenses***

#### **GTE Efficiency Dividend**

The Authority's expenditure will reduce by \$27.7 million over four years, commencing in 2011-12, to reflect the imposition of the 5% efficiency dividend approved in the 2011-12 Budget (this was reflected in a global provision in the 2011-12 Budget, but has now been allocated to individual GTEs).

#### **Operating Funding to Support New Railcars**

Additional expenditure totalling \$19.6 million over four years, commencing in 2011-12, will be incurred by the Public Transport Authority associated with the decision in the 2011-12 Budget to purchase 15 new three-car train sets. This includes the cost of operating the new trains, and payments to Western Power for power supply upgrade works.

#### **Maintenance**

Expenditure by the Public Transport Authority will be reduced by \$38.2 million over four years, from 2011-12, due to internal efficiencies that have arisen from a recently awarded maintenance contract.

#### **Depreciation Adjustment**

A review of the Authority's Asset Investment Program has identified lower than expected depreciation costs (down \$30.5 million over the forward estimates period).

### ***Asset Investment***

#### **Network Improvements to Support New Railcars**

The Authority will spend \$29.3 million between 2011-12 and 2013-14 to provide additional rail sidings and turnouts to minimise disruptions caused by incidents on the rail network and to improve access to the Nowergup Railcar depot to allow for more efficient train movements. These projects will support the Government's decision in the 2011-12 Budget to purchase 15 new three-car train sets to expand capacity on the rail network.

#### **Capitalised Maintenance Savings**

The Public Transport Authority will reduce capital expenditure by \$7.4 million over four years from 2011-12, due to internal efficiencies that have arisen from a recently awarded maintenance contract.

### **Housing Authority**

#### ***Expenses***

#### **Closure of the Oombulgurri Aboriginal Community**

As part of the closure of the Oombulgurri Aboriginal Community, \$2.4 million will be spent in relation to relocation and tenancy support for rehoused families.

#### ***Asset Investment***

#### **Closure of the Oombulgurri Aboriginal Community**

As part of the closure of the Oombulgurri Aboriginal Community, and in addition to the recurrent expenditure noted above, \$4 million will be spent on constructing eight new social housing properties in Wyndham for relocated families.

### **Fire and Emergency Services Authority**

#### ***Expenses***

#### **Aerial Fire Suppression**

The lease of a 9,500 litre, water-carrying S-64 Erikson Airplane Helicopter for the 2011-12 summer season will significantly enhance the State's existing fire-bombing capabilities. The helicopter will primarily be used to respond to bushfires in high risk rural urban interface escarpment areas, such as the Perth Hills, where local wind and fire conditions may significantly reduce the capabilities of smaller aircraft. A total of \$3.8 million in operating costs will be incurred in 2011-12 to ensure availability of the aircraft during the high risk fire period from mid December 2011 to 31 March 2012.

## **Western Australian Fire Service Enterprise Bargaining Agreement 2011**

The new three-year Enterprise Bargaining Agreement, which took effect from 10 June 2011, reflects wage and allowance increases equivalent to 3.95% from 10 June 2011, 4.5% from 10 June 2012 and a further 4.5% from 10 June 2013.

## **Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)**

The Fire and Emergency Services Authority (FESA), on behalf of the State Government, administers the WANDRRA which assists in the recovery of communities whose social, financial and economic well being has been severely affected by a natural disaster. A number of significant 'eligible disasters' were declared during 2010-11, including the Gascoyne/Murchison (Carnarvon) floods and severe thunderstorms in the South West Land Division.

Expenditure claims totalling \$9 million have so far been processed by FESA for these events, of which \$7.4 million relates to payments made to Main Roads (\$2.8 million) and the Department of Child Protection (\$4.6 million)<sup>2</sup>. The remaining \$1.6 million to be spent by the Authority mainly relates to payments to local governments.

## **Improving Fire Fighting Capability of Standby Fleet**

The Authority will provide immediate support to volunteer and career fire-fighters in the metropolitan and Perth Hills areas during the 2011-12 fire season by deploying four refurbished ex-volunteer appliances to the urban fringe and ensuring that the entire standby fleet is fully equipped with fire and emergency rescue equipment, a cost of \$0.3 million in 2011-12.

### ***Asset Investment***

#### **High Fire Season Appliances**

At a capital cost of \$2.2 million, the acquisition of four additional urban tanker fire appliances and a heavy pumper will support career and volunteer fire-fighters in the metropolitan and Perth Hills areas. The tankers will also be deployed to the North West of the State to provide additional support during its fire season. The appliances will enable rapid and early intervention to bushfires, thereby reducing the fire risk to life and property. The appliances will be in service for the 2012-13 bush fire season.

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<sup>2</sup> An amount of \$4.6 million was spent by the Department of Child Protection in 2010-11 to provide relief and support services for victims of natural disasters in Western Australia.

## MINISTER FOR CHILD PROTECTION; COMMUNITY SERVICES; SENIORS AND VOLUNTEERING; WOMEN'S INTERESTS; YOUTH

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>COMMUNITIES</b>				
<b>Expenses</b>				
Redress WA Scheme	30.0	-	-	-

### Communities

#### *Expenses*

#### Redress WA Scheme

The Redress WA Scheme provides ex-gratia payments and psychological support services as a means of redress for victims of abuse while in State care. A higher than anticipated number of severe claims has resulted in the final cost of the Scheme increasing from \$114.3 million to \$142.8 million.

An additional \$30 million will be spent by the Department for Communities in 2011-12 to finalise all eligible payments under the Scheme.

## MINISTER FOR AGRICULTURE AND FOOD; FORESTRY; CORRECTIVE SERVICES

### MAJOR PORTFOLIO SPENDING CHANGES

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>AGRICULTURE AND FOOD</b>				
<b>Expenses</b>				
2014-23 Forest Management Plan	0.3	0.1	-	-
<b>RURAL BUSINESS DEVELOPMENT CORPORATION</b>				
<b>Expenses</b>				
Western Australian Drought Pilot Scheme Phase 2	13.2	8.1	-	-
<b>CORRECTIVE SERVICES</b>				
<b>Expenses</b>				
Court Security and Custodial Services – New Contract	13.4	11.5	11.8	13.1
Daily Average Prisoner Population – Offender Increase	1.8	1.9	1.9	1.9
Medical Staff Pay Rise	1.6	1.8	2.1	2.1

## **Agriculture and Food**

### *Expenses*

#### **2014-23 Forest Management Plan**

A total of \$0.4 million will be spent over two years to undertake a strategy for timber industry development in the South-West, as part of the development of the 2014-23 Forest Management Plan.

