



2002-03

**GOVERNMENT MID-YEAR FINANCIAL
PROJECTIONS STATEMENT**

DECEMBER 2002

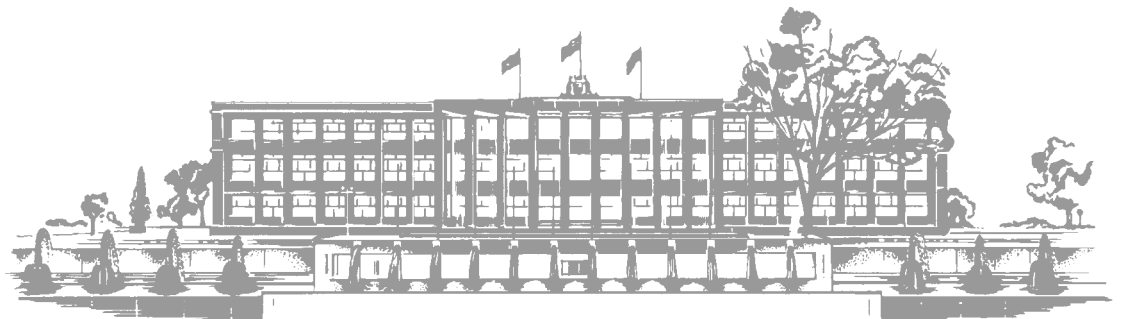




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2002-03 GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT

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Foreword

This *Government Mid-year Financial Projections Statement* (Mid-year Review) outlines developments in the State's financial position and outlook since the 2002-03 State Budget, which was brought down on 16 May 2002. It was 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 the Mid-year Review cut-off date of 9 December 2002.

The financial projections are influenced by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were finalised on 9 December 2002.

The projections comply with the Australian Bureau of Statistics' government finance statistics (GFS) standards.

Financial data for 2001-02 included in this publication (for comparative purposes) are consistent with data published in the *Government Financial Results Report* for 2001-02 released on 25 September 2002.



J L Langoulant

UNDER TREASURER

20 December 2002

CHAPTER 1

Financial Projections

Overview

There have been a number of policy decisions and changes to financial and economic parameters that have influenced the financial outlook since the 2002-03 Budget.

The overall impact of these developments on government finances has been to reduce the projected operating surplus of the general government sector to \$52.9 million in 2002-03, down from the \$119.1 million surplus estimated in the 2002-03 Budget. Relative to the Budget estimates, projected revenue in 2002-03 has increased by \$181.8 million, while projected expenses have increased by \$248.0 million.

The projected operating surpluses in the outyears are also lower than forecast in the 2002-03 Budget (see Figure 1), with relatively modest revenue increases since budget offset by larger rises in expenses.

These lower operating surpluses notwithstanding, net debt as a share of revenue (for the total non-financial public sector) is expected to be significantly lower in 2002-03 than projected at budget. This reflects the much lower than expected net debt outcome for 2001-02 reported in the *Government Financial Results Report* and the upward revisions to revenue since budget. These factors more than offset the impact of capital investment decisions made since the 2002-03 Budget.

Net worth of the total public sector is projected to rise to \$35.6 billion at 30 June 2003 (up from \$33.4 billion projected at budget-time), largely due to an upward revaluation of the State's road network, as well as an increase in the acquisition of fixed assets (including land, buildings, plant and equipment).

Figure 1

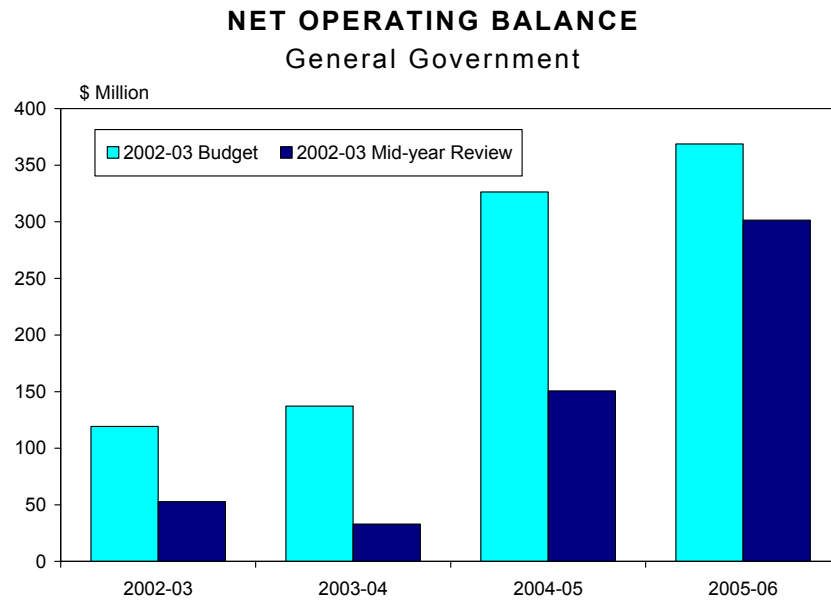


Table 1

PUBLIC SECTOR FINANCES

Summary

	2001-02 Actual \$m	2002-03 Budget Estimate \$m	2002-03 Mid-Year Revision \$m	2003-04 Forward Estimate \$m	2004-05 Forward Estimate \$m	2005-06 Forward Estimate \$m
<u>GENERAL GOVERNMENT</u>						
Revenue	11,021.9	11,163.5	11,345.3	11,479.2	11,901.4	12,323.7
Expenses	10,812.9	11,044.4	11,292.4	11,446.1	11,750.8	12,022.3
Net Operating Balance	208.9	119.1	52.9	33.1	150.6	301.4
<u>TOTAL PUBLIC SECTOR</u>						
Net Debt	4,530.2	5,857.3	5,393.1	6,007.4	6,438.2	6,488.7
Net Worth	35,218.2	33,361.2	35,618.1	36,020.6	36,687.9	37,466.2

The major factors affecting the general government operating balance since budget are summarised in Table 2. Policy decisions affecting expenses are discussed in detail in Appendix 3: *Policy Decisions Affecting Expenses*. Other factors are explained in the remainder of this chapter.

**SUMMARY OF GENERAL GOVERNMENT
REVENUE AND EXPENSE VARIATIONS
SINCE THE 2002-03 BUDGET**

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
2002-03 BUDGET NET OPERATING BALANCE	119.1	137.2	326.3	368.7
REVENUE				
<i>Policy Decisions</i>				
Extension of water restrictions	-	-26.3	-	-
Provision for the Review of State Business Taxes	-0.2	-4.3	-24.4	-25.2
Other	-4.3	5.3	8.1	10.1
<i>Total Policy</i>	<i>-4.5</i>	<i>-25.3</i>	<i>-16.3</i>	<i>-15.1</i>
<i>Parameter</i>				
Taxation	-9.3	-9.3	-7.4	0.2
Commonwealth grants:				
- North West Shelf royalties	105.4	70.5	27.5	55.5
- GST revenue grants	-0.1	-0.8	-47.3	-33.8
- non-government schools grants	16.7	23.2	28.7	62.7
- other	87.7	-31.8	0.1	-7.4
Mining royalties	17.2	17.0	46.6	67.9
Agency sales of goods and services	-5.8	45.0	36.8	41.9
Interest revenue	-5.1	-10.5	-6.4	-2.5
Revenue from public corporations	-8.1	-31.1	-26.1	-29.9
Other	-12.4	-7.7	-27.5	-8.7
<i>Total Parameter</i>	<i>186.3</i>	<i>64.5</i>	<i>25.0</i>	<i>145.9</i>
TOTAL REVENUE	181.8	39.2	8.7	130.8
EXPENSES				
<i>Policy Decisions</i> ^(a)	<i>35.5</i>	<i>45.7</i>	<i>42.8</i>	<i>41.1</i>
<i>Parameter</i>				
Non-government schools grants on-passed	16.7	23.2	28.7	62.7
Depreciation	84.6	73.0	64.3	51.5
Other	111.2	1.4	48.6	42.8
<i>Total Parameter</i>	<i>212.5</i>	<i>97.6</i>	<i>141.6</i>	<i>157.0</i>
TOTAL EXPENSES	248.0	143.3	184.4	198.1
TOTAL VARIANCE	-66.2	-104.1	-175.8	-67.3
REVISED NET OPERATING BALANCE	52.9	33.1	150.6	301.4

(a) Breakdown by agency and decision provided in Appendix 3: *Policy Decisions Affecting Expenses*.

General Government

Operating Statement

The general government operating surplus for 2002-03 has been revised down from \$119.1 million estimated in the 2002-03 Budget to \$52.9 million. Both revenue and expenses have increased since budget, with the rise in expenses more than offsetting the increased revenue.

Table 3

GENERAL GOVERNMENT					
Operating Statement					
	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual ^(a)	Estimate	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate
			\$m	\$m	\$m
MID-YEAR REVIEW					
Revenue	11,021.9	11,345.3	11,479.2	11,901.4	12,323.7
Expenses	10,812.9	11,292.4	11,446.1	11,750.8	12,022.3
Net Operating Balance	208.9	52.9	33.1	150.6	301.4
2002-03 BUDGET					
Revenue	11,021.9	11,163.5	11,440.0	11,892.7	12,192.9
Expenses	10,812.9	11,044.4	11,302.8	11,566.4	11,824.3
Net Operating Balance	208.9	119.1	137.2	326.3	368.7
VARIANCE					
Revenue	-	181.8	39.2	8.7	130.8
Expenses	-	248.0	143.3	184.4	198.1
Net Operating Balance	-	-66.2	-104.1	-175.8	-67.3

(a) 2001-02 figures are consistent with the 2001-02 Government Financial Results Report, released 25 September 2002.

Note: Columns may not add due to rounding.

Revenue

General government sector revenue is estimated to rise to \$11,345.3 million in 2002-03, \$181.8 million or 1.6% higher than estimated in the 2002-03 Budget. The higher than budgeted revenue primarily reflects an estimated \$195.7 million increase in revenue from current grants and subsidies (mainly North West Shelf petroleum royalties, which are received as a grant from the Commonwealth). For the other components of revenue, there are only modest changes to the 2002-03 estimates since budget-time.

- Taxation revenue in 2002-03 is \$14.6 million lower than budget, largely due to:
 - a \$30.1 million downwards revision to payroll tax as a result of lower than expected collections to date;

2002-03 Government Mid-year Financial Projections Statement

- increased revenue of \$8.6 million from the HIH levy on workers' compensation premiums; and
- a \$5.0 million upward revision to stamp duty on motor vehicle license transfers, reflecting higher than expected collections to date.
- As previously noted, current grants and subsidies (Commonwealth grants) are up \$195.7 million in 2002-03 relative to budget, reflecting:
 - higher North West Shelf petroleum royalties (which are collected by the Commonwealth and passed to the State as a grant). These are up \$105.4 million due to a rise in the world price of oil and higher than previously forecast petroleum output;
 - the Department of Health successfully pursuing \$61.0 million in available funding from the Commonwealth Department of Veterans' Affairs; and
 - higher grants for non-government schools (up \$16.7 million) due to changes by the Commonwealth for the Social Economic Status funding criteria combined with the effect of indexed increases in the Average Government Schools Recurrent Cost rate.
- Tax equivalent regime (TER) and dividend revenue in 2002-03 is down \$8.1 million since budget-time. This is predominantly related to revenue from the Water Corporation, with water restrictions and higher running costs impacting upon profitability.
- Royalty income (excluding North West Shelf petroleum royalties which, as noted above, are classified as a Commonwealth grant) is up \$17.2 million in 2002-03 relative to budget. This reflects a higher than anticipated price for oil (for on-shore petroleum royalties) and increased diamond royalties.

Total operating revenue has been revised up by a modest \$39.2 million in 2003-04 and \$8.7 million in 2004-05, with a larger increase in 2005-06 (\$130.8 million). The general pattern across the forward estimates period is one of upward revisions to mining royalties and North West Shelf petroleum royalties (primarily due to revised estimates of petroleum production), partially offset by downward revisions to taxation revenue (reflecting lower than expected payroll tax collections and a provision for the Review of State Business Taxes) and revenue from public corporations (particularly the Water Corporation, largely reflecting the continuation of water restrictions).

Expenses

Total operating expenses of the general government sector are estimated to be \$11,292.4 million in 2002-03. This is \$248.0 million or 2.2% higher than the 2002-03 Budget estimate, with post-budget policy decisions accounting for \$35.5 million of the increase (these policy decisions are outlined in Appendix 3: *Policy Decisions Affecting Expenses*).

While estimated expenses in 2002-03 have been revised up since budget, a large component of the increase is matched by offsetting revenue (for example, \$61.0 million in extra Health funding from the Commonwealth Department of Veterans' Affairs, and \$16.7 million in increased non-government schools grants). There has also been a large "carryover" of expenses from 2001-02 to 2002-03, reflecting various timing issues across a wide range of agency activities.

Across the broad operating statement expense aggregates, the increase in expenses in 2002-03 is mainly attributable to:

- higher than projected salaries (up \$63.1 million), largely reflecting rises in the health sector (with increased nursing costs resulting from various Industrial Relations Commission decisions, the addition of hospital beds over winter and the Bali tragedy);
- an \$84.6 million upward revision to depreciation, primarily reflecting a substantial upward revaluation of the State's road network at the end of 2001-02 (adding \$38.6 million to depreciation in 2002-03) and a reclassification of expenses related to the State's car fleet from "other" gross operating expenses to depreciation; and
- "other" gross operating expenses being revised up by \$87.1 million. This includes higher expenses across the health sector associated with increased costs in medical technologies and patient diagnostic services, and an upward revision to building maintenance expenses of the Department of Housing and Works.

Expenses across the outyears have also been revised up since budget, by around \$140 million to \$200 million per year, primarily reflecting increased depreciation (largely due to the upward revaluation of the State's road network referred to earlier), policy decisions taken after the 2002-03 Budget cut-off date (see Appendix 3: *Policy Decisions Affecting Expenses*) and the on-passing of increased non-government schools grants from the Commonwealth.

Balance Sheet

The general government sector balance sheet estimates are expected to remain in a sound position, as illustrated in the following table.

Table 4

GENERAL GOVERNMENT					
Balance Sheet at 30 June					
	2002	2003	2004	2005	2006
	Actual ^(a)	Estimate	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate
			\$m	\$m	\$m
MID-YEAR REVIEW					
Assets	45,086.0	45,657.9	46,310.6	47,055.2	47,849.0
Liabilities	9,871.3	10,036.2	10,286.8	10,363.5	10,379.1
Net Worth	35,214.7	35,621.6	36,023.8	36,691.7	37,469.9
2002-03 BUDGET					
Assets	45,086.0	43,406.3	44,291.4	44,998.9	45,883.4
Liabilities	9,871.3	10,045.1	10,255.1	10,125.0	10,092.8
Net Worth	35,214.7	33,361.2	34,036.3	34,874.0	35,790.5
VARIANCE					
Assets	-	2,251.6	2,019.2	2,056.3	1,965.6
Liabilities	-	-8.9	31.7	238.6	286.3
Net Worth	-	2,260.5	1,987.5	1,817.7	1,679.3

(a) 2001-02 figures are consistent with the 2001-02 Government Financial Results Report, released 25 September 2002.

Note: Columns may not add due to rounding.

The general government sector's net worth (ie. net assets, after liabilities have been subtracted from total assets) is expected to be \$35.6 billion at 30 June 2003. This is \$2.3 billion higher than projected at budget-time, reflecting an increase in the sector's holdings of fixed assets such as land and buildings, as well as an upward revaluation of the State's road network, which occurred in the 2001-02 outturn.

Total assets are projected to rise to \$45.7 billion by 30 June 2003, up \$0.6 billion on the previous year. This is \$2.3 billion higher than estimated at budget-time, largely due to the revaluation in 2001-02 as discussed above. Excluding revaluations, the projected increase in the estimated value of assets relative to budget is largely attributable to increases in land and fixed assets holdings as a result of capital works spending.

Partially offsetting these increases is a decrease in cash and investments as cash resources held at the end of 2001-02 are utilised, particularly for capital purposes.

Liabilities are expected to increase to \$10.0 billion at 30 June 2003, up \$164.9 million from the previous year, largely reflecting increasing gross debt liabilities replacing lower internally generated funds from operating activities.

Details on net debt are discussed later in this chapter.

Cash Flow Statement

Net cash held in the general government sector is estimated to decrease by \$146.0 million in 2002-03, compared with an estimated increase of \$42.3 million in the 2002-03 Budget.

Table 5

GENERAL GOVERNMENT					
Net Cash Flow Statement					
	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual ^(a)	Estimate	Forward	Forward	Forward
	\$m	\$m	\$m	\$m	\$m
MID-YEAR REVIEW					
From Operating Activities	759.6	571.1	526.4	562.0	834.6
From Investing Activities	-864.6	-901.4	-772.5	-700.6	-682.5
From Financing Activities	-127.2	184.3	238.4	168.2	31.2
Net Increase in Cash Held	-232.3	-146.0	-7.7	29.6	183.3
GFS Cash Surplus	-0.7	-263.9	-158.2	-123.8	161.9
2002-03 BUDGET					
From Operating Activities	759.6	666.9	636.1	727.8	896.6
From Investing Activities	-864.6	-830.1	-763.7	-668.0	-656.0
From Financing Activities	-127.2	205.5	124.1	-27.3	-50.5
Net Increase in Cash Held	-232.3	42.3	-3.5	32.4	190.0
GFS Cash Surplus	-0.7	-95.2	-55.8	54.9	239.7
VARIATION					
From Operating Activities	-	-95.8	-109.6	-165.8	-61.9
From Investing Activities	-	-71.3	-8.8	-32.6	-26.5
From Financing Activities	-	-21.2	114.2	195.6	81.6
Net Increase in Cash Held	-	-188.3	-4.2	-2.8	-6.8
GFS Cash Surplus	-	-168.7	-102.4	-178.7	-77.7

(a) 2001-02 figures are consistent with the 2001-02 Government Financial Results Report, released 25 September 2002.

Note: Columns may not add due to rounding.

The general government sector cash deficit is estimated to be \$263.9 million in 2002-03. This compares with the 2002-03 Budget estimate of a \$95.2 million cash deficit, and reflects lower net cash flows from operating activities and increased investment in non-financial assets. Nonetheless, net cash flows from operating activities (ie. current operations) are expected to remain in surplus in 2002-03 and throughout the forward estimates period.

In 2002-03, net cash flows from operating activities are estimated to be \$95.8 million lower than at budget, with lower receipts (down \$3.0 million) and higher payments (up \$92.8 million) contributing to this variation. These movements in receipts and payments differ from their counterparts on the operating statement due to the timing of cash transactions. For example, the 2002-03 Budget included stamp duty revenue associated with a stamp duty assessment issued to Westralia Airports Corporation in 2001-02, with the cash receipt estimated to be received in 2002-03. However, the Commissioner of State Revenue's decision to cancel the assessment lowered revenue in 2001-02 and cash receipts in 2002-03.

Investment in non-financial assets (ie. the acquisition of fixed assets or capital spending) has been revised to \$834.9 million in 2002-03, up \$72.8 million from budget. This increase is dominated by the catch-up effect from the delayed capital investment that was originally budgeted to take place in 2001-02. Across the outyears, capital spending is forecast to be marginally higher than estimated at budget, reflecting a number of policy decisions such as the Government's response to the Gordon Inquiry (included in this response is additional capital spending for the construction of three police stations per annum for three years commencing in 2003-04).

Total Public Sector

Summary

The total public sector represents the consolidation of the general government, public non-financial corporations (PNFC) and public financial corporations (PFC) sectors.

Net Operating Balance

Consistent with the 2002-03 Budget projections, the total public sector is expected to record net operating surpluses in each of the forward estimate years.

An operating surplus of \$237.4 million is expected in 2002-03, compared with the 2002-03 Budget estimate of \$423.2 million. This result is underpinned by surpluses in all three sectors of government, and reflects a decrease of \$239.2 million in revenue, partially offset by a \$53.4 million reduction in expenses, since budget.

Aside from the general government sector movements described earlier in this chapter, the recent merger of the Grain Pool of Western Australia with Cooperative Bulk Handling to form a new, private sector entity has removed around \$370 million in both revenue and expenses from the public non-financial corporations sector in 2002-03 compared to budget.

Balance Sheet

Under GFS standards, the net worth of the general government sector includes the net worth of the PNFCs and PFCs as an equity asset. Hence, the total public sector's net worth is identical to that of the general government sector (discussed above).

Cash Flow Statement

Cash held by the total public sector is expected to fall by \$31.7 million in 2002-03, while the total public sector cash deficit for 2002-03 is estimated to be \$906.9 million (compared with \$534.9 million at budget-time).

The \$372.0 million deterioration in the cash deficit in 2002-03 follows a \$518.7 million improvement in 2001-02, which was largely affected by delays in capital spending. This capital spending is estimated to take place within the forward estimates period, along with new capital projects approved since budget (such as the Geraldton Port Enhancement Project).

Net Debt

The following table shows a breakdown of Western Australia's net debt levels by sector and components. Overall, total public sector net debt is estimated to be \$5.4 billion at 30 June 2003. This is \$464.2 million lower than projected at budget-time and has ongoing implications for debt servicing costs.

This favourable downward movement in net debt levels is in part a reflection of lower spending and higher revenue in 2001-02. Partially offsetting this improvement in 2002-03 is the lower projected outcome for operating surpluses across all sectors of government, and extensions to the Capital Works Program for significant projects such as the Geraldton Port Enhancement Project.

Table 6

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2002 Actual \$m	2003 Budget Estimate \$m	2003 Mid-Year Revision \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m	2006 Forward Estimate \$m
GENERAL GOVERNMENT						
Gross Debt ^(a)	3,023.8	3,255.4	3,263.2	3,516.3	3,689.7	3,738.9
Cash, Deposits and Lending ^(b)	2,492.9	2,003.6	2,398.3	2,308.4	2,310.4	2,465.1
Net Debt	530.9	1,251.8	864.9	1,207.9	1,379.3	1,273.8
PUBLIC NON-FINANCIAL CORPORATIONS						
Gross Debt ^(a)	6,278.1	6,803.9	6,746.0	7,092.1	7,427.2	7,716.6
Cash, Deposits and Lending ^(b)	1,665.4	1,467.1	1,559.7	1,574.9	1,592.9	1,665.4
Net Debt	4,612.6	5,336.8	5,186.3	5,517.2	5,834.4	6,051.2
TOTAL NON-FINANCIAL PUBLIC SECTOR						
Gross Debt ^(a)	8,534.1	9,388.0	9,314.4	9,916.1	10,430.4	10,762.8
Cash, Deposits and Lending ^(b)	3,390.6	2,799.4	3,263.2	3,191.0	3,216.7	3,437.7
Net Debt	5,143.5	6,588.6	6,051.2	6,725.1	7,213.7	7,325.0
PUBLIC FINANCIAL CORPORATIONS						
Gross Debt ^(a)	12,108.1	14,009.3	13,179.8	14,361.7	14,641.7	14,874.8
Cash, Deposits and Lending ^(b)	12,721.4	14,740.6	13,837.9	15,079.4	15,417.2	15,711.1
Net Debt	-613.3	-731.3	-658.1	-717.7	-775.5	-836.3
TOTAL PUBLIC SECTOR ^(c)						
Gross Debt ^(a)	12,029.8	14,087.9	13,185.8	14,359.7	14,619.3	14,849.6
Cash, Deposits and Lending ^(b)	7,499.6	8,230.7	7,792.7	8,352.3	8,181.1	8,360.9
Net Debt	4,530.2	5,857.3	5,393.1	6,007.4	6,438.2	6,488.7

(a) Includes finance leases, loans and debt securities and derivatives in a net liability position. Excludes superannuation, other employee entitlements, accounts payable and prepayments.

(b) Includes loans and debt securities and derivatives in a net asset position. Excludes accounts receivable, prepayments and equities.

(c) Individual items for the respective sectors may not add to the total public sector. Each sector holds financial assets that are liabilities of the other. These inter-sector holdings eliminate on consolidation.

Note: Columns may not add due to rounding.

Net debt of the PNFCs will continue to account for the majority of total public sector net debt over the medium term. Agencies in this sector largely service debt through normal commercial operations.

Net debt as a share of gross State product (GSP) is expected to be relatively steady over the forward estimates period, remaining below 7.0% across all years.

The net debt to revenue ratio for the total non-financial public sector (one of the Government's financial targets) is discussed in Chapter 2: *Financial Strategy*.

Statement of Risks

The financial projections contained in this publication are based on a number of judgements and assumptions about the state of the Western Australian economy, as well as the Government's finances both now and in the future. Changes in the judgements and/or economic assumptions will impact on the financial outlook. The uncertainty (or risk) associated with the financial projections generally increases as the forecasts extend into the forward estimates period.

In a generic sense, the major risks surrounding the financial projections include:

- economic performance and financial market conditions varying from forecasts;
- changes in government policies (both State and Commonwealth);
- uncertainties concerning the future level of grants from the Commonwealth;
- specific assumptions about expenses and/or revenue not being realised;
- future revaluations of assets and liabilities;
- the realisation of specific financial circumstances which have not been reflected in the projections because of their uncertainty; and
- the realisation of contingent liabilities.

An important step in managing risk is comprehensive identification and timely reporting of financial risks, which allows them to be managed in conjunction with the Government's financial priorities and objectives.

Estimating Assumptions

The major economic parameters upon which the financial projections have been based are detailed in the following table. The major changes since the 2002-03 Budget are a downward revision to forecast GSP growth and a rise in both the \$A/\$US exchange rate and the world price of oil.

Table 7

MAJOR ECONOMIC AGGREGATES

	2002-03 Budget Estimate	2002-03 Mid-Year Revision	2003-04 Forward Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate
Real gross State product ^(a) (%)	3.75	3.0	4.0	4.0	4.0
Real State final demand ^(b) (%)	3.25	4.0	3.0	4.5	4.5
Consumer price index (%)	3.0	2.75	2.5	2.25	2.25
Wages growth ^(c) (%)	3.5	3.5	3.0	3.0	3.0
Employment growth (%)	2.25	2.0	2.25	2.5	2.5
\$A/\$US	0.535	0.56 ^(d)	0.56	0.56	0.56
Oil Price (\$US per barrel)	23.0	25.0 ^(d)	21.0	20.0	20.0

- (a) Gross State product (GSP) is the broadest measure of economic activity at the State level. It is measured as the sum of all final expenditures in an economy in a given period. GSP includes private and public sector consumption and investment and the net result of exports minus imports. Growth in GSP is used in analysing movements in major budget aggregates.
- (b) State final demand (SFD) measures total domestic spending within the State. Nominal SFD is used in forecasting a number of State taxes, including stamp duties.
- (c) This table shows average weekly earnings (AWE) growth (which is used in forecasting payroll tax revenue), rather than the wage cost index measure which is reported in Chapter 3: *The Western Australian Economy*.
- (d) Forecast for remainder of 2002-03.

Parameter Sensitivity of the Revenue Estimates

Estimates of revenue are particularly sensitive to variations in State final demand, wages and employment growth, the \$A/\$US exchange rate, commodity prices (notably oil) and the national consumer price index (CPI). For example:

- the annual payroll tax estimate varies by around \$10 million for each 1.0 percentage point variation in wages and/or employment growth;
- the total annual mining revenue estimate (including North West Shelf petroleum royalties) varies by around \$19 million for each 1.0 cent change in the \$A/\$US exchange rate (an increase in the exchange rate reduces revenue from mining royalties, while a fall in the exchange rate increases royalty revenue);
- the annual petroleum royalty estimate (including North West Shelf petroleum royalties) varies by around \$20 million for each \$US1 variation in the price of a barrel of oil;
- Commonwealth general purpose grants vary by around \$20 million for each 1.0 percentage point variation in the national CPI; and
- revenue from public corporations is sensitive to the business environment of operations of the relevant enterprise.

The future direction of these parameters is difficult to predict due to their volatility, particularly over the past few years. For example, the estimated oil price is now \$US25 per barrel for the remainder of 2002-03, up from \$US23 per barrel estimated in the 2002-03 Budget. This reflects sustained higher prices over the past six months, mostly due to tensions in the Middle East.

Commonwealth Grants

The risks to Commonwealth grants for Specific Purpose Payments (SPPs) and competition payments remain similar to those mentioned in the 2002-03 Budget Papers, as do the risks to Western Australia's share of GST revenue grants and "budget balancing assistance" as recommended by the Commonwealth Grants Commission.

The State is currently receiving budget balancing assistance from the Commonwealth. The level of this assistance is determined according to a methodology agreed between State and Territory Governments and the Commonwealth.¹ It is based on the premise that the assistance will be paid at a level to ensure that the State is "no worse off" under the GST-based national tax changes. It is intended to offset any GST revenue shortfall.

As long as the State requires budget balancing assistance (currently expected up to and including 2003-04 and then again in 2005-06 when all States are due to abolish debits tax), growth in total general purpose grants to the State will depend on parameters such as the national CPI and population growth (which were used to index financial assistance grants under the pre-tax reform arrangements), rather than actual GST collections.

Only slightly lower than currently projected GST revenue growth could result in Western Australia still requiring budget balancing assistance in 2004-05.² The State's GST revenue is projected to exceed the guaranteed minimum amount below which budget balancing assistance is paid by only \$9 million in 2004-05. Alternatively, if GST revenue growth is significantly higher than projected, budget balancing assistance may not be required in 2003-04 or 2005-06 (potentially indicating the first net financial gains to the State from the GST funding arrangements).

Two of the largest SPPs – for health and public housing – expire on 30 June 2003. The outcome of negotiations now underway on the level and flexibility of funding under the new agreements will have significant implications for future State budgets.

¹ Although the Commonwealth made a unilateral change to part of the methodology at the most recent Ministerial Council of Treasurers meeting.

² This could also occur if First Home Owner Grants are higher than forecast. These expenditures form part of the calculation of budget balancing assistance.

Competition payments are conditional on the State satisfying the Commonwealth on progress in implementing National Competition Policy and related reforms. Payments depend on whether the National Competition Council concludes that our obligations have been met and the Commonwealth Treasurer accepts that assessment. The Commonwealth Treasurer has decided that Western Australia will receive the full amount of competition payments for 2002-03. However, the National Competition Council has indicated that if Western Australia fails to progress reforms in a number of areas, including retail trading hours, liquor licensing regulations and potato marketing arrangements, this could lead to reductions in competition payments in the future. Western Australia could also be penalised if it fails to complete its legislation review and reform program by June 2003.

Revenue from Public Corporations

As noted in the 2002-03 Budget Papers, the Water Corporation is currently involved in a legal dispute with the University of Western Australia regarding residential development on land within the buffer of the Subiaco Wastewater Treatment Plant, which was granted to the University by the State.

Subject to the outcome of the action, there may be a financial impact on the Water Corporation, and consequently on the State's finances. At this time, it is not possible to quantify either the likelihood of the Corporation not being successful in its defence, nor the magnitude of any impact should the Corporation's defence fail.

The Government recently endorsed plans for wide ranging reform of Western Australia's electricity market, including the disaggregation of Western Power and the establishment of a wholesale electricity market. As part of the reform agenda the Government approved the reform implementation structure, including the formation of an Electricity Reform Implementation Steering Committee and an initial budget to commence the implementation process (see related policy decision in Appendix 3: *Policy Decisions Affecting Expenses*).

The steering committee will be conducting detailed work on the enhanced market arrangements to accommodate the deregulation arrangements. It will also be assessing the measures necessary to minimise the costs of deregulation.

For the purpose of these Mid-year Review estimates there has been no material change in the projections of tax equivalent and dividend payments from Western Power other than for 2005-06 where there has been a downward revision of Western Power's payments to the Government.

Expenses and Capital Investment

The Government is in the process of introducing the Contaminated Sites Bill, which will assist in identifying contaminated sites across the State. The issues involved in dealing with these sites and their associated costs have not yet been estimated. The Environmental Protection Authority is currently compiling a list of known contaminated sites for consideration during the 2003-04 Budget process.

Depending on the final jarrah sawlog allocation, additional funding could be required for the workers assistance and business exits scheme across the forward estimates. At this stage, it is not possible to quantify these impacts. In addition, there are growing risks that the Commonwealth may not provide its \$15 million contribution for industry assistance as previously committed to under the Regional Forest Agreement.

In addition to these expense risks, there are a number of capital works projects that have been approved by the Government, but due to ongoing contract negotiations and/or other events, the impacts of such projects are not included in the financial projections contained in this publication. Further infrastructure assistance for the Burrup Peninsula and infrastructure requirements for Fremantle Ports to service the HIs melt project are two such projects that are contingent upon formal commitment by third parties.

Contingent Liabilities

Contingent liabilities are costs that the Government of Western Australia will have to meet if a particular event occurs. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims, and constitute an important component of risk around the financial position.

Details of the quantified contingent liabilities of the Treasurer as at 30 June 2002 are provided in the 2001-02 *Treasurer's Annual Statements*, released 26 November 2002.

CHAPTER 2

Financial Strategy

Overview

The Government's financial strategy is expressed as a set of medium term targets, specified each year in the budget papers. The targets used for the 2002-03 Budget were to:

- maintain or increase the net worth of the total public sector;
- achieve accrual operating surpluses for the general government sector;
- retain the State's triple-A credit rating, by ensuring that:
 - the net debt to revenue ratio for the total non-financial public sector remains at or below 45%; and
 - real per capita expenses for the general government sector do not increase; and
- maintain the State's tax competitiveness (as measured by taxation revenue per capita).

On 5 November 2002, the Government released a revised Financial Strategy Statement which formally revised the upper limit of the net debt to revenue target from 45% to 47%. This change was made necessary by the recent merger of the Grain Pool of Western Australia with Cooperative Bulk Handling to form a new, private sector entity.

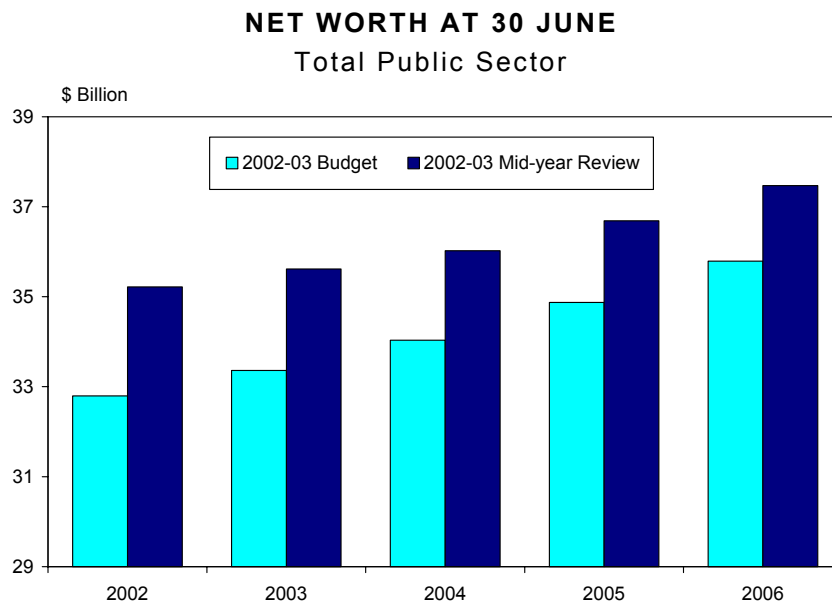
While the merger removed the Grain Pool's revenue from the total non-financial public sector (thus increasing the net debt to revenue ratio for that sector), it has not had any impact on the State's ability to service its debt. The upward revision in the target reflects this structural change, and in no way represents a weakening of the Government's commitment to maintain the State's triple-A credit rating.