## **Rural Business Development Corporation**

### *Expenses*

#### **Western Australian Drought Pilot Scheme Phase 2**

A further \$21.3 million will be spent over two years as part of the Western Australian Drought Pilot Scheme Phase 2, comprised of \$20.1 million in Commonwealth grants for the Building Farm Business Grants program and \$1.2 million in State payments. Overall, the Commonwealth will spend \$44 million and the State \$11 million on the Drought Pilot Scheme Phase 2.

## **Corrective Services**

### *Expenses*

#### **Court Security and Custodial Services – New Contract**

Additional expenditure of \$49.8 million in 2011-12 and across the forward estimates period will be incurred to meet the terms of the new Court Security and Custodial Services contract. The new contract for the provision of court security and custodial services commenced on 31 July 2011 for an initial period of five years.

#### **Daily Average Prisoner Population – Offender Increase**

Additional expenditure of \$7.5 million in 2011-12 and across the forward estimates period has been approved for an additional Daily Average Prisoner Population of 40 adult offenders and six youth detainees.

#### **Medical Staff Pay Rise**

Additional expenditure of \$7.6 million in 2011-12 and across the forward estimates period will be incurred for salary increases for nurses and doctors employed by the Department following the outcome of recent enterprise bargaining agreements for these occupational groups.

**MINISTER FOR ENVIRONMENT; WATER**

<b>MAJOR PORTFOLIO SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>ENVIRONMENT AND CONSERVATION</b>				
<b>Expenses</b>				
2014-23 Forest Management Plan	2.7	1.6	0.2	-
<b>OFFICE OF THE ENVIRONMENTAL PROTECTION AUTHORITY</b>				
<b>Expenses</b>				
Browse LNG Precinct – Compliance Auditing	-	0.2	0.2	0.2
<b>WATER</b>				
<b>Expenses</b>				
Internal Review Outcomes	-0.6	-1.7	-1.7	-1.8
<b>WATER CORPORATION</b>				
<b>Asset Investment</b>				
Southern Seawater Desalination Plant Expansion	220.0	180.0	-140.0	-110.0

**Environment and Conservation***Expenses***2014-23 Forest Management Plan**

Additional expenditure by the Department totalling \$4.5 million over three years has been approved to facilitate the development of the 2014-23 Forest Management Plan.

**Office of the Environmental Protection Authority***Expenses***Browse LNG Precinct – Compliance Auditing**

An amount of \$0.7 million will be spent over three years for an environmental Compliance Auditing Officer for the Browse LNG Precinct, and to facilitate the effective ongoing working relationship between the native title parties and the State Government on environmental matters.

**Water***Expenses***Internal Review Outcomes**

Water resource investigation and supply planning priorities were identified that required an internal redirection of resources by the Department of Water. Savings measures totalling \$11.6 million have been identified across the forward estimates period, with \$5.8 million being retained by the Department. These funds will be redirected into the assessment and investigation of the Gngangara ground water system and other priority areas across the State.



## Water Corporation

### *Asset Investment*

#### **Southern Seawater Desalination Plant Expansion**

The Government has approved an increase of \$150 million in the Corporation's Asset Investment Program to expand the capacity of the Southern Seawater Desalination Plant from 50 GL/annum to 100 GL/annum. The total cost of the expansion is \$450 million. The Corporation has reprioritised its outyear infrastructure program to accommodate \$300 million of the desalination plant expansion costs.

## PROVISIONS

<b>MAJOR SPENDING CHANGES</b>				
	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m
<b>Expenses</b>				
Government Trading Enterprises – Efficiency Dividend	18.8	19.1	20.9	21.3
Western Australian Natural Disaster Relief and Recovery Arrangements	51.0	40.0	-	-
<b>Asset Investment</b>				
New Major Stadium	-	-	45.0	130.0
Gateway WA	-	-	-	179.4

## Provisions

### *Expenses*

#### **Government Trading Enterprises – Efficiency Dividend**

As part of the 5% GTE efficiency dividend, the May 2011 Budget projections included a global provision to reduce subsidies and appropriations provided to GTEs which do not provide a return to the general government sector through tax equivalents and dividends (i.e. the Public Transport Authority (PTA) and the Housing Authority).

At the time of the 2011-12 Budget, these cost reductions were estimated to be worth \$18.8 million in 2011-12 and \$80.2 million over four years. Following implementation of the GTE efficiency dividend in this mid-year review, the subsidy to the PTA has been reduced as expected. However, appropriations to the Housing Authority have not been reduced (as these are provided for specific programs). Instead, Housing Authority efficiency savings have been applied to repay debt of \$12 million and \$14 million per annum across the forward estimates period. Further information can be found in Appendix 5: *Government Trading Enterprise Efficiency Dividend*.

### **Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)**

This mid-year review includes a provision for \$91 million of recurrent expenditure, including \$51 million in 2011-12, under the WANDRRA for future payments yet to be assessed by Government. Funding for these payments was provided to FESA in 2010-11, with the expenditure expected to be incurred over 2011-12 and 2012-13.

#### ***Asset Investment***

##### **New Major Stadium**

This mid-year review includes a \$175 million provision over 2013-14 and 2014-15 for initial construction work on Perth's New Major Stadium and associated public transport infrastructure (to be built on the Burswood Peninsula). The New Major Stadium is still subject to further scoping and planning work to be presented to the Government in mid-2012. The \$175 million construction provision is partially offset by \$100 million in surplus cash set aside for the stadium construction using funds from the better than expected royalties outcome for 2010-11. The final cost estimate for the stadium and related infrastructure will be known after detailed business case and planning work is completed.

##### **Gateway WA**

This mid-year review includes a \$179.4 million provision for proposed works on the Gateway WA project to upgrade the public arterial road network around Perth Airport. The scope and timing of this project is subject to further consideration by Cabinet.

## The Treasurer's Advance

The Treasurer's Advance is provided for under the *Financial Management Act 2006* (FMA). It authorises the Treasurer to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances') and to provide new or supplementary funding during the year for extraordinary or unforeseen matters (known as 'excesses and new items').

The total amount drawn against unrecouped balances, excesses and new items for 2011-12 must remain within the \$577.1 million limit authorised by the FMA, unless adjusted by Parliament enacting a *Treasurer's Advance Authorisation Act*.

Based on the mid-year review estimates, the expected outturn for the 2011-12 Treasurer's Advance is \$199.1 million.

Table 4.1 shows the estimated position of the Treasurer's Advance for 2011-12, consistent with the agency data underlying the financial projections presented in this mid-year review.