The remainder of this chapter outlines the adherence of the revised Mid-year Review financial projections to these financial targets.

Financial Targets

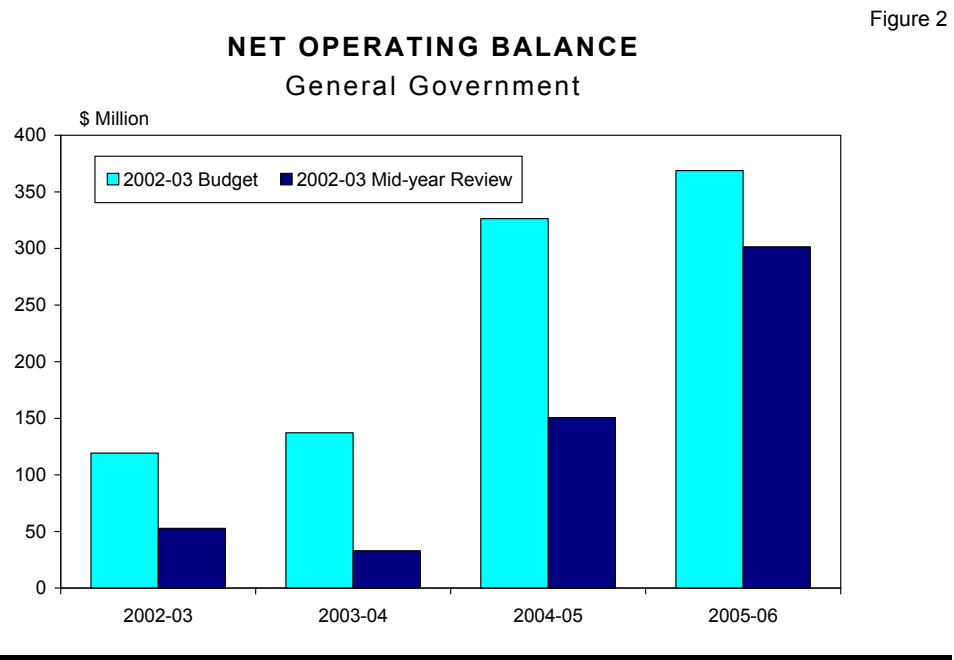
Net Worth: Net worth of the total public sector be maintained or increased

As illustrated in the following chart, this target is projected to be achieved across the forward estimates period. Increases in assets of the total public sector are expected to more than offset the total liabilities growth for each of the forward estimate years, with net worth increasing from \$35.2 billion at 30 June 2002 to an estimated \$37.5 billion by 30 June 2006.



Operating Result: Achieve a net operating surplus for the general government sector

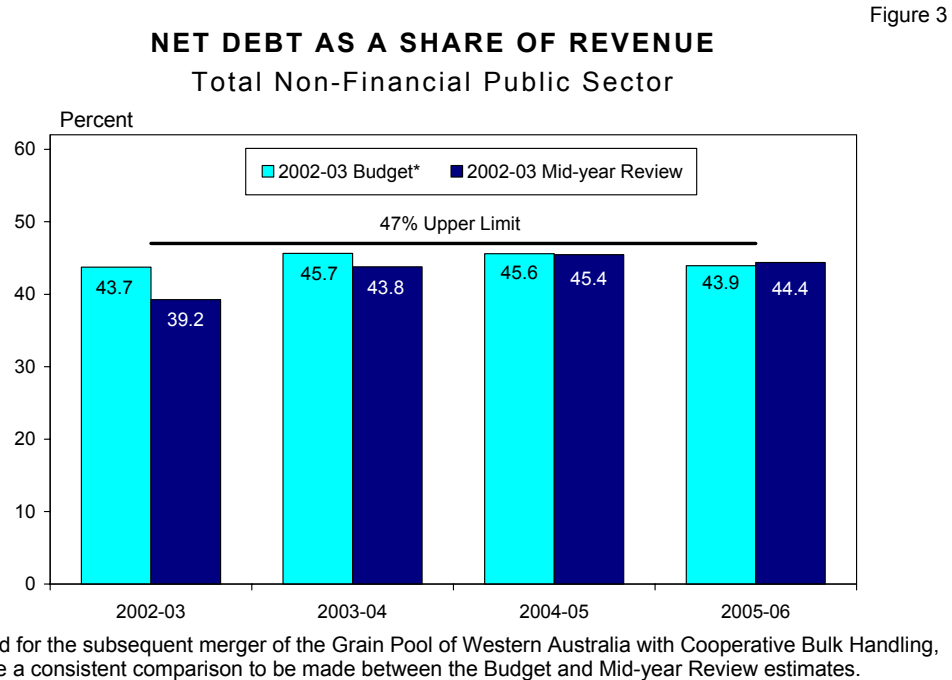
As illustrated in the following chart, this target is expected to be achieved in each year of the forward estimates period, although the projected surpluses are lower than those forecast at budget-time.



The Government remains committed to the achievement of general government operating surpluses, to allow the State’s substantial infrastructure requirements to be funded within sustainable debt levels. In this regard, it should be noted that a major reason for the lower than previously forecast operating surpluses is a significant increase in depreciation expenses (in large part due to a revaluation of the State’s road network). Importantly, non-cash costs such as depreciation do not affect net debt.

Retain Triple-A Credit Rating – Net Debt: Maintain the net debt to revenue ratio for the total non-financial public sector at or below 47%

As previously noted, this revised net debt target was announced on 5 November 2002 in response to the merger of the Grain Pool of Western Australia with Cooperative Bulk Handling on 1 November 2002. The new target is expected to be met in each year of the projection period.



Decisions taken by the Government after the 2002-03 Budget cut-off date, such as the Geraldton Port Enhancement Project, have added to the net debt to revenue ratio. Offsetting this are the upward revisions to revenue since budget, and the much lower than expected net debt outcome for 2001-02 (net debt for the total non-financial public sector ended 2001-02 around \$795 million lower than expected at the time of the 2002-03 Budget).

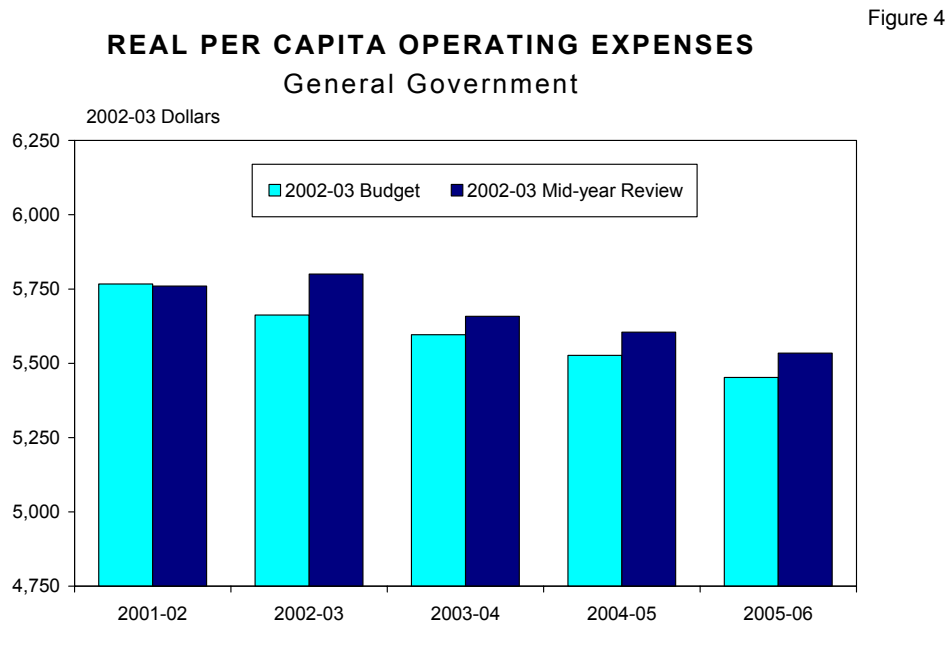
The overall net result is a significant fall in the net debt to revenue ratio in 2002-03 and 2003-04 (compared with the Grain Pool-adjusted budget estimates), with very minor changes in the last two years of the forward estimates period.

Retain Triple-A Credit Rating – Operating Expenses: Real per capita expenses for the general government sector not to increase

This target represents the Government’s desire to limit expense growth. It allows for an increase in expenses up to, but not exceeding, the combined growth in population and inflation³.

This target is met across the forward years. However, in 2002-03, nominal expense growth is currently projected to exceed the combination of growth in population (1.4%) and inflation (2.25%). This reflects timing issues rather than policy decisions. As noted in Chapter 1: *Financial Projections*, a number of expenses that were budgeted to occur in 2001-02 have been carried over by agencies to 2002-03. Had these expenses been incurred in 2001-02, this target would have been met in 2002-03. In addition, some Commonwealth programs funded through the State (eg. non-government schools and First Home Owner Grants) have increased since budget, contributing to expense growth in 2002-03.

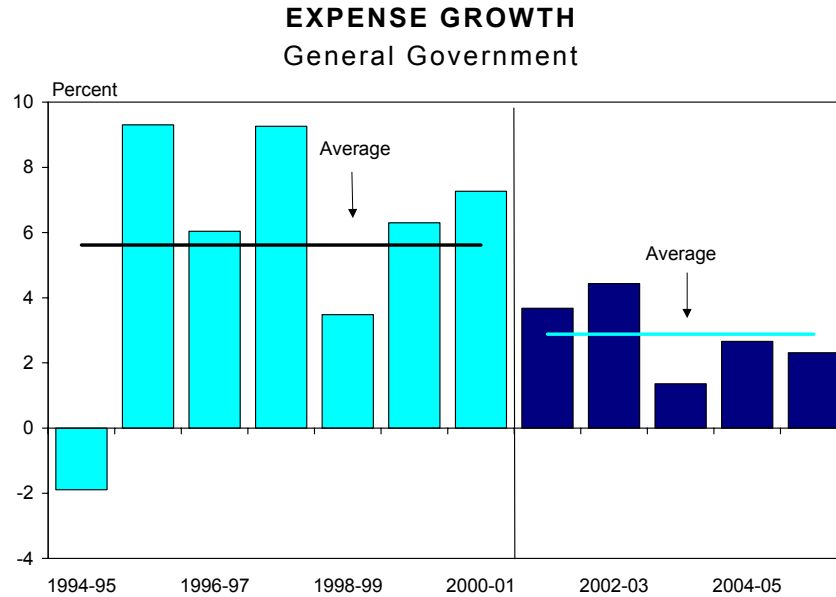
As illustrated in the following chart, the target is projected to be met across the four-year planning period.



³ Inflation as measured by growth in the implicit price deflator (IPD). The IPD is a measure of the total price of Western Australian production (gross State product) and, as such, is the widest measure of prices in the Western Australian economy.

Notwithstanding the increase in expenses since budget-time, annual average expense growth over the period 2001-02 to 2005-06 (2.9%) still compares favourably with average expense growth under the previous Government (5.6% per annum), as illustrated in the following chart.

Figure 5

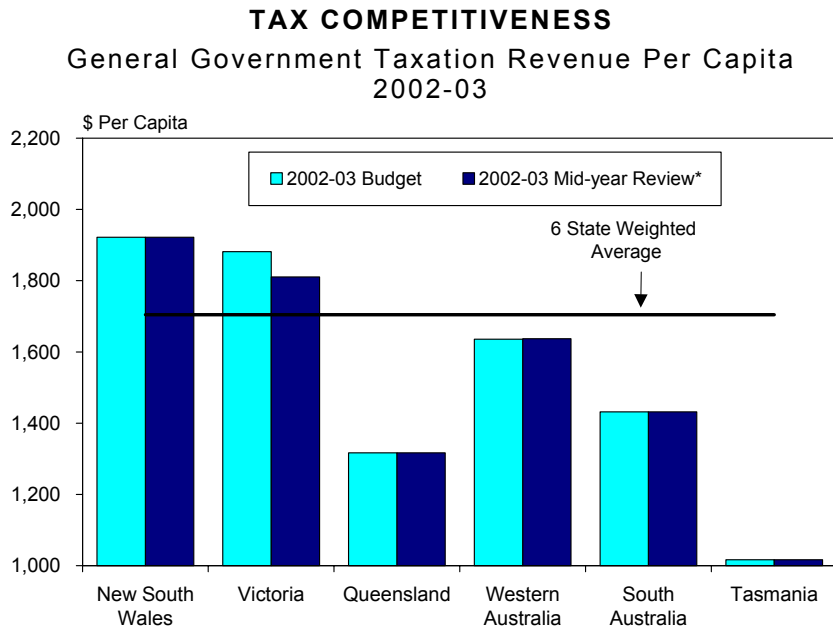


The Government remains firmly committed to restraining growth in operating expenses, and will be closely scrutinising expense growth when framing the 2003-04 Budget, including increases in expenses associated with agency carryovers of unspent resources from one year to the next.

Tax Competitiveness: Maintain Western Australia's tax competitiveness

As illustrated in the following chart, Western Australia's interstate ranking in terms of taxation revenue per capita is expected to remain unchanged in 2002-03 and throughout the forward estimates period, thus meeting this target.

Figure 6



* Data for other States are based on published estimates contained in their 2002-03 Budget Papers, except for Victoria which is based on revised estimates contained in its Pre-Election Budget Update.

CHAPTER 3

The Western Australian Economy

Overview

The Western Australian economy grew by a robust 5.7% in 2001-02, underpinned by strong growth in business and dwelling investment and household spending. Net exports also made a modest contribution to growth.

Growth in activity is expected to ease to 3.0% in 2002-03. This is slightly weaker than forecast at budget time (3.75%), reflecting the impact of the drought on agricultural production. Although, across the State, seasonal conditions are not as bad as in eastern Australia, the drought is likely to have a slightly greater impact in Western Australia than nationally, reflecting the larger share of grain crops in this State's agricultural production. Growth of 3.0% is nevertheless in line with projected growth in activity nationally.

2001-02

Economic growth in 2001-02 was stronger than anticipated in the 2002-03 Budget. Gross State product (GSP) grew by 5.7% in 2001-02, compared with the budget estimate of 4.5%. Growth was buoyed by a substantial recovery in domestic demand, which was largely anticipated at the time of the budget, and a modest (but unexpected) contribution from net exports.

The domestic economy grew by 5.4% in 2001-02 (compared with 6.25% expected in the 2002-03 Budget), driven by the first increase in business investment (13.8%) in four years. The major contributor to the increase was the 4th train expansion of the North West Shelf project, while the now completed West Angelas iron ore mine and the commencement of construction of the new Woodside office tower and the Perth Convention and Exhibition Centre all provided substantial demand.

Dwelling investment also recovered strongly in 2001-02, supported by a combination of low interest rates and the extension to the First Home Owner Grant (FHOG) announced in March 2001. Dwelling investment grew by 14.7% in 2001-02 following a GST-induced decline of 20.1% in 2000-01.

Net exports increased by 1.7% in 2001-02, compared with a 2002-03 Budget forecast of a 4.5% contraction. While export growth was subdued in 2001-02, imports grew by only 1.3%, a very low figure for a year of such strong domestic demand. Growth in imports was significantly weaker than expected because much of the business investment in the mining sector was construction related rather than plant and equipment (with construction activity being supplied locally). Also, much of the growth in private consumption was in categories primarily serviced from domestic sources, such as health, housing related items and hotels, cafes and restaurants.

Outlook

GSP is expected to grow by 3.0% in 2002-03. Despite a stronger than previously anticipated domestic economy, GSP growth has been revised down from 3.75% at budget, primarily as a result of the impact of the drought on agricultural production. In this regard, the Western Australian Department of Agriculture and the Australian Bureau of Agricultural and Resource Economics both predict that Western Australia's 2002-03 grain crop (grains are the main commodity affected by the drought) will be only 60% of its 2001-02 level.

The impact of the drought is expected to have a slightly greater impact on Western Australian economic growth than nationally (although the Commonwealth revised its 2002-03 national growth forecast downward by a similar amount). This is because, although Western Australia's grain crop is not as badly affected by the drought as in eastern Australia, grains account for a greater share of Western Australia's agricultural production, and hence the State's economy, than nationally.

Despite the decline in agricultural output, exports are still projected to grow strongly. This reflects higher than expected production of mineral and petroleum products, and that the impact of the drought on exports will not be fully felt until the second half of 2002-03.

Imports are now forecast to grow by a rapid 20.25% in 2002-03, compared to 9.0% in the 2002-03 Budget. This reflects a compositional change in business investment, with expenditure now expected to move away from construction to relatively import intensive plant and equipment investment.

Weaker net exports will also be partially offset by stronger than previously anticipated growth in domestic activity. This is principally due to an upward revision in the forecast for dwelling investment. Partial indicators of dwelling activity remain strong in the early part of the year. This suggests that, even if the market turns downward later in the year as the impact of the extended FHOG fades, total activity over the year will be greater than in 2001-02.