<b>TREASURER'S ADVANCE</b>			Table 4.1
	2010-11 Actual \$m	2011-12 Projection <sup>(a)</sup> \$m	
<b>AUTHORISED LIMIT</b>	<b>555.5</b>	<b>577.1</b>	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	512.6	199.1	
Comprising:			
Net recoverable advances as at 30 June	7.1	15.0	
Overdrawn Special Purpose Account <sup>(b)</sup>	3.7	-	
Approved Excesses and New Items			
- recurrent	486.3	111.6	
- capital	15.5	72.5	
(a) Detailed disclosure of the final audited outcome for 2011-12 will be available in the 2011-12 <i>Annual Report on State Finances</i> , to be released by 28 September 2012.			
(b) The Treasurer has given approval to the Department of Mines and Petroleum to overdraw a Special Purpose Account (SPA). Any overdrawn SPA is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account.			
Note: Columns may not add due to rounding.			

## Transfers, Excesses and New Items

Table 4.3 details excesses and/or new items that are projected to occur during 2011-12 and the expected impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

The projections shown in Table 4.3 are subject to movements in agencies' appropriations through the remainder of 2011-12. Funding in excess of budget for appropriation items shown in the table will only occur if the management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2012.

Section 25 of the FMA allows appropriations originally allocated in the 2011-12 State Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance.

Appropriation transfers approved since the presentation of the 2011-12 Budget include:

- \$45.1 million (including both recurrent and capital appropriations) from the Department of Treasury to the Department of Finance for the transfer of corporate service functions and information technology projects (following disaggregation of the former Department of Treasury and Finance from 1 July 2011);
- \$0.5 million from the Department of Health to the Department of Finance for the management and asset transfer of Sunset Hospital;
- \$0.1 million from the Department of Finance to the Western Australian Land Information Authority for the transfer of a procurement support officer;
- \$0.1 million from the Department of Education to the Disability Services Commission for the funding and facilitation of services by Rocky Bay Inc. and Therapy Focus Inc.; and
- the transfer to agencies of \$86.4 million of a budget provision of \$87.8 million for the sustainable funding and contracting with the not-for-profit sector initiative. A residual \$1.4 million of the original \$87.8 million budget provision will now be spent in 2012-13. Table 4.2 below details the allocation by agency for 2011-12.

Table 4.2

**SUSTAINABLE FUNDING AND CONTRACTING  
WITH THE NOT-FOR-PROFIT SECTOR**

Item	Agency	Amount \$m
11	Health	15.7
50	Attorney General	0.4
58	Education	1.6
68	Western Australia Police	0.1
84	Training and Workforce Development	1.2
85	Indigenous Affairs	0.7
90	Housing Authority	1.4
91	Child Protection	8.6
92	Communities	2.2
94	Local Government	_(a)
99	Corrective Services	2.3
108	Mental Health Commission	6.7
109	Disability Services Commission	45.4
<b>TOTAL</b>		<b>86.4</b>

(a) Amount less than \$50,000.

Note: Columns may not add due to rounding.

Table 4.3

**TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Appropriation	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m	
Recurrent Appropriations					
Premier and Cabinet					
5	Delivery of services	-	-	2.5	-
Salaries and Allowances Tribunal					
8	Delivery of services	-	-	0.2	-
WA Health					
11	Delivery of services	15.3	-	-	-
12	Contribution to Hospital Fund	-	-	2.4	-
Mines and Petroleum					
15	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.2	-
Regional Development and Lands					
18	Delivery of services	-	-	3.7	-
Western Australian Land Information Authority					
28	Delivery of services	0.1	-	-	-
Treasury					
29	Delivery of services	-39.6	-	-	-
33	Western Australian Land Authority	-	-	3.2	-
36	Sustainable Funding and Contracting with the Not-for-Profit Sector	-86.4	-	-	-
47	All Other Grants, Subsidies and Transfer Payments	-	-	3.3	-
Attorney General					
50	Delivery of services	0.4	-	0.9	-
Education					
58	Delivery of services	1.6	-	-	-
Finance					
63	Delivery of services	40.1	-	0.8	-
Commerce					
65	Delivery of services	-	-	6.4	-
Registrar, Western Australian Industrial Relations Commission					
67	Delivery of services	-	-	0.1	-
Western Australia Police					
68	Delivery of services	0.1	-	9.3	-
Fire and Emergency Services Authority of Western Australia					
69	Delivery of services	-	-	1.0	-
Western Australian Sports Centre Trust					
72	Delivery of services	-	-	4.5	-
Racing, Gaming and Liquor					
74	Administered Grants, Subsidies and Other Transfer Payments	-	-	0.6	-
Culture and the Arts					
79	Library Board of Western Australia	-	-	1.1	-
80	Perth Theatre Trust	-	-	0.5	-
Training and Workforce Development					
84	Delivery of services	1.2	-	1.1	-
Indigenous Affairs					
85	Delivery of services	0.7	-	0.8	-
Transport					
86	Delivery of services	-	-	15.7	-
Housing Authority					
90	Delivery of services	1.4	-	2.4	-

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**TRANSFERS, EXCESSES AND NEW ITEMS**

Table 4.3 (cont.)

Item	Appropriation	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m	
Child Protection					
91	Delivery of services	8.6	-	1.1	-
Communities					
92	Delivery of services	2.2	-	30.0	-
Local Government					
94	Delivery of services	- <sup>(c)</sup>	-	-	-
Corrective Services					
99	Delivery of services	2.3	-	17.7	-
Mental Health Commission					
98	Delivery of services	6.7	-	-	-
Disability Services Commission					
109	Delivery of services	45.4	-	2.1	-
<b>Total Recurrent</b>		-	-	111.6	-
<b>Capital Appropriations</b>					
Parliamentary Services					
110	Capital Appropriation	-	-	0.1	-
Treasury					
117	Capital Appropriation	-5.4	-	-	-
123	Forest Products Commission	-	-	2.8	-
Finance					
136	Capital Appropriation	5.4	-	-	-
Western Australian Sports Centre Trust					
141	Capital Appropriation	-	-	63.5	-
Housing Authority					
151	Capital Appropriation	-	-	4.0	-
Child Protection					
152	Capital Appropriation	-	-	1.3	-
Governor's Establishment					
NEW	Capital Appropriation	-	0.8	-	0.8
<b>Total Capital</b>		-	0.8	71.7	0.8
<b>TOTAL</b>		-	0.8	183.3	0.8

(a) Authorised under section 25 of the FMA.

(b) Mid-year review cut-off date, 1 December 2011.

(c) Amount less than \$50,000.

Note: Columns may not add due to rounding.

2011-12 Mid-year Financial Projections Statement



# Government Trading Enterprise Efficiency Dividend

As a part of the 2011-12 Budget, Government Trading Enterprises (GTEs) were required to implement an efficiency dividend that reduced their discretionary operating expenditure by 5% each year from 2011-12 to 2014-15. Where efficiency dividends are already applied (such as with the Water Corporation), the reduction in expenditure was adjusted, so that the total did not exceed 5%.

The focus of the savings measures is discretionary operating expenditure (GTE-specific savings measures are detailed below) such as salaries and wages, advertising and promotion, consultants, administration and other consumable costs. The efficiency improvements are not to result in a reduction in the quality or quantity of services delivered by the GTEs.

The flow-through impact of the reduction in operating expenditure is an increase in the profitability of the GTEs. This increased profitability translates to higher dividend and tax equivalent payments to the general government sector, as well as a reduction in subsidy payments. The efficiency dividend also results in lower borrowings and/or higher cash balances amongst GTEs, reducing total public sector net debt.

The estimated impact on the general government operating balance and total public sector net debt from this initiative has been revised and is available in the table below. Across the period 2011-12 to 2014-15:

- tax equivalent payments to the general government sector as a result of the efficiency dividend are estimated to be \$120.1 million. This is \$7.6 million lower than previously forecast, due to deferred tax losses impacting on tax equivalent payments across the forward estimates period;
- dividend payments as a result of the efficiency measure are estimated to be \$163.4 million. This is \$17.3 million higher than previously forecast, due to the effect of higher than estimated interim dividend payments;

- a total reduction in general government subsidy/appropriation payments of \$27.7 million is estimated across the forward estimates period. This is \$52.3 million lower than previously forecast, mainly reflecting the application of Housing Authority savings to lower direct borrowings by the agency; and
- total public sector net debt is expected to be \$524 million lower as a result of the efficiency dividend initiative, \$9 million more than was forecast at the time of the May 2011 Budget.

Following the adoption of the efficiency dividend by GTEs' boards, the Treasurer required an implementation plan giving a detailed breakdown of the proposed savings measures. Where implementation plans have been received by the Treasurer, a summary of each GTE's savings measures is shown below.

Table 5.1

**EFFICIENCY DIVIDEND – IMPACT ON TOTAL PUBLIC SECTOR NET DEBT**

	2011-12 \$m	2012-13 \$m	2013-14 \$m	2014-15 \$m	Net debt savings by 30 June 2015	Implementation Plan Submitted
Albany Port Authority	0.3	0.3	0.3	0.3	1.2	Yes
Broome Port Authority	0.6	0.6	0.6	0.6	2.4	Yes
Bunbury Port Authority	0.4	0.4	0.4	0.5	1.7	Yes
Bunbury Water Board	0.2	0.2	0.2	0.2	0.8	Yes
Busselton Water Board	0.2	0.2	0.2	0.2	0.8	Yes
Dampier Port Authority	1.0	0.9	1.1	0.9	4.0	Yes
Esperance Port Authority	1.3	1.4	1.4	1.5	5.6	Yes
Forest Products Commission <sup>(a)</sup>	1.3	1.1	1.1	0.9	4.4	No
Fremantle Port Authority	4.5	5.1	5.5	5.5	20.6	Yes
Geraldton Port Authority	1.9	1.9	1.9	1.9	7.6	Yes
Gold Corporation	3.6	3.7	3.8	4.0	15.1	Yes
Government Employees Superannuation Board <sup>(b)</sup>	-	-	-	-	-	Yes
Horizon Power	6.2	7.0	7.3	7.5	28.0	Yes
Housing Authority <sup>(c)</sup>	12.4	12.2	13.8	14.1	52.5	Yes
Insurance Commission of Western Australia <sup>(a)</sup>	5.0	5.7	6.2	6.0	22.9	No
Public Transport Authority <sup>(c)</sup>	6.4	6.9	7.1	7.3	27.7	Yes
Perth Market Authority	0.2	0.2	0.2	0.3	0.9	Yes
Port Hedland Port Authority	4.4	4.8	5.2	5.7	20.0	Yes
Synergy	4.5	4.4	4.6	4.6	18.2	Yes
Verve Energy <sup>(d)</sup>	16.0	13.6	18.2	15.2	63.0	Yes
Water Corporation <sup>(e)</sup>	20.8	22.3	23.5	24.4	91.0	Yes
Western Australian Land Authority	2.1	2.2	2.3	2.4	9.0	Yes
Western Australian Land Information Authority <sup>(c)</sup>	1.3	2.4	3.4	3.4	10.5	Yes
Western Australian Treasury Corporation	0.9	0.9	1.0	1.0	3.8	Yes
Western Power	25.6	27.9	28.9	30.1	112.5	Yes
<b>TOTAL</b>	<b>121.1</b>	<b>126.3</b>	<b>138.2</b>	<b>138.5</b>	<b>524.1</b>	

(a) Implementation plans have not been submitted to Government. The estimated savings impact is consistent with that shown in Table 8.3, Appendix 8 of the 2011-12 Budget Paper No. 3: *Economic and Fiscal Outlook*.

(b) The efficiency dividend for GESB is estimated at \$2.9 million. However, as GESB does not form part of the State's consolidated public sector, its efficiency dividend will not be reflected in total public sector net debt outcomes.

(c) An incremental efficiency dividend applies to these agencies to bring the total rate to 5%, in recognition of application of the Government's previous 3% efficiency dividend.

(d) Verve Energy's implementation plan does not commit to achievement of the full savings target. Nonetheless, it is expected that full savings will be met. Accordingly, estimated savings remain consistent with those shown at budget-time.

(e) An incremental efficiency dividend applies to the Water Corporation in recognition that it already adopts an annual 2% efficiency dividend through the Economic Regulation Authority's review of tariffs and associated price path.

Note: Columns/rows may not add due to rounding.

### **Albany Port Authority**

The Albany Port Authority will meet its efficiency dividend through a reduction in maintenance costs, salaries and wages, minor administration expenses, and other measures.

### **Broome Port Authority**

The Broome Port Authority will achieve its efficiency dividend by decreasing employee expenses and reprioritising internal activities and functions. In addition, the Port's Board estimates an increase in income from trade activities and business growth in lease holdings.

### **Bunbury Port Authority**

The Bunbury Port Authority will meet its efficiency dividend by reducing consultant expenses, and revising estimated maintenance costs and staff amenities expenses.

### **Bunbury Water Board**

The Bunbury Water Board will meet its efficiency dividend primarily by reducing its use of consultants.

### **Busselton Water Board**

The Busselton Water Board will implement its efficiency dividend savings by reducing consulting, advertising and promotions expenses.

### **Dampier Port Authority**

The Dampier Port Authority will implement its efficiency dividend by reducing expenditure on travel and consultants.

### **Esperance Port Authority**

The Esperance Port Authority will implement its efficiency dividend by reducing administration, contract services and maintenance costs.