Table 1

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	Actual		Forecast		
	2001-02 Actual	2002-03 Budget Estimate	2002-03 Mid-year Revision	2003-04 Budget Forecast	2003-04 Mid-year Revision
	%	%	%	%	%
Annual Average Growth					
Private					
Household Consumption	4.1	2.75	3.5	3.75	4.25
Business Investment	13.8	9.5	5.25	4.0	7.75
Dwelling Investment	14.7	-2.75	5.75	2.0	4.25
Public					
Consumption	3.5	2.75	2.25	2.75	2.0
Investment	-11.9	0.75	10.0	-7.5	8.75
STATE FINAL DEMAND^(a)	5.4	3.25	4.0	3.0	4.5
External Sector ^(b)					
Exports	1.6	5.25	6.5	5.5	-0.25
Imports	1.3	9.0	20.25	6.5	11.0
Net Exports	1.7	3.25	1.0	5.0	-5.5
GROSS STATE PRODUCT^(c)	5.7	3.75	3.0	4.0	4.0
Contributions to Growth					
Private					
Household Consumption	2.0	1.5	1.75	2.0	2.0
Business Investment	1.75	1.25	0.75	0.5	1.0
Dwelling Investment	1.0	-0.25	0.5	0.0	0.25
Public					
Consumption	0.5	0.5	0.25	0.5	0.25
Investment	-0.5	0.0	0.25	-0.25	0.25
STATE FINAL DEMAND	4.75	3.0	3.5	2.75	4.0
External Sector					
Exports	0.75	2.0	2.75	2.0	0.0
Imports	-0.25	-1.0	-2.5	-0.75	-1.5
Net Exports	0.5	0.75	0.25	1.25	-1.75
Balancing Item ^(d)	0.45	-	-0.75	-	1.75
GROSS STATE PRODUCT	5.7	3.75	3.0	4.0	4.0

Note: Columns may not add due to rounding.

(a) All components of demand are based on September 2002 State final demand data.

(b) Merchandise exports only. Does not include services.

(c) Based on 2001-02 State Accounts data, which are not consistent with 2001-02 data in the September 2002 State final demand release.

(d) The balancing item includes international services trade, interstate trade, changes in stocks, and a statistical discrepancy. In 2001-02, the balancing item has been adjusted to take account of the differences between the Australian Bureau of Statistics 2001-02 State Accounts data and the 2001-02 data in the September 2002 State final demand release. Contrary to usual practice, the balancing item has been adjusted in the 2002-03 and 2003-04 estimates to account for the timing of the impact of the drought. While production (GSP) will be directly affected in 2002-03, much of the impact on exports will be in 2003-04, and so the balancing item was adjusted to take account of less than normal accumulation of stocks in 2002-03. The balancing item has a positive impact in 2003-04 to reflect higher agricultural production with a return to normal seasonal conditions.

2002-03 Government Mid-year Financial Projections Statement

Economic growth is expected to strengthen in 2003-04 with growth of 4.0% forecast. Business investment growth is now projected to be higher at 7.75%, with projects delayed from 2002-03 now expected to commence in 2003-04, and an expected stronger world economy helping confidence. Offsetting this, net exports are anticipated to fall by 5.5% in 2003-04, mainly due to the impact of reduced agricultural exports over calendar 2003.

Employment growth is expected to strengthen to 2.0% in 2002-03, up from 1.1% in 2001-02, as a result of improved business conditions. The forecast is, however, lower than at budget-time as employers currently appear to be reluctant to hire more staff (particularly full-time staff) because of uncertainty created by the weak world economy and events surrounding the "war on terror". Nevertheless, unemployment should fall by around 0.5 percentage points to 6.0%, helped by slow labour force growth.

Employment is forecast to grow at 2.25% in 2003-04, with the unemployment rate expected to fall a further 0.25 percentage points to 5.75%. Continued job growth in the outyears is expected to cause an upturn in interstate migration (consistent with past experience) and faster population growth which are likely to limit any further fall in the unemployment rate.

Table 2

MAJOR ECONOMIC AGGREGATES

Western Australia

	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual	Mid-year Revision	Forward Estimate	Forward Estimate	Forward Estimate
	%	%	%	%	%
Real Gross State Product	5.7	3.0	4.0	4.0	4.0
Growth	(4.5)	(3.75)	(4.0)	(4.25)	(4.25)
State Final Demand Growth	5.4	4.0	4.5	4.0	4.0
	(6.25)	(3.25)	(3.0)	(3.25)	(3.25)
Employment Growth	1.1	2.0	2.25	2.5	2.5
	(1.0)	(2.25)	(2.5)	(2.5)	(2.5)
Unemployment Rate	6.5	6.0	5.75	6.0	6.0
	(6.75)	(6.5)	(6.25)	(6.25)	(6.25)
Wages Growth ^(a)	3.2	3.0	2.25	2.5	2.5
	(3.25)	(3.25)	(3.25)	(3.25)	(3.25)
Consumer Price Index	2.7	2.75	2.5	2.25	2.25
Growth ^(b)	(3.0)	(3.0)	(2.75)	(2.75)	(2.5)
Implicit Price Deflator Growth	0.3	2.25	2.5	2.25	2.25
	(2.5)	(2.25)	(2.25)	(2.25)	(2.25)

Note: 2002-03 Budget forecasts shown in brackets.

(a) Wage cost index.

(b) Does not include any impact from the tax reform package.

For 2004-05 to 2005-06, forecasts for State Final Demand (SFD) and GSP growth are based on long-term averages. SFD and GSP are forecast to increase by 4.0% in both years.

State Final Demand

Household Consumption

Growth in private consumption is forecast to slow to 3.5% in 2002-03, as the impact of the drought flows through to consumption in the second half of 2002-03. Nevertheless, solid spending on consumer durables, which is closely linked to activity in the housing market, and expectations that interest rates are likely to remain relatively low for some time, should sustain consumer spending at close to the long-run average rate of growth.

Household consumption is expected to strengthen, growing by 4.25% in 2003-04, mainly due to the flow through effects of stronger forecast GSP growth in that year and strengthening employment.

Business Investment

Despite the large number of projects proceeding or mooted in Western Australia, the forecast for business investment growth for 2002-03 has been revised down substantially since budget, from 9.5% to 5.25%. This is a reflection of conditions in the world economy not improving as fast as previously anticipated, the uncertainty created by the “war on terror” and the delay of some investment projects until 2003-04.

As a result of the expected slippage of investment originally intended for 2002-03 into 2003-04, improved prospects for the world economy and greater confidence in the resource sector, the forecast for investment growth in 2003-04 has been revised upward to 7.75% (from 4.0% at budget).

The recent announcement of the North West Shelf consortium’s successful tender for a \$25 billion contract to sell liquefied natural gas to China is very positive news for the future of business investment in Western Australia and is expected to underpin future expenditure in the North West Shelf project.

Dwelling Investment

The dwelling sector is expected to be considerably stronger in 2002-03 than forecast at budget. Dwelling investment is expected to grow by 5.75%, compared with the 2002-03 Budget forecast of a fall of 2.75%.

Strong partial indicators in the early part of 2002-03 indicate that activity in the first part of the year will remain quite buoyant. In particular, building approvals rose by 14.8% in the September quarter 2002, driven by a large 24.9% increase in July. While this might just represent a late rush by first homebuyers to gain access to the extended FHOG before it ended on 30 June 2002, it leaves the industry with a good level of forward work.

While dwelling activity is expected to moderate in the second half of 2002-03, a healthy economy, expectations that interest rates will remain lower for longer, and an expected lift in employment, should provide some impetus to the secondary and tertiary homebuilder market, as well as to alterations and additions.

Dwelling investment growth is forecast to moderate to 4.25% in 2003-04, with the exhaustion of FHOG-related building during the second half of 2002-03 weighing on annual growth in 2003-04. The moderation is likely to be less severe in Western Australia, as this State's building sector has not seen the high levels of activity, particularly in inner-city apartment construction, evident in other States.

Public Activity

Government consumption (i.e. by Federal, State and local governments) is forecast to rise steadily over the forecast period. Public consumption is estimated to increase by 2.25% in 2002-03, with growth moderating to 2.0% in 2003-04.

Public investment is expected to increase by a rapid 10.0% in 2002-03, with investment spending by State government agencies being carried over from 2001-02 into 2002-03. In this regard, public investment fell by 11.9% over 2001-02. The catch-up effect from the delayed expenditure is likely to persist into 2003-04, before public investment growth returns to more moderate levels in the outyears.

Net Exports

Net exports are forecast to grow by 1.0% in 2002-03. The impact of the drought, tepid conditions in the world economy, as well as strong growth in imports (due to robust business investment) are expected to offset an increase in exports from the resource sector.

The drought will continue to impact on activity in 2003-04, with exports projected to fall slightly. Growth in imports should remain solid. Overall, net exports are expected to fall by 5.5%.

Exports

Exports are expected to grow by 6.5% in 2002-03, despite reduced agricultural production as a result of the drought detracting from export growth (by 1.75 percentage points).

Abstracting from commodity price and exchange rate movements, export volumes are projected to grow at a healthy pace, driven by gains early in the year. In the September quarter 2002, exports (in real terms) were 10.4% higher than in the June quarter, underpinned by large increases in exports of iron ore, gold, oil and gas. The strong lift in export volumes appears to be due to new projects coming on line and is consistent with anecdotal evidence that production at some existing projects is being sustained at higher levels than previously anticipated.

The outlook for exports will continue to be affected by economic conditions in the United States and Japan, two of the State's largest markets. China and South Korea, however, continue to grow in importance as export markets for Western Australia. The strong growth experienced by these two countries means that they have been able to compensate, in large part, for the drop off in demand from other major markets. In particular China has been a significant market for the State's iron ore, which has compensated for a decline in demand from Japan.

The drought is expected to continue to affect exports in 2003-04, detracting 1.25 percentage points from export growth as much of the 2002 harvest would still be exported in 2003-04. This, together with a lack of additions to resource sector production capacity, should result in a slight decline in exports in 2003-04 (by 0.25%).

Imports

Reflecting continued growth in business investment, imports are forecast to grow strongly over the forecast period. In 2002-03, strong growth in business investment (with plant and equipment investment taking over from construction as the main driver of growth) as well as solid levels of household consumption are anticipated to underpin import growth of 20.25%. As an indication of the expected pick up in import growth, imports (in real terms) grew by 14.1% in the September quarter 2002 compared with the June quarter, with capital equipment a key contributor.

Growth of 11.0% is forecast in 2003-04, with imports of capital items forecast to remain strong due to higher business investment in this year.

Labour Market

Employment

Employment growth is forecast to strengthen to 2.0% in 2002-03 and 2.25% in 2003-04, supported by stronger domestic growth. This is, however, a slight downward revision from the 2002-03 Budget forecast, and reflects a slower flow through of growth in economic activity to employment growth.

In this regard, the continued international uncertainty regarding the strength of the world economy and the “war on terror”, may mean that employers have become reluctant to hire staff for fear of being overstaffed going into any downturn. This is reflected by the fact that all employment growth in Western Australia over 2001-02 was part-time employment, which increased by 5.6% over the year. By contrast, full-time employment fell by 0.7% in 2001-02.

Unemployment

As a result of employment growth outpacing labour force growth (due to relatively low population growth), the unemployment rate is forecast to fall over 2002-03 to 6.0% and continue to fall to 5.75% in 2003-04. In the outyears, however, based on past trends, net interstate migration to Western Australia should increase to satisfy future labour demand. Consequently, the unemployment rate is expected to hover around 6.0% over the longer term.

Prices

Consumer Price Index

Recent statements of monetary policy by the Reserve Bank of Australia suggest that inflation is under control and expected to remain low. Reflecting this, the Perth consumer price index (CPI) is forecast to increase by 2.75% in 2002-03, after which it is expected to drop off slightly in 2003-04 to 2.5%.

The drought may have some impact on food prices in the short-term but these increases are not expected to be sustained in the medium term. Vegetable prices should not be affected to the same extent as in eastern Australia, as regions that produce most of Western Australia’s vegetables are unaffected by the drought, while meat prices might even moderate in the short term as farmers sell more stock to get through the drought.

Wages

Wage growth has been relatively high over the past two years, particularly in the context of a period of weak employment growth. The continued uncertainty in the labour market, with businesses reluctant to hire full-time staff, should mean that wages growth will moderate. As such, wages growth is expected to moderate slightly in 2002-03 and 2003-04. The wage cost index (WCI) is projected to grow by 3.0% and 2.25% in 2002-03 and 2003-04 respectively, before returning to the long-run average annual growth of 2.5% in the out years.

Implicit Price Deflator

The implicit price deflator is expected to increase by 2.25% in 2002-03. While domestic prices should rise solidly, the higher average \$A/\$US exchange rate over 2002-03 to date means that the price of exports is likely to fall in annual average terms. Growth of 2.5% is forecast for 2003-04, with a slight easing to 2.25% in the outyears, which is broadly in line with growth in the CPI.

Risks to the Outlook

External factors continue to pose the most significant risks to Western Australia's economy. In particular, the fragile world economy is a potential threat to the State's economic growth in the coming years. Indeed, Western Australia, with its strong export and business investment orientation, has greater exposure to the world economy than other States. Despite this, both business investment and exports have performed well over 2001-02, but a deterioration in external conditions could hamper future growth prospects.

International Conditions

Economic growth has slowed somewhat in the United States after a strong initial recovery in activity was evident in early 2002. The lowering of interest rates to 40-year lows should help to maintain consumer confidence long enough for business investment to make a recovery. Potential military conflict poses substantial risks to the United States and world economies, depending on the nature and duration of the conflict, via higher oil prices. Indeed, a premium is already built into the price to reflect the risk of a war with Iraq.

Also of concern is the continuing weak economic position of Japan, Western Australia's largest trading partner. Nevertheless, Western Australia's exports to Japan have performed strongly in recent months. This reflects continuing strong demand for Japanese exports, currently the sole impetus to the Japanese economy.

The Australian Dollar

Consistent with accepted forecasting practices, the \$A is assumed to remain at around its current level of \$US0.56 over the forecast period.

The \$A generally stabilised over 2002 and has been trading in a band of \$US0.54 to \$US0.56 for the past six months. While the Reserve Bank of Australia does not expect a major appreciation of the \$A, any rise in its value without a corresponding rise in commodity demand may put pressure on the State's exports.

Drought

While the current dry season has been built into the forecasts, a normal season has been assumed for 2003. Implicit in this forecast is that most farmers are in a strong enough financial position to plant a crop in 2003. The impacts of a second dry season would be far-reaching, with many farmers and supporting businesses likely to have difficulties continuing, with consequent adverse economic impacts for the State.

Terrorism

So far, the impact of the Bali bombings on the State's tourism industry has been muted with increased domestic tourism replacing a reduction in overseas tourists to a large extent. While Australians continue to holiday at home, the impact of people from other countries remaining away should be mitigated. Should this trend reverse, or if a terrorist attack occurred on Australian soil, the tourism industry may face a large drop in activity.

APPENDIX 1

Uniform Presentation of Public Sector Finances

This appendix contains detailed financial projections for the various sectors of the total public sector under the GFS framework. The tables in this section also satisfy Uniform Presentation Framework (UPF) requirements.

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GENERAL GOVERNMENT
Operating Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	2,941.0	3,193.7	3,179.2	3,349.8	3,501.2	3,599.0
Current grants and subsidies	5,280.1	5,170.0	5,365.8	5,288.9	5,478.1	5,792.1
Capital grants	268.8	291.7	305.7	259.1	288.1	256.9
Sales of goods and services	881.7	919.3	914.3	950.1	917.5	927.9
Interest income	122.0	108.6	103.5	96.6	88.8	92.6
Revenue from public corporations						
Dividends	407.6	379.3	373.8	404.0	460.1	462.8
Tax equivalent payments	241.0	227.7	225.1	231.6	258.3	278.3
Royalty income	635.9	654.9	672.1	684.8	712.6	716.8
Other	243.8	218.1	205.7	214.3	196.6	197.4
<i>Total</i>	<i>11,021.9</i>	<i>11,163.5</i>	<i>11,345.3</i>	<i>11,479.2</i>	<i>11,901.4</i>	<i>12,323.7</i>
EXPENSES						
Gross operating expenses						
Salaries	4,182.9	4,320.0	4,383.1	4,461.5	4,585.9	4,688.7
Depreciation and amortisation	518.2	533.5	618.1	615.0	603.6	602.0
Superannuation	389.6	395.8	400.5	404.5	423.0	432.2
Other gross operating expenses	2,712.8	2,698.3	2,785.4	2,801.3	2,957.7	3,001.1
Nominal superannuation interest	277.6	281.2	276.2	276.1	275.2	272.8
Other interest	218.0	247.3	253.1	257.8	269.1	302.4
Other property expenses	-	-	-	-	-	-
Current transfers	2,238.0	2,313.0	2,321.2	2,360.3	2,420.1	2,519.0
Capital transfers	275.8	255.1	254.7	269.6	216.3	204.2
<i>Total</i>	<i>10,812.9</i>	<i>11,044.4</i>	<i>11,292.4</i>	<i>11,446.1</i>	<i>11,750.8</i>	<i>12,022.3</i>
NET OPERATING BALANCE	208.9	119.1	52.9	33.1	150.6	301.4
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	701.4	812.8	856.5	684.3	646.9	619.3
less depreciation	518.2	533.5	618.1	615.0	603.6	602.0
plus change in inventories	2.5	-0.8	-0.7	0.5	0.2	0.5
plus other movements in non-financial assets	65.5	-51.0	-25.2	0.4	38.9	53.4
<i>Total</i>	<i>251.2</i>	<i>227.5</i>	<i>212.5</i>	<i>70.1</i>	<i>82.4</i>	<i>71.2</i>
NET LENDING/BORROWING	-42.3	-108.4	-159.6	-37.0	68.2	230.2

Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)

NET OPERATING BALANCE	208.9	119.1	52.9	33.1	150.6	301.4
less provisions for doubtful debts	3.1	0.2	0.2	0.2	0.2	0.1
plus net gains on assets (including derivatives)	129.3	72.2	60.2	15.6	-12.3	-21.3
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	12.1	-	-	-	-	-
plus all other adjustments	1.6	-	-	-	-	-
AAS OPERATING RESULT	324.7	191.2	112.8	48.5	138.0	280.0

Note: Columns may not add due to rounding.