### **Forest Products Commission**

An implementation plan has not yet been submitted to Government. The Commission is currently working on identifying these savings, and the estimated impact in the table above is consistent with that shown in Table 8, Appendix 8 of the 2011-12 Budget Paper No. 3: *Economic and Fiscal Outlook*.

### **Fremantle Port Authority**

The Fremantle Port Authority will implement its efficiency dividend through a combination of measures, including reduced administration costs. In addition, the Port's Board estimates an increase in income from trade activities.

### **Geraldton Port Authority**

The Geraldton Port Authority will meet its efficiency dividend through a reduction in activities such as the use of consultants.

### **Gold Corporation**

The Gold Corporation will meet its efficiency dividend savings through a combination of measures, including a reduction in overhead expenses and refinements in its factory processes.

### **Horizon Power**

Horizon Power will implement its efficiency dividend by reducing its reliance on external consultants and lowering travel expenses through expanded use of technology to deliver process and communication efficiencies.

### **Housing Authority**

The Housing Authority will meet its efficiency dividend through a combination of measures, include reducing salaries and use of external consultants.

### **Insurance Commission of Western Australia**

An implementation plan has not yet been submitted to Government. The Commission is currently working on identifying these savings, and the estimated impact in the table above is consistent with that shown in Table 8, Appendix 8 of the 2011-12 Budget Paper No. 3: *Economic and Fiscal Outlook*.

### **Public Transport Authority**

The Public Transport Authority will meet its efficiency dividend through a combination of measures including increased efficiency in managing bus and electricity contracts, and savings generated by voluntary separations.

### **Perth Market Authority**

The Perth Market Authority will meet its efficiency dividend through more rigorous control of the procurement of goods and services and improvement in the operation of accounting systems.

### **Port Hedland Port Authority**

The Port Hedland Port Authority will implement its efficiency dividend through a combination of measures including reduced salary expenditure. In addition, the Port's Board estimates an increase in income from trade activities.

## **Synergy**

Synergy will meet its efficiency dividend through reductions in costs associated with the administration of its billing system (as it stabilises), and back-office functions including expenditure on marketing, consultants and software licences.

## **Verve Energy**

Verve Energy will meet its efficiency dividend through reductions across operational materials, services and labour expenditure.

## **Water Corporation**

The Water Corporation will meet its efficiency dividend through a variety of measures including a reduction in overhead costs, the acceleration of future efficiency savings and a review of regulatory costs.

## **Western Australian Land Authority**

The Western Australian Land Authority (Landcorp) will meet its efficiency dividend by reducing travel, strategic marketing, consultancies and administration costs. In addition, the Authority's Board estimates increased revenue from the Australian Marine Complex.

## **Western Australian Land Information Authority**

The Western Australian Land Information Authority (Landgate) will achieve its efficiency dividend through financial, human resource and information system reforms, business capability and strategy improvement, product and service rationalisation, and through improved staff management.

## **Western Australian Treasury Corporation**

The Western Australian Treasury Corporation will implement its efficiency dividend through a variety of measures including a reduction in promotional activities.

## **Western Power**

Western Power will implement its efficiency dividend through reductions in discretionary operating expenses and lower interest costs (resulting from revised timing of infrastructure spending).

## Royalties for Regions

The following table provides an update of the projections for the *Royalties for Regions* program. Notable changes to the program since the 2011-12 Budget was presented to the Parliament on 19 May 2011 include:

- acceleration of Pilbara Cities, bringing forward some project cash flows from 2014-15 to earlier years (\$127 million);
- spending delays from 2010-11 for a number of projects with a general government expense impact of \$37 million in 2011-12; and
- lower allocations to the *Royalties for Regions* program flowing from the revised outlook for royalty income for the period 2012-13 to 2014-15 (down \$184 million), discussed in more detail in Chapter 1: *Financial Projections*. The formal process of determining the revised program budget for the forward estimates will occur during the 2012-13 Budget process.

Table 6.1

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15	Total Five Years \$m
	Actual \$m	Budget Estimate \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	
<b>COUNTRY LOCAL GOVERNMENT FUND</b>							
Local Government - Local Infrastructure							
Asset Renewal and New Assets	22.9	91.7	61.7	67.9	17.0	-	169.5
Administration of funds	0.4	0.6	0.8	0.6	0.6	0.6	2.9
Regional Groupings of Local Governments	7.5	54.0	69.6	64.0	108.1	97.1	346.3
Local Government facilitation	-	-	1.4	-	-	-	1.4
Capacity Building - Regional Governance							
Services and Asset Management							
Tools	8.6	6.0	8.0	6.3	2.4	2.4	27.6
<b>TOTAL - COUNTRY LOCAL GOVERNMENT FUND</b>	<b>39.5</b>	<b>152.3</b>	<b>141.5</b>	<b>138.8</b>	<b>128.0</b>	<b>100.0</b>	<b>547.8</b>
<b>REGIONAL COMMUNITY SERVICES FUND</b>							
<b>Aboriginal Initiatives</b>							
Kimberley and Pilbara Youth Justice Services Expansion (Operating)	3.1	12.9	12.8	13.4	14.0	15.5	58.8
Kimberley and Pilbara Youth Justice Services Expansion (Asset Investment)	0.3	0.2	0.3	-	-	-	0.6
Clontarf College <sup>(a)</sup>	0.5	1.7	2.2	2.3	-	-	5.0
WA Indigenous Tourism Operators Committee (WAITOC)	0.3	0.3	0.3	0.3	-	-	1.0
Aboriginal Justice Education Program	-	4.0	4.0	2.3	2.3	-	8.5
Aboriginal Community Emergency Response Fund	-	10.0	10.0	-	-	-	10.0
Northwest Drug and Alcohol Support Program (Operating)	-	2.8	2.2	4.7	5.3	5.5	17.7
Northwest Drug and Alcohol Support Program (Asset Investment)	-	0.5	0.2	1.3	0.1	-	1.6
Improving Water Quality in Remote Aboriginal Communities	-	2.4	7.3	4.9	-	-	12.2
Governance & Leadership Development Program	-	1.6	1.6	0.7	-	-	2.3
Indigenous Visitor Hostels	-	6.0	7.0	6.0	-	-	13.0
Jigalong Essential Services Pilot	-	9.0	10.0	-	-	-	10.0
Remote Indigenous Health Clinics	-	7.0	2.0	6.0	14.2	-	22.2
<b>Aboriginal Initiatives Subtotal</b>	<b>4.2</b>	<b>58.4</b>	<b>59.9</b>	<b>41.9</b>	<b>35.9</b>	<b>21.0</b>	<b>162.9</b>
<b>Regional Community Programs and Schemes</b>							
Country Age Pension Fuel Card	23.9	26.0	26.0	23.7	24.5	23.2	121.3
Regional Workers Incentives	19.1	26.0	26.1	27.3	27.9	30.9	131.4
Boarding Away From Home	1.6	2.0	2.2	2.5	2.5	2.6	11.4
Community Resource Centres	12.9	13.0	12.1	14.0	14.0	14.0	67.0
Wild Dogs Management Plan	0.6	5.9	6.4	1.2	0.7	-	8.8
Performing Arts companies tours to the Regions	-	0.5	0.5	0.3	0.3	0.3	1.3
Foodbank <sup>(a)</sup>	0.2	0.2	0.2	0.2	0.2	-	0.8
Better Beginnings - Early Literacy <sup>(a)</sup>	0.5	0.7	0.8	0.7	0.8	-	2.8
Responsible Parenting Support Services	0.7	6.5	7.6	9.6	9.9	10.2	38.1
Rangelands Reform Implementation	0.2	0.8	0.8	0.8	0.4	-	2.3
'Orange' school bus initiatives <sup>(a)</sup>	1.8	3.9	4.1	2.3	2.7	-	10.9
Exploration Incentive Scheme <sup>(a)</sup>	17.4	26.9	30.5	30.0	3.5	-	81.4
Public Sector Regional Leadership	-	0.7	0.2	1.2	1.0	-	2.4
Regional Buy Local Initiatives	-	1.0	0.5	0.5	-	-	1.0
Regional Events Program	-	10.0	10.0	10.0	10.0	10.0	40.0
Kimberley Science and Conservation Strategy (Operating)	-	1.0	0.8	0.9	1.3	0.8	3.8
Kimberley Science and Conservation Strategy (Asset Investment)	-	2.7	0.4	1.3	1.4	-	3.1
Marine Parks Management (Operating)	-	3.9	3.7	3.3	4.6	3.3	14.9
Marine Parks Management (Asset Investment)	-	-	0.2	1.1	-	-	1.3
<b>Regional Community Programs and Schemes Subtotal</b>	<b>79.0</b>	<b>131.5</b>	<b>133.1</b>	<b>130.9</b>	<b>105.6</b>	<b>95.3</b>	<b>543.9</b>

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.



Table 6.1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2010-11 Actual \$m	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2012-13 Mid-Year Revision \$m	2013-14 Mid-Year Revision \$m	2014-15 Mid-Year Revision \$m	Total Five Years \$m
<b>REGIONAL COMMUNITY SERVICES FUND (Cont.)</b>							
<b>Regional Health Programs</b>							
Patient Assisted Travel Scheme	9.0	8.9	8.9	9.4	9.7	10.1	47.0
Royal Flying Doctor Service	7.8	3.9	4.6	5.7	4.1	4.2	26.3
Rural Generalist Pathways	0.2	1.5	2.3	2.0	2.0	2.0	8.5
St John Ambulance Services in Country WA (Operating)	-	5.6	5.4	7.1	11.7	6.2	30.4
St John Ambulance Services in Country WA (Asset Investment)	-	0.5	1.3	0.5	0.2	-	1.9
Pilbara Cardio Vision Program	-	0.6	0.6	0.3	0.3	-	1.2
Regional Men's Health	0.5	1.0	1.0	1.0	-	-	2.6
<b>Regional Health Programs Subtotal</b>	<b>17.5</b>	<b>22.0</b>	<b>24.1</b>	<b>26.0</b>	<b>28.0</b>	<b>22.5</b>	<b>117.9</b>
<b>Regional Strategic Projects</b>							
Regional Strategic Projects	44.8	63.3	89.3	49.9	85.2	83.2	352.4
<b>Regional Strategic Projects Subtotal</b>	<b>44.8</b>	<b>63.3</b>	<b>89.3</b>	<b>49.9</b>	<b>85.2</b>	<b>83.2</b>	<b>352.4</b>
<b>TOTAL - REGIONAL COMMUNITY SERVICES FUND</b>	<b>145.5</b>	<b>275.2</b>	<b>306.3</b>	<b>248.7</b>	<b>254.6</b>	<b>222.0</b>	<b>1,177.1</b>
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>							
<b>Pilbara Cities Initiative</b>							
Nickol Bay Hospital Upgrade (Operating)	1.0	1.0	1.0	-	-	-	2.0
Nickol Bay Hospital Upgrade (Asset Investment)	0.1	2.2	5.5	-	-	-	5.7
Karratha Health Campus	-	1.5	1.5	15.0	45.0	68.5	130.0
Pilbara Health Partnership (Operating)	3.1	4.0	4.0	12.0	10.2	-	29.3
Pilbara Health Partnership (Asset Investment)	1.0	-	0.7	-	-	-	1.6
Pilbara Health Equipment	0.1	-	-	-	-	-	0.1
Pilbara Cities Office	1.0	0.5	0.8	0.8	0.9	0.9	4.4
Pilbara Underground Power (Operating)	0.4	0.6	0.8	0.7	-	-	1.8
Pilbara Underground Power (Asset Investment)	35.6	42.8	56.4	-	-	-	92.1
Karratha Service Workers Accommodation	23.9	-	4.5	-	-	-	28.4
Housing for Workers - South Hedland Town Centre Revitalisation	13.2	-	7.3	-	-	-	20.6
Pilbara Water Opportunities	1.4	-	1.1	-	-	-	2.5
West Pilbara Water	1.7	-	0.2	-	-	-	2.0
NASH (Ngarluma Aboriginal Sustainable Housing) - Roeboume	4.6	-	0.2	-	-	-	4.8
Roebourne Housing Initiatives	5.0	-	-	-	-	-	5.0
Northern Towns Development Fund	2.7	10.8	15.2	9.9	10.3	1.9	40.0
Pilbara Infrastructure Australia (State Contribution, Operating)	2.0	25.0	82.6	78.2	84.0	23.0	269.8
Pilbara Infrastructure Australia (State Contribution, Asset Investment)	11.8	15.0	18.1	60.3	100.0	-	190.2
Pilbara Revitalisation Phase 2 (Operating)	38.2	32.4	32.1	41.2	39.6	39.6	190.7
Pilbara Revitalisation Phase 2 (Asset Investment)	0.8	3.5	6.0	-	-	-	6.8
Karratha-Wickham Coast Road	-	2.5	2.5	-	-	-	2.5
Pilbara Maritime Common Use Support Facility	-	5.0	2.0	3.0	-	-	5.0
<b>Pilbara Cities Subtotal</b>	<b>147.7</b>	<b>146.9</b>	<b>242.6</b>	<b>221.0</b>	<b>290.0</b>	<b>133.9</b>	<b>1,035.2</b>

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.