Table 2

GENERAL GOVERNMENT**Balance Sheet at 30 June**

	2002	2003	2003	2004	2005	2006
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	300.8	189.4	235.0	239.2	244.4	242.0
Advances paid	873.9	853.2	863.5	849.8	835.7	824.0
Investments, loans and placements	1,318.2	961.0	1,299.8	1,219.4	1,230.4	1,399.1
Other non-equity assets	748.0	736.4	713.8	730.3	772.3	759.9
Equity	15,568.9	16,139.7	15,945.8	16,476.5	16,909.6	17,383.3
Total	18,809.8	18,879.8	19,057.9	19,515.2	19,992.3	20,608.3
<i>Non-Financial assets</i>						
Land and fixed assets	26,218.9	24,437.7	26,563.0	26,717.5	26,979.6	27,151.9
Other non-financial assets	57.3	88.8	37.0	77.8	83.3	88.8
Total	26,276.2	24,526.5	26,600.0	26,795.4	27,062.9	27,240.6
TOTAL ASSETS	45,086.0	43,406.3	45,657.9	46,310.6	47,055.2	47,849.0
LIABILITIES						
Deposits held	271.9	236.4	319.1	331.0	339.9	361.2
Advances received	592.9	581.5	580.8	560.6	548.2	535.6
Borrowings	2,159.1	2,437.4	2,363.3	2,624.7	2,801.6	2,842.2
Unfunded superannuation liabilities	5,222.0	5,268.2	5,203.3	5,170.4	5,112.5	5,048.7
Other employee entitlements and provisions	1,155.6	1,149.9	1,120.9	1,167.6	1,124.7	1,167.7
Non-equity liabilities	469.8	371.6	448.8	432.4	436.6	423.8
TOTAL LIABILITIES	9,871.3	10,045.1	10,036.2	10,286.8	10,363.5	10,379.1
NET WORTH	35,214.7	33,361.2	35,621.6	36,023.8	36,691.7	37,469.9
<i>Memorandum Item: Net Debt</i>	530.9	1,251.8	864.9	1,207.9	1,379.3	1,273.8
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	35,214.7	33,361.2	35,621.6	36,023.8	36,691.7	37,469.9
<i>less equity (net worth) of PFC sector</i>	15,411.2	15,800.5	15,534.1	15,943.8	16,340.0	16,786.0
<i>less all other adjustments</i>	-	-	-	-	-	-
AAS NET ASSETS	19,803.5	17,560.6	20,087.5	20,080.0	20,351.7	20,683.8

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	2,973.9	3,322.2	3,183.4	3,353.6	3,503.1	3,601.5
Receipts from sales of goods and services	871.9	1,035.2	910.2	917.8	912.6	921.7
Grants and subsidies received	5,555.3	5,469.0	5,645.5	5,696.7	5,862.8	6,147.3
Other receipts	2,151.6	2,081.3	2,165.6	2,120.2	2,187.2	2,283.5
<i>Total</i>	<i>11,552.6</i>	<i>11,907.7</i>	<i>11,904.7</i>	<i>12,088.3</i>	<i>12,465.7</i>	<i>12,954.0</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-7,397.1	-7,794.3	-7,780.5	-7,885.4	-8,278.2	-8,363.1
Grants and subsidies paid	-2,317.1	-2,464.3	-2,519.3	-2,648.4	-2,576.5	-2,657.5
Interest paid	-223.3	-245.4	-248.6	-256.1	-269.1	-301.8
Other payments	-855.5	-736.7	-785.2	-772.0	-779.9	-797.0
<i>Total</i>	<i>-10,793.0</i>	<i>-11,240.8</i>	<i>-11,333.6</i>	<i>-11,561.9</i>	<i>-11,903.8</i>	<i>-12,119.3</i>
Net Cash Flow from Operating Activities	759.6	666.9	571.1	526.4	562.0	834.6
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-860.2	-889.6	-958.7	-805.4	-790.3	-766.4
Sales of non-financial assets	100.0	127.5	123.8	120.7	104.5	93.7
<i>Total</i>	<i>-760.2</i>	<i>-762.1</i>	<i>-834.9</i>	<i>-684.6</i>	<i>-685.8</i>	<i>-672.7</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-92.9	-131.9	-116.8	-108.1	-26.0	-19.4
Liquidity purposes	-11.5	63.8	50.3	20.3	11.2	9.5
<i>Total</i>	<i>-104.4</i>	<i>-68.0</i>	<i>-66.5</i>	<i>-87.8</i>	<i>-14.8</i>	<i>-9.8</i>
Net Cash Flow from Investing Activities	-864.6	-830.1	-901.4	-772.5	-700.6	-682.5
FINANCING ACTIVITIES						
Advances received (net)	-421.2	0.4	-	-8.2	-	-
Borrowings (net)	443.0	224.1	228.6	262.6	177.9	41.5
Deposits received (net)	-91.9	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	-57.1	-19.1	-44.2	-16.1	-9.7	-10.4
<i>Total</i>	<i>-127.2</i>	<i>205.5</i>	<i>184.3</i>	<i>238.4</i>	<i>168.2</i>	<i>31.2</i>
<i>Opening cash balance</i>	<i>1,166.8</i>	<i>643.6</i>	<i>934.5</i>	<i>788.5</i>	<i>780.8</i>	<i>810.4</i>
NET INCREASE IN CASH HELD^(a)	-232.3	42.3	-146.0	-7.7	29.6	183.3
<i>Closing cash balance</i>	<i>934.5</i>	<i>685.9</i>	<i>788.5</i>	<i>780.8</i>	<i>810.4</i>	<i>993.6</i>
<i>Net cash from operating activities and investments in non-financial asset and distributions paid less finance leases and similar arrangements</i>						
	-0.7	-95.2	-263.9	-158.2	-123.8	161.9
Surplus	-0.7	-95.2	-263.9	-158.2	-123.8	161.9

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 4

PUBLIC NON-FINANCIAL CORPORATIONS**Operating Statement**

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	476.4	506.2	507.9	542.6	573.1	624.1
Capital grants	123.8	110.4	119.7	99.2	100.3	101.4
Sales of goods and services	4,850.6	5,142.7	4,758.6	4,634.1	4,792.7	5,025.7
Interest income	103.1	79.0	94.5	75.9	76.1	78.1
Other	170.2	94.6	99.2	103.0	124.3	121.1
<i>Total</i>	<i>5,724.1</i>	<i>5,932.8</i>	<i>5,579.8</i>	<i>5,454.8</i>	<i>5,666.5</i>	<i>5,950.3</i>
EXPENSES						
Gross operating expenses						
Salaries	383.2	431.5	414.4	422.5	435.7	448.7
Depreciation and amortisation	570.4	595.1	593.4	607.4	626.9	634.7
Superannuation	45.3	49.7	42.9	43.6	43.8	44.4
Other gross operating expenses	3,326.3	3,529.8	3,184.4	2,956.2	3,012.8	3,191.6
Nominal superannuation interest	-	-	-	-	-	-
Other interest	402.9	390.7	402.8	409.5	442.9	454.5
Other property expenses	633.4	600.5	591.7	627.7	713.1	736.2
Current transfers	194.0	211.2	221.8	242.6	244.9	251.3
Capital transfers	22.9	-	82.7	-	-	-
<i>Total</i>	<i>5,578.4</i>	<i>5,808.5</i>	<i>5,534.1</i>	<i>5,309.5</i>	<i>5,520.1</i>	<i>5,761.4</i>
NET OPERATING BALANCE	145.8	124.3	45.7	145.4	146.4	188.9
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	846.8	1,180.5	1,167.4	1,307.2	1,197.4	1,149.0
<i>less</i> depreciation	<i>570.1</i>	<i>595.1</i>	<i>593.2</i>	<i>607.2</i>	<i>626.6</i>	<i>634.4</i>
<i>plus</i> change in inventories	<i>-55.4</i>	<i>5.2</i>	<i>234.3</i>	<i>62.5</i>	<i>7.5</i>	<i>-3.1</i>
<i>plus</i> other movements in non-financial assets	<i>-80.3</i>	<i>-62.0</i>	<i>-85.7</i>	<i>-161.1</i>	<i>-139.3</i>	<i>-150.6</i>
<i>Total</i>	<i>141.0</i>	<i>528.6</i>	<i>722.9</i>	<i>601.4</i>	<i>438.9</i>	<i>360.9</i>
NET LENDING/BORROWING	4.8	-404.3	-677.2	-456.1	-292.6	-171.9
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	145.8	124.3	45.7	145.4	146.4	188.9
<i>less</i> provisions for doubtful debts	<i>7.4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> net gains on assets (including derivatives)	<i>36.2</i>	<i>52.8</i>	<i>53.3</i>	<i>48.5</i>	<i>47.4</i>	<i>61.9</i>
<i>plus</i> capitalised interest	<i>14.0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less</i> revaluation of superannuation liabilities	<i>23.4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> all other adjustments	<i>9.6</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS OPERATING RESULT	174.7	177.0	98.9	193.8	193.7	250.8

Note: Columns may not add due to rounding.

PUBLIC NON-FINANCIAL CORPORATIONS

Balance Sheet at 30 June

	2002 Actual \$m	2003 Budget Estimate \$m	2003 Mid-Year Revision \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m	2006 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	276.3	207.2	214.8	235.1	259.4	298.0
Advances paid	185.5	189.7	161.7	145.8	131.3	118.8
Investments, loans and placements	1,203.6	1,070.2	1,183.2	1,194.1	1,202.2	1,248.6
Other non-equity assets	576.2	640.0	681.5	839.1	864.5	877.6
Equity	8.1	0.9	1.0	1.0	1.0	1.0
Total	2,249.7	2,108.0	2,242.1	2,414.9	2,458.3	2,544.0
<i>Non-Financial assets</i>						
Land and fixed assets	21,095.0	22,123.9	21,941.2	22,859.8	23,531.9	24,139.0
Other non-financial assets	23.1	10.6	18.5	19.0	18.9	20.3
Total	21,118.1	22,134.4	21,959.7	22,878.8	23,550.7	24,159.3
TOTAL ASSETS	23,367.8	24,242.4	24,201.9	25,293.8	26,009.0	26,703.3
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	585.0	573.3	572.6	560.6	548.2	535.6
Borrowings	5,693.0	6,230.6	6,173.3	6,531.6	6,879.0	7,181.1
Unfunded superannuation liabilities	276.0	257.0	262.6	249.3	236.0	222.5
Other employee entitlements and provisions	230.5	201.6	188.9	189.9	215.6	221.5
Non-equity liabilities	1,177.8	1,127.9	1,268.3	1,577.1	1,584.9	1,576.0
TOTAL LIABILITIES	7,962.4	8,390.4	8,465.7	9,108.4	9,463.8	9,736.6
Shares and other contributed capital	165.3	339.4	412.1	533.6	569.9	597.6
NET WORTH	15,240.0	15,512.7	15,324.0	15,651.7	15,975.3	16,369.1
<i>Memorandum Item: Net Debt</i>	4,612.6	5,336.8	5,186.3	5,517.2	5,834.4	6,051.2
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	15,240.0	15,512.7	15,324.0	15,651.7	15,975.3	16,369.1
<i>plus</i> shares and other contributed capital	165.3	339.4	412.1	533.6	569.9	597.6
<i>less</i> all other adjustments	-	-	-	-	-	-
AAS NET ASSETS	15,405.4	15,852.1	15,736.1	16,185.3	16,545.2	16,966.7

Note: Columns may not add due to rounding.

Table 6

PUBLIC NON-FINANCIAL CORPORATIONS

Cash Flow Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	4,943.0	5,066.3	4,708.6	4,599.9	4,759.2	4,980.4
Grants and subsidies received	600.7	626.6	636.3	788.0	774.2	830.2
Other receipts	470.9	363.3	394.2	318.2	322.3	334.6
<i>Total</i>	<i>6,014.6</i>	<i>6,056.2</i>	<i>5,739.1</i>	<i>5,706.0</i>	<i>5,855.8</i>	<i>6,145.1</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-3,680.3	-3,839.7	-3,641.1	-3,505.6	-3,556.3	-3,725.3
Grants and subsidies paid	-130.6	-103.1	-160.2	-130.8	-136.1	-137.3
Interest paid	-356.1	-412.8	-435.0	-423.9	-447.4	-461.5
Other payments	-522.0	-520.7	-415.4	-392.2	-396.5	-412.1
<i>Total</i>	<i>-4,689.0</i>	<i>-4,876.4</i>	<i>-4,651.7</i>	<i>-4,452.4</i>	<i>-4,536.4</i>	<i>-4,736.3</i>
Net Cash Flow from Operating Activities	1,325.6	1,179.9	1,087.4	1,253.6	1,319.4	1,408.9
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,108.3	-1,427.3	-1,514.2	-1,522.1	-1,351.6	-1,284.5
Sales of non-financial assets	308.2	308.9	350.2	376.0	293.5	286.1
<i>Total</i>	<i>-800.1</i>	<i>-1,118.5</i>	<i>-1,164.0</i>	<i>-1,146.1</i>	<i>-1,058.1</i>	<i>-998.4</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-30.1	-12.2	-44.2	-11.0	-8.9	1.3
<i>Total</i>	<i>-30.1</i>	<i>-12.2</i>	<i>-44.2</i>	<i>-11.0</i>	<i>-8.9</i>	<i>1.3</i>
Net Cash Flow from Investing Activities	-830.2	-1,130.7	-1,208.2	-1,157.1	-1,067.0	-997.1
FINANCING ACTIVITIES						
Advances received (net)	-0.4	-13.1	-13.1	-12.1	-12.4	-12.7
Borrowings (net)	67.4	427.7	493.8	375.4	364.6	310.2
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-625.9	-616.2	-636.5	-609.1	-669.6	-746.9
Other financing	147.0	201.3	184.4	180.2	95.5	89.6
<i>Total</i>	<i>-412.0</i>	<i>-0.3</i>	<i>28.5</i>	<i>-65.7</i>	<i>-222.0</i>	<i>-359.9</i>
<i>Opening cash balance</i>	<i>375.4</i>	<i>424.9</i>	<i>458.8</i>	<i>366.5</i>	<i>397.4</i>	<i>427.8</i>
NET INCREASE IN CASH HELD^(a)	83.4	48.8	-92.3	30.9	30.4	51.9
<i>Closing cash balance</i>	<i>458.8</i>	<i>473.7</i>	<i>366.5</i>	<i>397.4</i>	<i>427.8</i>	<i>479.7</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>						
	-100.5	-554.8	-713.1	-501.6	-408.3	-336.5
<i>less finance leases and similar arrangements</i>						
	-	-	-	-	-	-
Surplus	-100.5	-554.8	-713.1	-501.6	-408.3	-336.5

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	2,784.3	3,019.8	3,043.7	3,211.7	3,360.2	3,454.4
Current grants and subsidies	5,280.1	5,170.0	5,365.8	5,288.9	5,478.1	5,792.1
Capital grants	268.8	291.7	305.7	259.1	288.1	256.9
Sales of goods and services	5,634.7	5,958.7	5,574.1	5,469.8	5,593.2	5,838.5
Interest income	188.6	153.8	163.2	138.8	131.6	136.7
Royalty revenue	635.9	654.9	672.1	684.8	712.6	716.8
Other	416.6	305.7	297.4	309.9	309.8	306.8
<i>Total</i>	<i>15,209.0</i>	<i>15,554.6</i>	<i>15,422.0</i>	<i>15,363.0</i>	<i>15,873.6</i>	<i>16,502.2</i>
EXPENSES						
Gross operating expenses						
Salaries	4,566.1	4,751.5	4,797.6	4,884.0	5,021.7	5,137.4
Depreciation and amortisation	1,088.6	1,128.6	1,211.5	1,222.4	1,230.5	1,236.6
Superannuation	434.9	445.5	443.4	448.2	466.7	476.6
Other gross operating expenses	5,815.5	5,991.3	5,775.9	5,545.2	5,753.5	5,974.9
Nominal superannuation interest	277.6	281.2	276.2	276.1	275.2	272.8
Other interest	584.4	604.2	621.1	633.7	678.6	722.8
Other property expenses	-	-	-	-	-	-
Current transfers	1,912.8	1,964.3	1,980.0	2,004.7	2,034.6	2,087.8
Capital transfers	174.5	144.7	217.8	170.4	116.0	102.8
<i>Total</i>	<i>14,854.3</i>	<i>15,311.4</i>	<i>15,323.5</i>	<i>15,184.6</i>	<i>15,576.6</i>	<i>16,011.9</i>
NET OPERATING BALANCE	354.7	243.2	98.6	178.5	296.9	490.3
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,548.2	1,993.3	2,023.9	1,991.5	1,844.3	1,768.3
less depreciation	1,088.4	1,128.6	1,211.2	1,222.2	1,230.2	1,236.4
plus change in inventories	-52.9	4.4	233.6	63.0	7.7	-2.6
plus other movements in non-financial assets	-14.8	-112.9	-110.9	-160.7	-100.4	-97.2
<i>Total</i>	<i>392.2</i>	<i>756.1</i>	<i>935.4</i>	<i>671.6</i>	<i>521.3</i>	<i>432.1</i>
NET LENDING/BORROWING	-37.5	-512.9	-836.8	-493.1	-224.4	58.3
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	354.7	243.2	98.6	178.5	296.9	490.3
less provisions for doubtful debts	10.6	0.2	0.2	0.2	0.2	0.1
plus net gains on assets (including derivatives)	165.5	125.0	113.5	64.0	35.0	40.6
plus capitalised interest	14.0	-	-	-	-	-
less revaluation of superannuation liabilities	35.5	-	-	-	-	-
plus all other adjustments	11.2	0.2	-0.1	-	-	-
AAS OPERATING RESULT	499.3	368.3	211.7	242.3	331.7	530.8

Note: Columns may not add due to rounding.