Table 6.1 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

INITIATIVE	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15	Total Five Years \$m
	Actual \$m	Budget Estimate \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (Cont.)</b>							
<b>Kimberley Revitalisation</b>							
Ord - East Kimberley Expansion Project (Operating)	0.8	4.0	4.0	3.8	-	-	8.6
Ord - East Kimberley Expansion Project Asset Investment)	51.1	117.5	71.0	71.8	-	-	193.9
Ord - East Kimberley Expansion Project Phase 2	-	-	-	39.1	51.9	-	91.0
Broome Small Boat Facility Stage 1	0.9	18.8	18.8	15.3	-	-	35.0
Kununurra Justice Complexes	1.9	8.2	5.0	11.7	24.5	-	43.0
Broome Justice Complexes	0.2	0.2	0.3	-	-	-	0.5
<b>Kimberley Revitalisation Subtotal</b>	<b>54.9</b>	<b>148.6</b>	<b>99.0</b>	<b>141.7</b>	<b>76.4</b>	<b>-</b>	<b>372.0</b>
<b>Gascoyne Revitalisation</b>							
Gascoyne Development Plan (Operating)	1.3	35.0	37.1	31.0	18.5	14.8	102.8
Camaron Fascine Redevelopment Planning	0.3	0.5	0.5	-	-	-	0.8
Camaron Library and Art Centre	0.7	1.2	1.2	-	-	-	1.9
Camaron Police and Justice Complex	0.4	8.0	4.1	5.1	-	-	9.5
Exmouth Clinic	-	3.6	0.1	3.0	5.0	-	8.1
Tantabiddi Boat Ramp Upgrade	-	2.2	2.2	-	-	-	2.2
Camaron Hospital	-	0.5	0.5	14.7	5.6	-	20.8
Camaron Boat Ramp Construction	1.8	1.1	1.2	-	-	-	3.0
Waterfront Development Planning	-	1.0	1.0	-	-	-	1.0
Service Workers Coral Bay (Operating)	0.2	1.4	0.8	0.6	-	-	1.6
Service Workers Coral Bay (Asset Investment)	-	6.9	15.8	-	-	-	15.8
Gascoyne Irrigation Pipeline	0.1	6.6	7.5	-	-	-	7.6
<b>Gascoyne Revitalisation Subtotal</b>	<b>4.8</b>	<b>67.9</b>	<b>71.8</b>	<b>54.4</b>	<b>29.1</b>	<b>14.8</b>	<b>174.9</b>
<b>Midwest Revitalisation</b>							
Midwest Investment Plan (Operating)	-	40.0	20.0	50.0	70.0	70.0	210.0
Midwest Investment Plan (Asset Investment)	-	-	10.0	-	-	-	10.0
Midwest Unit	-	0.8	0.8	0.8	0.8	0.8	3.0
Midwest Solar Farm - Midwest initiative	5.0	5.0	5.0	-	-	-	10.0
<b>Midwest Revitalisation Subtotal</b>	<b>5.0</b>	<b>45.8</b>	<b>35.8</b>	<b>50.8</b>	<b>70.8</b>	<b>70.8</b>	<b>233.0</b>
<b>Southern Inland Health Initiative</b>							
District Medical Workforce Investment Program	-	28.9	28.9	41.3	55.2	57.4	182.9
District Hospital Investment Program (Operating)	-	6.2	6.2	6.4	6.7	6.9	26.1
District Hospital Investment Program (Asset Investment)	-	0.6	0.1	12.9	49.8	57.9	120.8
Primary Health Centres Demonstration Program	-	1.3	0.3	14.1	17.5	11.4	43.4
Small Hospital and Nursing Post Refurbishment Program	-	0.5	0.1	12.3	63.6	32.1	108.1
Telehealth Investment Program (Operating)	-	7.3	7.3	7.6	7.9	8.2	31.0
Telehealth Investment Program (Asset Investment)	-	2.7	0.7	2.7	2.0	-	5.5
Residential Aged and Dementia Care Investment Program	-	1.0	0.2	5.0	12.0	2.8	20.0
<b>Southern Inland Health Initiative Subtotal</b>	<b>-</b>	<b>48.5</b>	<b>43.8</b>	<b>102.3</b>	<b>214.7</b>	<b>176.8</b>	<b>537.7</b>

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.

## ROYALTIES FOR REGIONS EXPENDITURE

Table 6.1 (cont.)

INITIATIVE	2010-11 Actual \$m	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2012-13 Mid-Year Revision \$m	2013-14 Mid-Year Revision \$m	2014-15 Mid-Year Revision \$m	Total Five Years \$m
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (Cont.)</b>							
<b>Regional Skills and Training</b>							
Skills Training Initiative (Operating)	-	30.5	30.5	2.5	-	-	33.0
Skills Training Initiative (Asset Investment)	-	9.7	9.7	22.9	22.5	22.5	77.6
Regional Work Camp Enhancement Program (Operating)	-	1.4	1.4	4.4	4.4	-	10.2
Regional Work Camp Enhancement Program (Asset Investment)	-	12.2	12.2	3.0	-	-	15.2
<b>Regional Skills and Training Subtotal</b>	<b>-</b>	<b>53.8</b>	<b>53.8</b>	<b>32.8</b>	<b>26.9</b>	<b>22.5</b>	<b>136.0</b>
<b>Portlink Inland Freight Corridor</b>							
Portlink Inland Freight Corridor Planning	-	5.0	1.2	3.8	-	-	5.0
<b>Portlink Inland Freight Corridor Subtotal</b>	<b>-</b>	<b>5.0</b>	<b>1.2</b>	<b>3.8</b>	<b>-</b>	<b>-</b>	<b>5.0</b>
<b>Regional Health Infrastructure</b>							
Kalgoorlie Hospital	4.3	9.1	11.5	-	-	-	15.8
Albany Hospital	20.3	20.3	20.3	20.3	-	-	60.9
Esperance Hospital	-	8.0	0.4	5.5	12.9	-	18.8
Busselton Hospital	-	4.0	5.3	26.0	9.2	-	40.5
<b>Regional Health Infrastructure Subtotal</b>	<b>24.6</b>	<b>41.4</b>	<b>37.5</b>	<b>51.8</b>	<b>22.1</b>	<b>-</b>	<b>136.0</b>
<b>Regional Development - Water and NRM Initiatives</b>							
Regional Development Water and NRM Initiatives	-	22.8	22.8	17.7	16.5	21.2	78.2
<b>Regional Development - Water and NRM Initiatives Subtotal</b>	<b>-</b>	<b>22.8</b>	<b>22.8</b>	<b>17.7</b>	<b>16.5</b>	<b>21.2</b>	<b>78.2</b>
<b>Regional Centres Development Plan (SuperTowns)</b>							
SuperTowns Development Project Fund (Operating)	-	5.5	8.0	-	-	-	8.0
SuperTowns Development Project Fund (Asset Investment)	-	80.0	77.5	-	-	-	77.5
<b>Regional Centres Development Plan (SuperTowns) Subtotal</b>	<b>-</b>	<b>85.5</b>	<b>85.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85.5</b>

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.

Table 6.1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15	Total Five Years \$m
	Actual \$m	Budget Estimate \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	Mid-Year Revision \$m	
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (Cont.)</b>							
<b>Regional Infrastructure Projects</b>							
Regional Mobile Communications Project	(b)	8.0	8.2	20.0	11.8	-	40.0
Regional Communications (Operating)	(b)	-	0.6	-	-	-	0.6
Community Safety Network (Operating)	-	2.4	2.6	3.2	3.9	4.5	14.2
Community Safety Network (Asset Investment)	6.7	42.1	36.1	37.5	-	-	80.3
Housing for Workers	59.5	127.5	134.0	100.0	48.1	55.5	397.0
NGO Housing	-	-	35.0	-	-	-	35.0
Headworks Rebate	6.1	-	-	-	-	-	6.1
Recreational Boating Facilities Scheme (Operating)	-	-	1.8	-	-	-	1.8
Recreational Boating Facilities Scheme (Asset Investment)	1.7	8.3	1.5	5.0	5.0	5.0	18.2
Regional Airport Development Scheme	2.7	8.1	8.6	5.0	5.0	-	21.3
Conservation Parks Infrastructure and Roads	2.3	7.5	5.0	7.7	5.0	-	20.0
Bunbury to Albany Gas Pipeline Pre-Feasibility Pilbara / Gascoyne	(b) 0.2	9.8 -	2.0 -	1.5 -	16.5 -	- -	20.0 0.2
Rushton Park	0.1	-	-	-	-	-	0.1
Living Lakes (Feasibility and Planning)	(b)	1.4	0.4	1.2	-	-	1.6
Regional Schools Plan - Esperance Primary School	-	7.0	7.0	3.0	-	-	10.0
Regional Schools Plan - Derby District High School	-	7.0	7.0	5.0	3.0	-	15.0
Regional Schools Plan - Broome Senior High School	-	5.0	5.0	3.0	2.0	-	10.0
Regional Schools Plan - Carnarvon Senior High School	-	-	-	2.0	5.0	-	7.0
Regional Schools Plan - Hedland Senior High School	-	6.0	6.0	-	-	-	6.0
Regional Schools Plan - Karratha Senior High School	-	9.5	9.5	-	-	-	9.5
Regional Schools Plan - Pinjarra Senior High School	-	3.0	3.0	4.0	-	-	7.0
Regional Schools Plan - Collie Senior High School	-	-	-	1.0	2.0	-	3.0
Regional Schools Plan - Merredin Senior High School	5.0	1.0	1.0	-	-	-	6.0
Regional Schools Plan - Northam Senior High School	-	1.0	1.0	1.0	8.0	-	10.0
Regional Schools Plan - Narrogin Senior High School	-	1.0	1.0	2.0	4.0	-	7.0
Regional Schools Plan - Katanning Senior High School	-	-	-	1.0	1.0	-	2.0
Regional Schools Plan - Denmark Senior High School	-	4.0	4.0	3.0	-	-	7.0
Regional Schools Plan - Administration Cost	-	0.3	0.4	0.3	0.3	-	1.0
Regional Residential Colleges Upgrade	1.9	19.4	20.0	20.0	10.0	-	51.9
Collie Desalination Plant (Operating)	-	-	0.5	-	-	-	0.5
Collie Desalination Plant (Asset Investment)	-	4.5	-	4.7	-	-	4.7
<b>Regional Infrastructure Projects Subtotal</b>	<b>86.2</b>	<b>283.7</b>	<b>301.1</b>	<b>231.1</b>	<b>130.6</b>	<b>65.0</b>	<b>814.1</b>

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.

## ROYALTIES FOR REGIONS EXPENDITURE

Table 6.1 (cont.)

INITIATIVE	2010-11 Actual \$m	2011-12 Budget Estimate \$m	2011-12 Mid-Year Revision \$m	2012-13 Mid-Year Revision \$m	2013-14 Mid-Year Revision \$m	2014-15 Mid-Year Revision \$m	Total Five Years \$m
<b>REGIONAL INFRASTRUCTURE AND HEADWORKS FUND (Cont.)</b>							
<b>Regional Capital Works Initiative</b>							
Regional Capital Works Initiative (Operating)	9.4	-	-	-	-	-	9.4
Regional Capital Works Initiative (Asset Investment)	-	20.0	18.0	55.3	44.1	40.0	157.4
<b>Regional Capital Works Initiative Subtotal</b>	<b>9.4</b>	<b>20.0</b>	<b>18.0</b>	<b>55.3</b>	<b>44.1</b>	<b>40.0</b>	<b>166.8</b>
<b>TOTAL - REGIONAL INFRASTRUCTURE AND HEADWORKS FUND</b>	<b>332.5</b>	<b>969.9</b>	<b>1,013.0</b>	<b>962.7</b>	<b>921.1</b>	<b>545.0</b>	<b>3,774.4</b>
<b>NEW REGIONAL AND STATEWIDE INITIATIVES</b>							
New Regional and Statewide Initiatives (Operating)	-	53.7	24.4	21.9	22.8	89.0	158.1
New Regional and Statewide Initiatives (Asset Investment)	-	27.9	0.3	2.5	1.1	-	3.9
Administering the Royalties for Regions Fund	7.2	14.2	10.7	11.1	11.5	11.9	52.4
<b>TOTAL - NEW REGIONAL AND STATEWIDE INITIATIVES</b>	<b>7.2</b>	<b>95.8</b>	<b>35.4</b>	<b>35.5</b>	<b>35.4</b>	<b>100.9</b>	<b>214.5</b>
Revised royalty estimates	-	-	-	-87.7	-59.0	-37.2	-183.9
<b>TOTAL - ROYALTIES FOR REGIONS FUND</b>	<b>524.7</b>	<b>1,493.2</b>	<b>1,496.3</b>	<b>1,298.0</b>	<b>1,280.1</b>	<b>930.7</b>	<b>5,529.8</b>

(a) Ongoing funding for the Foodbank, Better Beginnings, 'Orange' school bus initiative, Exploration Incentive Scheme and Clontarf Colleges programs will be subject to review in 2012-13.

(b) Amount less than \$50,000.

Note: Columns/rows may not add due to rounding.

Source: Department of Regional Development and Lands.