Table 8

TOTAL NON-FINANCIAL PUBLIC SECTOR

Balance Sheet at 30 June

	2002 Actual \$m	2003 Budget Estimate \$m	2003 Mid-Year Revision \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m	2006 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	394.7	298.6	327.6	342.5	365.4	382.8
Advances paid	474.4	469.6	452.6	435.0	418.8	407.3
Investments, loans and placements	2,521.4	2,031.2	2,483.0	2,413.5	2,432.6	2,647.6
Other non-equity assets	1,118.4	1,195.1	1,241.3	1,398.0	1,424.0	1,435.5
Equity	179.0	288.6	210.6	292.1	365.3	417.5
Total	4,688.0	4,283.0	4,715.1	4,881.2	5,006.1	5,290.7
<i>Non-Financial assets</i>						
Land and fixed assets	47,313.9	46,561.5	48,504.2	49,577.4	50,511.5	51,290.9
Other non-financial assets	80.4	99.4	55.6	96.9	102.2	109.1
Total	47,394.3	46,660.9	48,559.7	49,674.2	50,613.7	51,399.9
TOTAL ASSETS	52,082.2	50,943.9	53,274.8	54,555.4	55,619.7	56,690.7
LIABILITIES						
Deposits held	89.4	138.5	197.0	199.3	201.6	204.0
Advances received	592.9	581.5	580.8	560.6	548.2	535.6
Borrowings	7,851.8	8,668.0	8,536.7	9,156.3	9,680.6	10,023.2
Unfunded superannuation liabilities	5,498.0	5,525.2	5,465.9	5,419.7	5,348.5	5,271.2
Other employee entitlements and provisions	1,296.2	1,293.3	1,258.7	1,307.0	1,265.2	1,309.5
Non-equity liabilities	1,535.9	1,376.5	1,618.2	1,892.8	1,888.0	1,881.4
TOTAL LIABILITIES	16,864.1	17,583.0	17,657.3	18,535.7	18,932.1	19,224.9
NET WORTH	35,218.1	33,361.0	35,617.6	36,019.7	36,687.6	37,465.8
<i>Memorandum Item: Net Debt</i>	5,143.5	6,588.6	6,051.2	6,725.1	7,213.7	7,325.0
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	35,218.1	33,361.0	35,617.6	36,019.7	36,687.6	37,465.8
<i>less equity (net worth) of the PFC sector</i>	171.2	287.9	210.1	292.1	364.7	417.0
<i>less all other adjustments</i>	3.4	-0.2	-4.1	-4.1	-4.1	-4.0
AAS NET ASSETS	35,043.6	33,073.3	35,411.5	35,731.7	36,327.0	37,052.9

Note: Columns may not add due to rounding.

TOTAL NON-FINANCIAL PUBLIC SECTOR

Cash Flow Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	2,820.5	3,069.9	3,048.4	3,215.6	3,363.0	3,457.7
Receipts from sales of goods and services	5,695.1	6,082.6	5,524.4	5,412.0	5,560.7	5,791.5
Grants and subsidies received	5,555.6	5,476.3	5,645.5	5,696.7	5,862.8	6,147.3
Other receipts	1,947.7	1,785.5	1,876.5	1,782.3	1,794.0	1,824.7
Total	16,018.9	16,414.3	16,094.8	16,106.5	16,580.5	17,221.1
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-10,948.5	-11,605.7	-11,317.5	-11,275.7	-11,713.6	-11,968.0
Grants and subsidies paid	-1,847.2	-1,948.2	-2,043.2	-1,991.2	-1,938.5	-1,964.7
Interest paid	-543.4	-624.7	-650.1	-646.7	-682.9	-729.2
Other payments	-1,221.2	-1,002.9	-1,062.0	-1,022.0	-1,031.4	-1,060.3
Total	-14,560.4	-15,181.5	-15,072.9	-14,935.7	-15,366.4	-15,722.1
Net Cash Flow from Operating Activities	1,458.5	1,232.8	1,021.9	1,170.9	1,214.1	1,499.0
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,968.5	-2,317.0	-2,472.9	-2,327.5	-2,141.9	-2,050.8
Sales of non-financial assets	408.2	436.4	474.0	496.8	398.1	379.7
Total	-1,560.3	-1,880.6	-1,998.9	-1,830.7	-1,743.9	-1,671.1
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	12.6	15.3	15.2	4.5	10.2	10.3
Liquidity purposes	-41.6	51.6	6.1	9.3	2.3	10.8
Total	-29.1	66.9	21.3	13.8	12.5	21.1
Net Cash Flow from Investing Activities	-1,589.4	-1,813.7	-1,977.6	-1,817.0	-1,731.4	-1,650.0
FINANCING ACTIVITIES						
Advances received (net)	-432.5	-12.7	-13.1	-20.3	-12.4	-12.7
Borrowings (net)	521.3	651.8	722.3	637.9	542.5	351.7
Deposits received (net)	-91.9	-	-	-	-	-
Distributions paid	0.7	-2.2	-	-	-2.4	-2.4
Other financing	-15.6	35.1	8.1	51.6	49.6	49.6
Total	-18.1	672.0	717.3	669.3	577.3	386.2
<i>Opening cash balance</i>	1,882.6	1,408.8	1,733.7	1,495.3	1,518.5	1,578.5
NET INCREASE IN CASH HELD^(a)	-148.9	91.1	-238.3	23.2	60.1	235.2
<i>Closing cash balance</i>	1,733.7	1,499.9	1,495.3	1,518.5	1,578.5	1,813.7
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>						
	-101.1	-650.1	-976.9	-659.9	-532.1	-174.5
<i>less finance leases and similar arrangements</i>						
	-	-	-	-	-	-
Surplus	-101.1	-650.1	-976.9	-659.9	-532.1	-174.5

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Sales of goods and services	407.9	573.0	529.9	611.4	650.2	683.4
Interest income	849.0	984.3	943.6	1,005.9	1,028.6	1,041.9
Other	26.0	2.5	2.3	2.5	-	-
<i>Total</i>	1,283.0	1,559.8	1,475.8	1,619.8	1,678.8	1,725.3
EXPENSES						
Gross operating expenses						
Salaries	18.0	19.4	19.2	20.0	20.9	21.7
Depreciation and amortisation	3.1	3.2	3.9	3.8	3.5	3.4
Superannuation	2.4	2.6	1.9	2.0	2.1	2.2
Other gross operating expenses	493.8	542.7	531.4	572.2	625.2	681.8
Nominal superannuation interest	-	-	-	-	-	-
Other interest	700.7	800.3	767.9	824.0	842.1	852.4
Other property expenses	15.2	6.8	7.3	8.0	5.4	4.9
Current transfers	2.1	2.3	2.4	2.5	2.7	2.8
Capital transfers	-	2.5	2.9	4.6	3.2	3.3
<i>Total</i>	1,235.2	1,379.8	1,336.9	1,437.2	1,505.1	1,572.5
NET OPERATING BALANCE	47.8	180.0	138.9	182.6	173.7	152.9
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	4.3	2.3	4.7	1.0	1.0	1.0
<i>less</i> depreciation	3.1	3.2	3.9	3.8	3.5	3.4
<i>plus</i> change in inventories	-	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-	-	-	-	-	-
<i>Total</i>	1.2	-0.9	0.8	-2.8	-2.5	-2.4
NET LENDING/BORROWING	46.5	180.9	138.0	185.4	176.2	155.3
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	47.8	180.0	138.9	182.6	173.7	152.9
<i>less</i> provisions for doubtful debts	0.2	0.2	0.5	0.9	0.3	0.4
<i>plus</i> net gains on assets (including derivatives)	-64.4	-	-	-	-	-
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	1.0	-	-	-	-	-
<i>plus</i> all other adjustments	-	-	-	-	-	-
AAS OPERATING RESULT	-17.8	179.8	138.4	181.7	173.4	152.5

Note: Columns may not add due to rounding.

PUBLIC FINANCIAL CORPORATIONS

Balance Sheet at 30 June

	2002	2003	2003	2004	2005	2006
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	17.0	20.8	39.8	39.6	40.5	41.0
Advances paid	1,463.0	2,052.2	1,659.1	2,346.2	2,363.5	2,383.6
Investments, loans and placements	11,241.5	12,667.6	12,138.9	12,693.7	13,013.1	13,286.5
Other non-equity assets	472.8	475.8	460.9	471.6	487.0	499.9
Equity	605.8	739.9	636.4	689.6	753.2	817.6
<i>Total</i>	<i>13,800.1</i>	<i>15,956.4</i>	<i>14,935.2</i>	<i>16,240.6</i>	<i>16,657.4</i>	<i>17,028.5</i>
<i>Non-Financial assets</i>						
Land and fixed assets	301.9	331.9	315.5	337.2	363.6	390.5
Other non-financial assets	-	-	2.8	2.8	2.8	2.8
<i>Total</i>	<i>301.9</i>	<i>331.9</i>	<i>318.4</i>	<i>340.0</i>	<i>366.4</i>	<i>393.3</i>
TOTAL ASSETS	14,101.9	16,288.3	15,253.6	16,580.7	17,023.8	17,421.8
LIABILITIES						
Deposits held	1.3	-	-	-	-	-
Advances received	3.4	3.4	3.4	3.4	3.4	3.4
Borrowings	12,103.3	14,005.9	13,176.3	14,358.3	14,638.3	14,871.4
Unfunded superannuation liabilities	17.0	15.0	16.7	16.5	16.2	15.8
Other employee entitlements and provisions	7.2	5.7	7.3	7.3	7.3	7.3
Non-equity liabilities	1,798.5	1,970.4	1,839.7	1,903.1	1,994.0	2,107.0
TOTAL LIABILITIES	13,930.8	16,000.4	15,043.4	16,288.6	16,659.2	17,004.8
Shares and other contributed capital	-	-	-	-	-	-
NET WORTH	171.2	287.9	210.1	292.1	364.7	417.0
<i>Memorandum Item: Net Debt</i>	<i>-613.3</i>	<i>-731.3</i>	<i>-658.1</i>	<i>-717.7</i>	<i>-775.5</i>	<i>-836.3</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	171.2	287.9	210.1	292.1	364.7	417.0
<i>plus</i> shares and other contributed capital	-	-	-	-	-	-
<i>less</i> all other adjustments	-	-	-	-	-	-
AAS NET ASSETS	171.2	287.9	210.1	292.1	364.7	417.0

Note: Columns may not add due to rounding.

Table 12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	498.0	540.3	522.9	577.4	617.0	654.6
Grants and subsidies received	-	2.5	2.5	-	-	-
Other receipts	807.0	1,007.2	912.5	874.4	993.5	1,007.2
Total	1,305.0	1,550.0	1,437.9	1,451.8	1,610.6	1,661.8
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-497.8	-524.4	-509.7	-540.4	-565.8	-599.4
Grants and subsidies paid	-	-2.5	-0.9	-3.1	-	-
Interest paid	-742.6	-850.3	-771.1	-815.2	-842.9	-852.1
Other payments	-60.7	-48.5	-74.2	-79.7	-85.4	-90.3
Total	-1,301.0	-1,425.7	-1,355.8	-1,438.4	-1,494.1	-1,541.8
Net Cash Flow from Operating Activities	4.0	124.2	82.1	13.4	116.5	120.0
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-5.2	-2.3	-4.7	-1.0	-1.0	-1.0
Sales of non-financial assets	0.9	-	-	-	-	-
Total	-4.3	-2.3	-4.7	-1.0	-1.0	-1.0
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-24.1	-205.1	-217.1	-524.1	-116.1	-120.8
Total	-24.1	-205.1	-217.1	-524.1	-116.1	-120.8
Net Cash Flow from Investing Activities	-28.4	-207.4	-221.8	-525.1	-117.1	-121.8
FINANCING ACTIVITIES						
Advances received (net)	-	-	-	-	-	-
Borrowings (net)	-289.1	96.4	150.6	520.7	10.0	9.3
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-15.1	-6.8	-7.3	-8.0	-5.4	-4.9
Other financing	-0.1	-	203.2	-	-	-
Total	-304.4	89.5	346.4	512.7	4.6	4.4
<i>Opening cash balance</i>	<i>2,915.8</i>	<i>2,912.6</i>	<i>2,587.1</i>	<i>2,793.8</i>	<i>2,794.8</i>	<i>2,798.8</i>
NET INCREASE IN CASH HELD^(a)	-328.7	6.3	206.7	1.0	4.0	2.5
<i>Closing cash balance</i>	<i>2,587.1</i>	<i>2,918.9</i>	<i>2,793.8</i>	<i>2,794.8</i>	<i>2,798.8</i>	<i>2,801.3</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>						
	-15.4	115.1	70.0	4.4	110.1	114.1
<i>less finance leases and similar arrangements</i>						
	-	-	-	-	-	-
Surplus	-15.4	115.1	70.0	4.4	110.1	114.1

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Operating Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	2,783.1	3,018.0	3,042.2	3,210.1	3,358.5	3,452.6
Current grants and subsidies	5,280.1	5,170.0	5,365.8	5,288.9	5,478.1	5,792.1
Capital grants	268.8	291.7	305.7	259.1	288.1	256.9
Sales of goods and services	5,938.2	6,398.3	5,970.1	5,943.0	6,098.2	6,369.6
Interest income	497.9	565.8	568.9	560.0	532.5	505.2
Royalty income	635.9	654.9	672.1	684.8	712.6	716.8
Other	425.4	300.9	290.3	303.8	303.8	301.3
<i>Total</i>	<i>15,829.3</i>	<i>16,399.6</i>	<i>16,215.1</i>	<i>16,249.7</i>	<i>16,771.7</i>	<i>17,394.4</i>
EXPENSES						
Gross operating expenses						
Salaries	4,584.0	4,771.0	4,816.7	4,904.0	5,042.5	5,159.1
Depreciation and amortisation	1,091.7	1,131.8	1,215.4	1,226.2	1,234.0	1,240.1
Superannuation	437.3	448.1	445.3	450.2	468.8	478.8
Other gross operating expenses	6,206.2	6,400.5	6,172.0	5,979.2	6,233.5	6,504.5
Nominal superannuation interest	277.6	281.2	276.2	276.1	275.2	272.8
Other interest	745.4	832.2	851.0	872.9	893.0	901.8
Other property expenses	-	-	-	-	-	-
Current transfers	1,910.2	1,964.3	1,980.3	2,005.0	2,034.9	2,088.1
Capital transfers	174.5	147.2	220.6	175.0	119.2	106.1
<i>Total</i>	<i>15,426.9</i>	<i>15,976.4</i>	<i>15,977.7</i>	<i>15,888.6</i>	<i>16,301.1</i>	<i>16,751.2</i>
NET OPERATING BALANCE	402.5	423.2	237.4	361.1	470.6	643.2
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,552.5	1,995.6	2,028.6	1,992.5	1,845.3	1,769.3
less depreciation	1,091.4	1,131.8	1,215.1	1,225.9	1,233.7	1,239.8
plus change in inventories	-52.9	4.4	233.6	63.0	7.7	-2.6
plus other movements in non-financial assets	-14.8	-112.9	-110.9	-160.7	-100.4	-97.2
<i>Total</i>	<i>393.4</i>	<i>755.2</i>	<i>936.2</i>	<i>668.8</i>	<i>518.8</i>	<i>429.7</i>
NET LENDING/BORROWING	9.0	-332.0	-698.8	-307.7	-48.2	213.5
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	402.5	423.2	237.4	361.1	470.6	643.2
less provisions for doubtful debts	10.7	0.3	0.7	1.1	0.5	0.5
plus net gains on assets (including derivatives)	101.1	125.0	113.5	64.0	35.0	40.6
plus capitalised interest	14.0	-	-	-	-	-
less revaluation of superannuation liabilities	36.5	-	-	-	-	-
plus all other adjustments	11.2	0.2	-0.1	0.0	-0.1	0.0
AAS OPERATING RESULT	481.5	548.1	350.1	424.0	505.1	683.3

Note: Columns may not add due to rounding.

Table 14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	2002 Actual \$m	2003 Budget Estimate \$m	2003 Mid-Year Revision \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m	2006 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	410.0	319.2	367.1	381.8	405.7	423.5
Advances paid	1,933.9	2,518.4	2,108.2	2,777.8	2,778.9	2,787.5
Investments, loans and placements	5,155.7	5,393.1	5,317.4	5,192.7	4,996.5	5,149.9
Other non-equity assets	1,375.3	1,608.9	1,521.2	1,704.2	1,758.0	1,795.4
Equity	613.9	740.8	637.4	690.5	754.1	818.6
Total	9,488.8	10,580.4	9,951.3	10,747.0	10,693.2	10,974.8
<i>Non-Financial assets</i>						
Land and fixed assets	47,615.7	46,893.4	48,819.7	49,914.6	50,875.1	51,681.4
Other non-financial assets	80.4	99.4	58.4	99.7	105.0	111.9
Total	47,696.2	46,992.8	48,878.1	50,014.3	50,980.1	51,793.2
TOTAL ASSETS	57,184.9	57,573.2	58,829.4	60,761.2	61,673.3	62,768.1
LIABILITIES						
Deposits held	89.1	138.2	196.6	199.0	201.3	203.7
Advances received	592.9	581.5	580.8	560.6	548.2	535.6
Borrowings	11,347.9	13,368.2	12,408.4	13,600.2	13,869.8	14,110.4
Unfunded superannuation liabilities	5,515.0	5,540.2	5,482.6	5,436.2	5,364.7	5,287.0
Other employee entitlements and provisions	1,301.6	1,291.6	1,264.2	1,312.4	1,270.6	1,314.9
Non-equity liabilities	3,120.4	3,292.3	3,278.7	3,632.3	3,730.8	3,850.3
TOTAL LIABILITIES	21,966.7	24,212.0	23,211.3	24,740.6	24,985.4	25,301.9
NET WORTH	35,218.2	33,361.2	35,618.1	36,020.6	36,687.9	37,466.2
<i>Memorandum Item: Net Debt</i>	4,530.2	5,857.3	5,393.1	6,007.4	6,438.2	6,488.7
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	35,218.2	33,361.2	35,618.1	36,020.6	36,687.9	37,466.2
<i>less all other adjustments</i>	3.5	-0.1	-3.6	-3.2	-3.8	-3.7
AAS NET ASSETS	35,214.8	33,361.2	35,621.6	36,023.8	36,691.7	37,469.8

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	2,818.3	3,068.3	3,021.9	3,186.7	3,332.2	3,425.1
Receipts from sales of goods and services	6,082.3	6,489.4	5,921.9	5,865.7	6,040.1	6,299.0
Grants and subsidies received	5,555.6	5,476.3	5,645.5	5,696.7	5,862.8	6,147.3
Other receipts	2,196.2	2,152.1	2,135.6	2,001.2	2,102.9	2,121.1
Total	16,652.3	17,186.1	16,724.9	16,750.3	17,338.0	17,992.5
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-11,334.8	-11,996.2	-11,701.2	-11,691.8	-12,141.1	-12,419.6
Grants and subsidies paid	-1,844.6	-1,948.2	-2,041.6	-1,994.3	-1,938.5	-1,964.7
Interest paid	-776.0	-866.6	-800.2	-831.8	-859.0	-884.7
Other payments	-1,249.5	-1,024.9	-1,085.1	-1,056.1	-1,074.1	-1,109.4
Total	-15,204.9	-15,835.9	-15,628.2	-15,574.0	-16,012.7	-16,378.4
Net Cash Flow from Operating Activities	1,447.4	1,350.2	1,096.7	1,176.3	1,325.3	1,614.1
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,973.7	-2,319.3	-2,477.6	-2,328.5	-2,142.9	-2,051.8
Sales of non-financial assets	409.1	436.4	474.0	496.8	398.1	379.7
Total	-1,564.6	-1,882.9	-2,003.6	-1,831.7	-1,744.9	-1,672.1
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	12.5	15.2	15.2	4.5	10.2	10.2
Liquidity purposes	-65.7	-153.5	-211.0	-514.8	-113.8	-110.0
Total	-53.1	-138.3	-195.8	-510.3	-103.6	-99.8
Net Cash Flow from Investing Activities	-1,617.7	-2,021.1	-2,199.4	-2,342.0	-1,848.5	-1,771.9
FINANCING ACTIVITIES						
Advances received (net)	-431.9	-12.7	-13.1	-20.3	-12.5	-12.7
Borrowings (net)	231.5	748.1	872.9	1,158.6	552.5	360.9
Deposits received (net)	-91.9	-	-	-	-	-
Distributions paid	0.7	-2.2	-	-	-2.4	-2.4
Other financing	-15.7	35.1	211.3	51.6	49.6	49.6
Total	-307.3	768.4	1,071.1	1,189.9	587.3	395.5
<i>Opening cash balance</i>	<i>4,455.9</i>	<i>3,978.9</i>	<i>3,978.3</i>	<i>3,946.6</i>	<i>3,970.8</i>	<i>4,034.8</i>
NET INCREASE IN CASH HELD^(a)	-477.7	97.4	-31.7	24.2	64.0	237.7
<i>Closing cash balance</i>	<i>3,978.3</i>	<i>4,076.3</i>	<i>3,946.6</i>	<i>3,970.8</i>	<i>4,034.8</i>	<i>4,272.5</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>						
<i>less leases and similar arrangements</i>	<i>-116.5</i>	<i>-534.9</i>	<i>-906.9</i>	<i>-655.4</i>	<i>-422.0</i>	<i>-60.4</i>
<i>Surplus</i>	<i>-116.5</i>	<i>-534.9</i>	<i>-906.9</i>	<i>-655.4</i>	<i>-422.0</i>	<i>-60.4</i>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 16

**LOAN COUNCIL ALLOCATIONS
WESTERN AUSTRALIA**

	2001-02 Actual \$m	2002-03 Projected \$m	2003-04 Projected \$m
General Government deficit	0.7	263.9	158.2
Public Non-Financial Corporations' net financing requirement	100.5	713.1	501.6
Net Capital Advances	12.6	15.2	4.5
<i>Total Non-Financial Public Sector deficit</i>	<i>88.6</i>	<i>961.7</i>	<i>655.4</i>
<i>Memorandum Items ^(a)</i>	<i>-300.5</i>	<i>-77.7</i>	<i>414.8</i>
Loan Council Allocation	-212.0	884.1	1,070.2
Tolerance limit ^(b)	-	-	307.3

(a) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

(b) The tolerance limit is set at 2% of total non-financial public sector revenue 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.

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 deficit⁴ position.

The deficit is adjusted by memorandum items. These items capture transactions which have some of the characteristics of borrowings, but are not fully reflected in the GFS cash deficit⁵.

An LCA deficit of \$884.1 million is projected for 2002-03. This compares with the \$480.1 million LCA deficit forecast at the time of the 2002-03 Budget. The decrease in the operating outcomes and movements in capital spending discussed elsewhere in this publication account for the majority of the increase in the LCA. Increased borrowings for home lending accounts for the movement in the memorandum items.

⁴For the purposes of LCAs, cash deficits are positive and surpluses negative.

⁵These include items such as home finance scheme borrowings and operating lease commitments. Other memorandum items improve comparability across jurisdictions such as adjustment for local government borrowings.

APPENDIX 2

General Government Operating Revenue

This appendix contains revenue estimates prepared on an accrual basis consistent with the GFS framework.

Table 1

OPERATING REVENUE						
General Government						
	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	898.8	1,021.6	991.6	1,050.1	1,109.4	1,172.4
Property taxes						
<i>Land tax</i>	225.7	266.5	266.5	280.6	299.7	320.9
Conveyances and transfers	647.4	652.3	652.3	737.0	787.6	834.4
Mortgages	85.2	89.5	89.3	96.2	102.2	109.2
Other stamp duties	55.1	57.5	57.5	33.2	34.9	37.6
<i>Total stamp duties on financial and capital transactions</i>	787.7	799.2	799.0	866.3	924.6	981.1
Financial Institutions Duty	15.8	-	-	-	-	-
Debits Tax	96.4	97.5	97.5	97.5	97.5	8.1
<i>Total financial institutions taxes</i>	112.2	97.5	97.5	97.5	97.5	8.1
Metropolitan Region Improvement Tax	37.8	40.5	40.5	43.0	46.0	49.5
Loan guarantee fees	9.6	10.3	10.3	10.8	11.2	11.8
<i>Total other property taxes</i>	47.4	50.8	50.8	53.8	57.2	61.3
Taxes on provision of goods and services						
Lotteries Commission	88.4	90.7	89.4	90.8	92.1	93.5
less rebates	-16.9	-17.7	-17.7	-18.0	-18.2	-18.4
Video lottery terminals	0.5	0.5	0.5	0.5	0.5	0.5
Casino Tax	43.7	46.0	46.0	47.0	47.0	48.0
less rebates	-27.6	-27.4	-27.4	-28.0	-28.2	-28.6
TAB betting tax	40.8	45.5	46.1	47.8	49.9	52.4
less rebates	-19.4	-20.5	-20.5	-20.9	-21.3	-21.5
Other gambling	0.1	0.1	0.1	0.1	0.1	0.1
<i>Total taxes on gambling</i>	109.5	117.3	116.6	119.2	121.9	125.8
Contribution to fire brigades	63.9	65.4	68.8	73.6	78.8	80.9
Stamp Duty on insurance policies	176.2	230.5	229.9	237.6	221.0	232.5
Other	26.6	10.4	19.0	10.4	6.9	4.4
<i>Total taxes on insurance</i>	266.8	306.3	317.7	321.6	306.7	317.8
Taxes on use of goods and performance of activities						
Stamp Duty on Vehicle Licences	180.7	214.4	219.4	226.0	237.0	249.0
Permits - Oversize Vehicles and Loads	1.8	1.6	1.6	1.6	1.6	1.6
Motor Vehicle recording fee	38.3	39.9	39.9	41.1	42.2	43.5
Motor Vehicle registrations	272.1	278.6	278.6	292.0	303.4	317.5
<i>Total motor vehicle taxes</i>	492.9	534.5	539.5	560.7	584.2	611.5
Total Taxation	2,941.0	3,193.7	3,179.2	3,349.8	3,501.2	3,599.0

OPERATING REVENUE

General Government

	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
Goods and Services Tax Revenue:						
Grants	2,518.1	2,821.4	2,795.8	2,912.8	3,061.0	3,185.5
Budget balancing assistance	351.5	116.9	142.4	56.9	-	49.8
Competition Reform	71.1	72.6	72.0	74.6	76.7	78.9
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	659.4	689.0	689.0	733.9	781.8	832.8
Other health	211.5	202.7	263.7	187.8	195.2	197.2
Schools assistance – government schools	186.9	171.8	181.2	182.2	188.4	199.2
Vocational training	86.7	87.1	86.2	92.4	97.4	94.3
Roads	55.5	27.5	27.5	26.0	30.0	28.0
Other	190.5	134.1	132.3	97.6	83.3	98.4
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	357.1	359.3	376.0	414.1	445.0	479.0
Local government grants	99.2	96.1	98.0	101.6	105.2	109.0
Local government roads	70.2	67.9	67.5	70.0	72.5	75.0
First Home Owner Grants - Extension	52.0	-	5.0	-	-	-
<i>Other grants</i>						
North West Shelf royalties	370.4	323.6	429.0	339.1	341.6	365.0
Total Current Grants and Subsidies	5,280.1	5,170.0	5,365.8	5,288.9	5,478.1	5,792.1
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	40.6	60.3	65.3	39.4	65.9	29.6
Schools assistance – government schools	24.1	23.0	23.0	23.0	23.0	23.0
Vocational training	16.7	21.3	21.3	19.9	18.6	19.8
Other	177.8	178.3	187.6	167.6	171.2	174.9
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	9.7	8.9	8.7	9.2	9.3	9.6
Total Capital Grants	268.8	291.7	305.7	259.1	288.1	256.9

Table 1 (cont.)

OPERATING REVENUE						
General Government						
	2001-02	2002-03	2002-03	2003-04	2004-05	2005-06
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
Department of Conservation	42.8	25.4	25.4	25.4	25.4	25.4
Department of Consumer and Employment Protection	17.8	17.8	17.8	18.3	18.1	18.1
Department of Culture and the Arts	17.7	12.6	12.5	13.8	13.8	13.8
Department of Education	90.5	73.8	94.2	95.5	95.8	96.6
Department of Fisheries	21.1	21.0	20.8	21.2	21.5	21.5
Department of Health	152.2	149.2	149.2	149.1	149.7	149.7
Department of Justice	46.5	43.2	46.4	46.8	46.7	46.7
Department of Land Administration	53.9	57.7	60.5	57.5	57.7	63.8
Department of Mineral and Petroleum Resources	15.4	13.8	13.8	13.9	13.9	13.9
State Supply Commission	49.8	67.1	58.8	26.4	2.7	0.8
Department of Training	12.5	12.9	12.9	13.0	13.1	13.2
TAFE colleges	71.1	72.1	85.9	88.0	88.3	93.3
All Others	290.4	352.7	316.1	381.5	370.7	371.5
Total Sale of Goods and Services	881.7	919.3	914.3	950.1	917.5	927.9
INTEREST INCOME	122.0	108.6	103.5	96.6	88.8	92.6
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	407.6	379.3	373.8	404.0	460.1	462.8
Tax Equivalent Regime	241.0	227.7	225.1	231.6	258.3	278.3
Total Revenue from Public Corporations	648.5	607.0	598.9	635.6	718.5	741.1
ROYALTY INCOME						
Revenue from Territorial	651.1	669.8	688.3	695.6	720.2	722.1
less petroleum and other refunds	-15.2	-14.8	-16.2	-10.8	-7.6	-5.3
Total Royalty Income	635.9	654.9	672.1	684.8	712.6	716.8
OTHER						
Lease rentals	37.2	36.5	36.5	35.5	35.5	35.5
Fines	85.3	90.3	78.0	78.0	78.0	78.0
Revenue not elsewhere counted	121.4	91.3	91.2	100.9	83.1	83.9
Total Other	243.8	218.1	205.7	214.4	196.6	197.4
GRAND TOTAL	11,021.9	11,163.5	11,345.3	11,479.2	11,901.4	12,323.7

Note: 2001-02 figures consistent with the 2001-02 Government Financial Results Report, released 25 September 2002.

Columns may not add due to rounding.

APPENDIX 3

Policy Decisions Affecting Expenses

This appendix provides a detailed breakdown of the variations in expenses that have occurred since the 2002-03 Budget due to policy decisions.

A number of these variations relate to voluntary severance payments made to employees. Where these redundancies were centrally funded in 2001-02, the impact from the abolition of the positions is shown as savings for each agency in the subsequent years.

There are also five agencies that received additional funding recently as part of the Government's response to the Gordon Inquiry. This response focuses on improving the capacity of government to protect children from abuse. The Premier announced a range of initiatives in the areas of Health, Community Development, Justice, Police, and Premier and Cabinet. Of the \$75 million package, \$43.1 million impacts on expenses over the period 2002-03 to 2005-06 covered by the Mid-year Review, with further expenses of \$13.5 million being incurred in 2006-07. Capital funding of \$10.3 million has been provided for the construction of three police stations per annum for three years commencing in 2003-04 and \$8.3 million has been redirected from within existing resources.

The response also aims to address gaps in and improve service delivery to Aboriginal people. It commits government to entering into a process of engagement with the wider Aboriginal community for the purpose of preventing child abuse and family violence, making further progress on environmental health initiatives and promoting economic sustainability in Aboriginal communities.

Another across-agency issue is the State Homelessness Strategy. A Government Taskforce released its report in January 2002 and a response group was formed in February comprising representatives from the Departments of Premier and Cabinet, Health and Community Development, the State Housing Commission and Disability Services Commission. A range of initiatives was approved by the Government on 29 April 2002 (which was after the 2002-03 Budget cut-off date of 15 April 2002).

**SUMMARY OF EXPENSE DECISIONS
SINCE THE 2002-03 BUDGET**

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Agriculture	3.7	-	-	-
Community Development	2.4	9.5	8.9	9.5
Conservation and Land Management	0.4	0.2	0.2	0.2
Culture and the Arts	1.0	1.4	1.4	1.4
Energy	1.5	1.6	0.6	-1.6
Environmental Protection	1.8	-	-	-
Fire and Emergency Services Authority	4.7	6.0	6.0	6.0
Gascoyne Development Commission	-	0.3	-	-
Health	4.6	6.6	5.8	5.8
Housing and Works	-0.3	-0.3	-0.3	-0.3
Industry and Technology	0.2	0.6	0.7	0.9
Justice	0.1	5.7	5.3	5.2
Land Administration	1.1	-	-	-
Local Government and Regional Development	0.1	0.1	0.1	0.1
Office of Water Regulation	-	2.4	2.2	2.0
Pilbara Development Commission	1.5	-	-	-
Planning and Infrastructure	-1.4	-1.4	-1.4	-1.4
Police Service	0.1	1.4	2.4	3.6
Premier and Cabinet	5.0	3.0	2.6	1.5
Small Business Development Corporation	0.1	-	-	-
South West Development Commission	0.2	-	-	-
Training	0.4	0.4	0.4	0.4
Treasury and Finance	5.3	6.7	7.9	7.8
Water and Rivers Commission	-	1.5	-	-
Western Australian Sports Centre Trust	3.0	-	-	-
TOTAL	35.5	45.7	42.8	41.1

Agriculture

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Drought Assistance Package	3.7	-	-	-
Total	3.7	-	-	-

- Additional expenditure of \$3.7 million in 2002-03 for the *State's Response to Dry Season 2002* will aid farmers and rural communities struggling to cope with this year's drought. The additional expenditure will be used to provide direct assistance grants of up to \$6,000 per eligible farm business and for rural counselling services.

Community Development

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
State Homelessness Taskforce Response	1.7	2.9	2.9	2.9
Government Response to the Gordon Inquiry	0.5	6.7	6.1	6.7
Funding for cost pressures in the non-government sector	0.3	-	-	-
Voluntary redundancies	-0.1	-0.1	-0.1	-0.1
Total	2.4	9.5	8.9	9.5

- As part of the total \$32.0 million package to tackle homelessness, the Government has provided \$13.3 million over five years to assist public and private sector tenants to keep their housing, help homeless children, support young people leaving long term care and assist people directly into stable accommodation through by-passing crisis accommodation.
- As part of the \$75 million total response to the Gordon Inquiry, the Government has provided \$26.3 million to the Department of Community Development over five years commencing in 2002-03 for a range of initiatives aimed at combating child abuse and family violence in Aboriginal communities. Major new initiatives include:
 - 25 additional Child Protection Workers across the State to increase the Department’s capacity to respond to complaints of child abuse and undertake child protection assessments, and provide a mobile child protection capacity in rural and remote communities (\$12.1 million);
 - development, identification and support of “safe places” and “safe persons” to which vulnerable Aboriginal people can go when in need and the development of community designed safety strategies (\$1.2 million);
 - expansion of the Strong Families Program State-wide to provide a mechanism for an interagency collaborative case management approach to children and families at risk (\$7.7 million);
 - appointment of 14 skilled Aboriginal support workers who will be co-located within existing child and youth focused services, to provide confidential and practical support services to Aboriginal children, particularly those who are fearful of welfare and are not currently accessing mainstream services (\$5.1 million); and
 - development of non-traditional counselling and support strategies appropriate to Aboriginal people (\$0.2 million).

- \$0.3 million was provided in 2002-03 to provide for cost pressures experienced by non-government service providers.
- Savings of \$0.1 million per annum were realised from 2002-03 onwards from voluntary redundancies that were finalised in 2001-02.

Conservation and Land Management

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Implementation of native vegetation clearing controls	0.2	-	-	-
National Aerial Firefighting strategy	0.2	0.2	0.2	0.2
Total	0.4	0.2	0.2	0.2

- Expenditure of \$240,000 has been allocated in 2002-03 to meet the Department's involvement in the implementation of proposed clearing control legislation. This will be achieved through the development of a biodiversity assessment process for clearing applications, and assisting in the development of roadside management plans through the Roadside Conservation Committee.
- An annual allocation of \$200,000 per annum has been provided to facilitate an increased aerial fire fighting capacity in Western Australia through the leasing of two additional fixed wing water bombers for redeployment in the lower southwest of Western Australia.

Culture and the Arts

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Contribution to the acquisition of the <i>Freycinet Collection</i>	0.2	-	-	-
Expenditure funded from membership / entry fees for the Fremantle Maritime Museum	0.8	1.4	1.4	1.4
Total	1.0	1.4	1.4	1.4

- The Government's contribution of \$150,000, combined with the support of private donors, allowed several lots of the *Freycinet Collection* to be purchased at a London auction in October 2002. The contribution will assist in the purchase, transport and display of this important collection, which includes maps of the Swan River and the first representation of a white woman in Western Australia (Rose de Freycinet at the *Uranie* encampment at Shark Bay).
- The establishment of membership and entry charges for the Fremantle Maritime Museum (opened 1 December 2002) contributes towards meeting operational and maintenance costs, and ensuring visitors to the Museum see world-class exhibitions and a changing program of events.

Energy

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Development of Retail Market Rules	0.3	-	-	-
Electricity Reform Implementation Unit	1.2	2.1	2.1	1.2
Energy Smart Program	-	-0.5	-1.5	-2.8
Total	1.5	1.6	0.6	-1.6

- An allocation of \$0.3 million in 2002-03 has been made for the development of Retail Market Rules to facilitate full retail contestability in the deregulation of the State's gas market.
- Funding has been provided for the Electricity Reform Implementation Unit to oversee the implementation of the Electricity Reform Task Force's recommendations.
- The Energy Smart Program is expected to deliver savings through reduced energy consumption across government totalling \$4.8 million over three years.

Environmental Protection

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Implementation of native vegetation clearing controls	0.6	-	-	-
Remediation of Morangup Road Contaminated sites	1.2	-	-	-
Total	1.8	-	-	-

- Expenditure of \$600,000 in 2002-03 has been approved to meet the Department's involvement in the implementation of the proposed clearing control legislation. This will be achieved through the creation of a permit system for the clearing of native vegetation. The Government recognises that clearing remnant native vegetation is one of the main pressures impacting on biodiversity, as it contributes to salinity and other forms of land degradation.
- An allocation of \$1.2 million has been provided to complete the remediation of contaminated properties on Morangup Road, Toodyay.

Fire and Emergency Services Authority

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Firefighter Enterprise Bargaining Agreement (EBA)	3.2	4.8	4.8	4.8
National Aerial Firefighting strategy	0.7	0.7	0.7	0.7
Chemical, Biological or Radiological (CBR) Management	0.8	0.5	0.5	0.5
Total	4.7	6.0	6.0	6.0

- To meet the cost of a salary increase for firefighters under a new EBA, expenses have increased by \$3.2 million in 2002-03 and \$4.8 million in the outyears (of which the State's contribution is \$594,000 in 2002-03 and \$733,000 in the outyears).
- In order to enhance Western Australia's existing aerial firefighting capabilities, an annual allocation of \$700,000 has been made to lease and operate two heli-tankers to extinguish wildfires in bushland located in both inner and outer metropolitan areas. This amount includes a contribution of \$300,000 from the Australasian Fire Authorities Council.
- \$810,000 in 2002-03 and \$530,000 in the outyears has been allocated for additional equipment, staff, maintenance and training programs to improve the State's capacity to manage a CBR emergency.

Gascoyne Development Commission

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Gascoyne Aboriginal Heritage and Cultural Centre project	-	0.3	-	-
Total	-	0.3	-	-

- An allocation has been made to enable completion of the Gascoyne Aboriginal Heritage and Cultural Centre project as committed in the 2000-01 Budget and in accordance with the 1997 Land Use Agreement with the Gnulli people over the Northwater (Carnarvon Fascine) Development. The Centre will be a multifunctional facility, which includes indigenous tourism, education and learning, business development, Aboriginal heritage and cultural maintenance and practice.

Health

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
State Homelessness Taskforce Response				
Youthlink for people with mental illness	0.5	0.8	0.8	0.8
Mental health patient release	0.2	0.3	0.3	0.3
Rotary wing medical rescue service	3.5	3.5	3.5	3.5
Gordon Inquiry response				
Child Protection Unit at Princess Margaret Hospital	0.3	1.0	0.6	0.6
Sexual Assault Resource Centre	0.3	1.2	0.8	0.8
Voluntary redundancies	-0.2	-0.2	-0.2	-0.2
Total	4.6	6.6	5.8	5.8

- An allocation of \$4.9 million over a five year period to 2006-07 towards the implementation of the Government's response to the Homelessness Taskforce, will provide for:
 - additional support services to young people with mental illness of \$500,000 in 2002-03 and \$800,000 per annum from 2003-04; and
 - additional housing support to assist the accommodation of mental health patients released back into the community of \$160,000 in 2002-03 and \$260,000 per annum thereafter.
- An annual allocation of up to \$3.5 million per annum has been provided to facilitate the establishment of a rotary wing medical rescue service.
- Provision of \$7.1 million over a five year period to 2006-07 has been made towards the implementation of the Government's Response to the Gordon Inquiry:
 - to increase the existing capacity of the Child Protection Unit at the Princess Margaret Hospital in order to provide medical, clinical and counselling services to children that are victims of abuse and to also provide expert advice and training across the State in managing acute health needs of children (\$2.6 million in recurrent funding and \$570,000 in expensed capital works funding); and
 - to expand services provided by the Sexual Assault Resource Centre (SARC) including regionally funded services to enhance the provision of coordinated and adequate medical, forensic and counselling services to adult and mature minors that are victims of sexual assault (\$3.2 million in recurrent funding and \$720,000 in expensed capital works funding to facilitate the relocation of SARC).

- Savings of \$0.2 million per annum resulting from management initiated redundancies commenced in 2002-03. This does not include savings of \$15.9 million per annum resulting from voluntary redundancies finalised in 2001-02 and retained by Health for application towards service delivery.

Housing and Works

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Voluntary redundancies	-0.3	-0.3	-0.3	-0.3
Total	-0.3	-0.3	-0.3	-0.3

- Savings of \$0.3 million per annum resulting from voluntary redundancies finalised in 2001-02.

Industry and Technology

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Westpac Corporation Contact Centre at Joondalup	0.2	0.6	0.7	0.9
Total	0.2	0.6	0.7	0.9

- Financial assistance of \$4.6 million is to be provided over seven years for the reimbursement of payroll tax paid by the Westpac Banking Corporation to facilitate the establishment of a contact centre at Joondalup, employing up to 450 staff.

Justice

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
State Homelessness Taskforce Response	0.3	0.3	0.3	0.3
State Administrative Tribunal	-0.2	4.5	4.0	3.9
Government Response to the Gordon Inquiry	-	0.9	1.0	1.0
Total	0.1	5.7	5.3	5.2

- Funding of \$340,000 per annum has been allocated to facilitate the provision of additional support upon the release of prisoners back into the community.
- Funding has been allocated for the establishment of the State Administrative Tribunal through the amalgamation of the appellant, disciplinary and original civil jurisdictional functions of 48 Boards and Tribunals. This is in response to the progressive implementation of Law Reform Commission recommendations emanating from the Review of the Criminal and Civil Justice System 1999.

2002-03 Government Mid-year Financial Projections Statement

- The following initiatives were identified as part of the Government's response to the Gordon Inquiry in the Justice area:
 - an annual allocation of \$0.7 million to expand a range of programs and positions that enhance the management and rehabilitation of offenders released back into communities. This includes specialist perpetrator programs for violent and sex offenders in regional areas and supporting communities to supervise offenders; and
 - \$0.3 million per annum for the extension of the Child Witness Service (CWS) to increase accessibility for Aboriginal children and extend victim support services into outlying Aboriginal communities, employ an Aboriginal worker at the CWS and extend Victim Offender Mediation Services into four rural locations.

Land Administration

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Coastal Protection works – Quinns Rocks	1.0	-	-	-
Property Asset Rationalisation Committee	0.1	-	-	-
Total	1.1	-	-	-

- An allocation of \$1.0 million in 2002-03 has been provided to fund coastal protection works at Quinns Rocks.
- Expenditure of \$125,000 in 2002-03 for costs associated with the establishment of the Property Asset Rationalisation Committee to be funded from revenues generated.

Local Government and Regional Development

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Animal Welfare Unit	0.1	0.1	0.1	0.1
Total	0.1	0.1	0.1	0.1

- An allocation of \$125,000 per annum commencing in 2002-03 has been provided to establish an Animal Welfare Unit to implement and support the *Animal Welfare Act 2002*. The purpose of the Act is to replace the *Prevention of Cruelty to Animals Act 1920* to ensure that animals are properly cared for and protected within a modern framework.

Office of Water Regulation

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Ord River Subsidy	-	2.4	2.2	2.0
Total	-	2.4	2.2	2.0

- Cabinet approved the transfer by the Water Corporation of the Ord Stage 1 distribution system business to the Ord Irrigation Cooperative on 13 May 2002. This subsidy was administered by Treasury and Finance in 2002-03, but transferred to the Office of Water Regulation for 2003-04 and the outyears.

Pilbara Development Commission

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Roebourne Enhancement Scheme	1.5	-	-	-
Total	1.5	-	-	-

- Funding has been made available for an Enhancement Scheme for the Roebourne township to improve the physical amenity of the town, coordinate service delivery and improve economic and social development outcomes for the town's residents. The scheme will not only beautify the town of Roebourne but also provide employment to its residents and a government presence within the town.

Planning and Infrastructure

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Voluntary redundancies	-1.4	-1.4	-1.4	-1.4
Total	-1.4	-1.4	-1.4	-1.4

- Savings of \$1.4 million per annum resulting from voluntary redundancies finalised in 2001-02.

Police Service

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Government Response to the Gordon Inquiry	0.1	1.4	2.4	3.6
Total	0.1	1.4	2.4	3.6

- As part of the Government's response to the Gordon Inquiry, funding has been provided for:
 - the operating costs associated with the construction of three police stations per annum for three years including the placement of police officers at targeted remote locations commencing in 2003-04 (\$966,000 in 2003-04 increasing to \$3.1 million in 2005-06); and
 - the placement of eight Domestic Violence Specialist police officers in police districts to work in partnership with other service providers (\$106,000 in 2002-03 increasing to \$452,000 in 2005-06).

Premier and Cabinet

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Functional Review	1.0	-	-	-
Western Australian Bali Casualties Appeal	0.1	-	-	-
Native Title Negotiations – Burrup and Maitland Estates	3.6	0.1	0.1	0.1
Government Response to the Gordon Inquiry	0.3	2.9	2.5	1.4
Total	5.0	3.0	2.6	1.5

- The provision of \$1 million in 2002-03 for the Functional Review to assess the effective delivery of government services provides for the appointment of two non-public sector members to the Functional Review team and the engagement of consultants.
- Expenditure of \$100,000 has been made in 2002-03 for the Western Australian Bali Casualties Appeal. The appeal was activated through the Lord Mayor's Distress Relief Fund and covered distress and hardship including travel, medical costs and counselling.
- An additional allocation of \$3.8 million has been approved for native title negotiations associated with Burrup and Maitland Estates. The funding will provide for:
 - additional upfront payments to be payable to the approved body corporate upon the first acquisition of native title in the Estates (\$2.5 million);

- annual management fees and the cost of an independent study for the establishment of a management plan and the identification of infrastructure requirements for non-industrial land (\$1 million); and
- data collection and assessment for a baseline environmental study (\$350,000).
- Funding of \$8.4 million over a five year period up to 2006-07 has been directed towards the implementation of the Government’s Response to the Gordon Inquiry and will provide for:
 - a program to address the security and community building needs of children and vulnerable adults (\$6.1 million);
 - the establishment of a Community Partnerships Fund to facilitate Aboriginal communities developing solutions in partnership with government agencies for issues identified in the Gordon Inquiry (\$1.6 million);
 - the establishment of a Community Futures Foundation, which will invite investment from private enterprise, academic institutions, philanthropic groups and the broad community to support innovative and creative initiatives (\$400,000);
 - the establishment of a Video Evidentiary Unit to strengthen joint approaches to child abuse investigations (\$220,000); and
 - a tracking system for the implementation of all programs implemented under the response to the Gordon Inquiry (\$100,000).

Small Business Development Corporation

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Small Business Labour Relations Transition Centre	0.1	-	-	-
Total	0.1	-	-	-

- Expenditure of \$60,000 has been injected to support the establishment and marketing of the Small Business Labour Relations Transition Centre. The Centre was established to ensure as smooth as possible a transition to the new labour relations laws by small businesses.

South West Development Commission

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Financial Assistance Package for the Pemberton Sports Club Inc.	0.2	-	-	-
Total	0.2	-	-	-

- The financial assistance provided to the Pemberton Sports Club is to consolidate sporting facilities in the town and to permit the development of a “business incubator” for furniture and fine woodcraft. The package is in accordance with the “Restructuring in the Karri Sawmill Industry and Forest Products Initiatives for Pemberton” initiative.

Training

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Industry Training Advisory Boards	0.4	0.4	0.4	0.4
Total	0.4	0.4	0.4	0.4

- A provision of \$430,000 annually has been made to enable the Industry Training Advisory Boards (ITABS) to provide analysis of the training needs of the State.

Treasury and Finance^(a)

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Aerial Shark Surveillance Program	0.1	0.1	0.1	-
CSO payment to the Water Corporation	0.2	0.7	1.1	1.1
Ord River Subsidy	2.8	-	-	-
State Housing Commission:				
- Emergency Services Levy	-	1.3	2.1	2.1
- State Homelessness Taskforce Response	0.5	1.0	1.0	1.0
- Indigenous Housing Agreement	-	3.9	3.9	3.9
- Roebourne Enhancement Scheme	2.0	-	-	-
Voluntary redundancies	-0.3	-0.3	-0.3	-0.3
Total	5.3	6.7	7.9	7.8

(a) Includes the operations of the Consolidated Fund, such as subsidies for public corporations.

- An allocation of \$110,000 per annum over a three year period up to 2004-05 towards the implementation of the Government’s Shark Management Strategy, has been provided to the Edith Cowan University for servicing the aerial shark patrols.

- Funds have been provided to the Water Corporation to assist in the capital and operating costs of the Albany Water Treatment Plant. The project will reduce the risk of microbiological contamination and algae bloom.
- Cabinet approved the transfer by the Water Corporation of the Ord Stage 1 distribution system business to the Ord Irrigation Cooperative on 13 May 2002. This subsidy was administered by Treasury and Finance in 2002-03, but transferred to the Office of Water Regulation for 2003-04 and the outyears.
- As a result of the introduction of the Emergency Services Levy on 1 July 2003, a subsidy will be provided to the State Housing Commission for tenants who have income capped rents. This arrangement will be budget neutral as the expense will be matched by corresponding revenue through the Fire and Emergency Services Authority.
- As part of the Government's response to the Homelessness Taskforce Report, an increased allocation was made to the Supported Housing Assistance Program (SHAP). This program provides assistance to tenants having difficulty managing their tenancies through a range of support and counselling services.
- The renegotiation of a second Indigenous Housing Agreement resulted in additional funding being required to match the increased funding from the Commonwealth. The agreement between the Commonwealth, ATSIC and the State provides for housing and related infrastructure for Aboriginal and Torres Strait Islander people in Western Australia.
- Funding has been made available for the establishment of an Enhancement Scheme for the Roebourne township additional to that provided to the Pilbara Development Commission.
- Savings of \$0.3 million per annum have been realised through voluntary redundancies finalised in 2001-02.

Water and Rivers Commission

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Farm Water Grants Scheme (drought assistance)	-	1.5	-	-
Total	-	1.5	-	-

- Additional expenditure of \$1.5 million will be made in 2003-04 for “On-farm Water Grants” as part of the *State’s Response to Dry Season 2002* which will aid farmers and rural communities struggling to cope with this year’s drought. The aim of the scheme is to enable farmers to develop on-farm supplies to a point where they are substantially self-sufficient, are better able to cope with extended periods of low rainfall and in turn rely less on public water supplies from off-farm sources.

Western Australian Sports Centre Trust

	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Kwinana Motorplex	3.0	-	-	-
Total	3.0	-	-	-

- Funding has been allocated to enable payment to LandCorp for land compulsorily resumed for the construction of the Kwinana Motorplex.