



2000–01

GOVERNMENT

MID-YEAR FINANCIAL

PROJECTIONS STATEMENT

2000-01 Mid-Year Review Report

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# 2000-01 GOVERNMENT MID-YEAR FINANCIAL PROJECTIONS STATEMENT

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# Foreword

The purpose of this *Government Mid-Year Financial Projections Statement* (mid-year review) is to outline and explain developments in the State's financial position and outlook since the State budget was handed down on 11 May 2000. Changes in the State's financial position and outlook relate both to policy decisions and to changes in the economic environment.

Public sector financial projections are presented for the budget year and the three following years. The mid-year review also includes information to enable comparison with the 2000-01 Budget.

The mid-year review is in the same format as the 2000-01 Budget, reflecting the Australian Bureau of Statistics' government finance statistics (GFS) standards.

The use of the GFS standards reflects a decision by all Australian Governments to adopt the GFS methodology for the purpose of Uniform Presentation Framework (UPF) of public finances. The latest UPF format was agreed to by the Australian Loan Council in March 2000.

This mid-year review incorporates the impacts of the sales of AlintaGas and Westrail Freight. Details of the impact of the sale of AlintaGas and associated capital works, and of the sale of the freight division of Westrail are provided in Appendix 2 to this document.

Mid-year review tables include 1999-2000 financial data for comparative purposes. In some cases these data may vary from those published in the *Government Financial Results Report* (GFRR) released on 29 September 2000. Variations from the GFRR, which are briefly described in Appendix 4: *1999-2000 Final Outcome*, occur as a result of the post GFRR audit review and further data matching.

# Under Treasurer's Certification

This *Government Mid-Year Financial Projections Statement* was prepared under my instruction. It is based upon Government decisions I was aware of or that were made available to me by the Treasurer on or before the mid-year review cut off date of 15 December 2000 and which had a material effect on the Government's financial projections.

The *Government Mid-Year Financial Projections Statement* is based on the economic assumptions outlined in Chapter 4. These assumptions were finalised on 15 December 2000.

J L Langoulant  
UNDER TREASURER

28 December 2000

## CHAPTER 1

# Overview

There have been a number of significant developments since the 2000-01 Budget that have impacted on government finances and economic aggregates. These developments include the sale of AlintaGas and the freight division of Westrail, commitments to the Perth Urban Rail Development and Perth Convention and Exhibition Centre, and strong demand for service delivery in the transport and health sectors. The high world price of oil and weak Australian dollar have also influenced government finances (particularly revenue) and economic aggregates.

The overall impact of these developments on government finances has been mixed. In particular, the general government operating surplus in 2000-01 is projected to be \$106.2 million, compared with the 2000-01 Budget estimate of \$42.0 million. The general government operating balance is expected to be in a surplus position for two out of three remaining forward estimate years.

The net operating balance of the total public sector is projected to be in surplus consistently over the forward estimates, albeit at lower levels than those projected at budget.

Although net worth is expected to be lower than projected in the budget, it is nevertheless forecast to increase in 2000-01 and over the medium term.

These revised outcomes are accompanied by a substantial reduction in net debt relative to budget projections. This results from the impact of the sales of AlintaGas and Westrail Freight operations.

These changes to government finances have occurred in the context of strong economic growth. The forecast for economic growth in Western Australia in 2000-01 remains unchanged from the 2000-01 Budget forecast of 4.0%. However, this masks compositional changes in growth. In particular, business and dwelling investment are expected to be weaker than projected at budget, while net exports are estimated to make a stronger contribution to growth than envisaged.

As a consequence of weaker than expected dwelling investment, a labour intensive sector of activity, the employment growth forecast has been revised downwards. Nevertheless, the unemployment rate is projected to continue to fall over the near term.

The weaker than expected Australian dollar in 2000-01 is the primary reason for the upward revision in the contribution of net exports to economic growth (as import substitution is more attractive). At the same time, however, the weaker currency has boosted growth in the underlying Consumer Price Index and the gross State product implicit price deflator.

The potential for a marked slowdown in activity in the United States is considered to be the most significant risk to growth in the future.



# Financial Strategy and Targets

## Financial Strategy

The Government remains committed to the financial strategy outlined in the 2000-01 Budget. This strategy focuses on the long term stability of the public sector and is consistent with the financial management principles of:

- reliance on the current generation for funding current services;
- stability and predictability in relation to spending and taxing policies;
- spending and taxing policies being framed taking into account consideration of their impact on employment and economic growth; and
- prudent management of financial risks.

## Targets

The ability of current policy to meet the stated financial strategy is expressed as a set of medium term targets, specified each year in the budget papers. The Government's medium term targets were outlined in detail in the 2000-01 Budget Papers delivered on 11 May 2000<sup>1</sup>.

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<sup>1</sup> The financial strategy and targets released in the 2000-01 Budget reflect accrual accounting and government finance statistics concepts. See Budget Paper No 3: *2000-01 Economic and Fiscal Outlook*, Chapter 2, for further details.

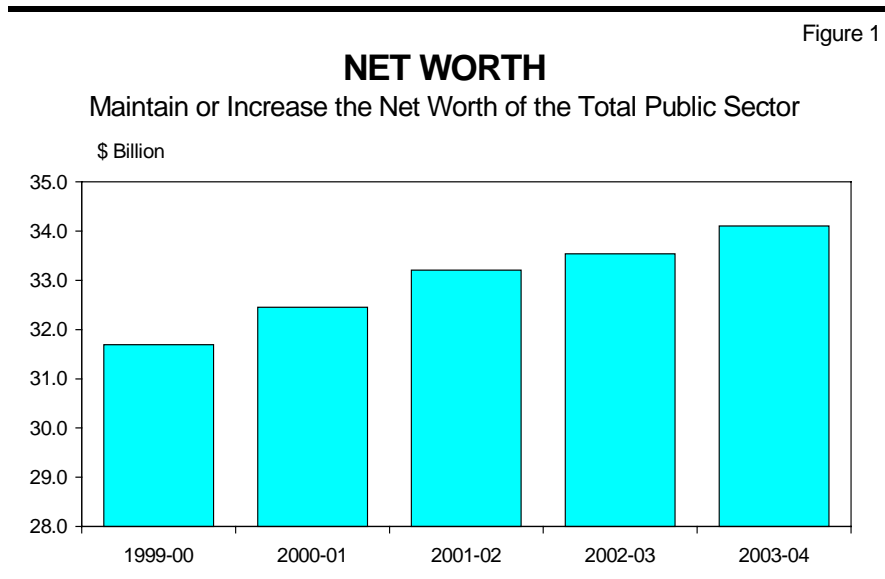
These targets apply across the forward estimates period and in summary form are as follows:

- net worth of the total public sector should be maintained or increased;
- there should be a declining net interest cost as a proportion of total public sector revenue;
- real per capita expenses for the general government sector should decrease; and
- there should be an accrual operating surplus for the general government and total public sectors.

The current position in relation to these targets, consistent with the mid-year review projections is outlined below.

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

As illustrated in the following chart, this target is achieved over the forward estimates period. Net worth is estimated to increase each year, rising from \$31.7 billion at 30 June 2000 to around \$34.1 billion by 30 June 2004.



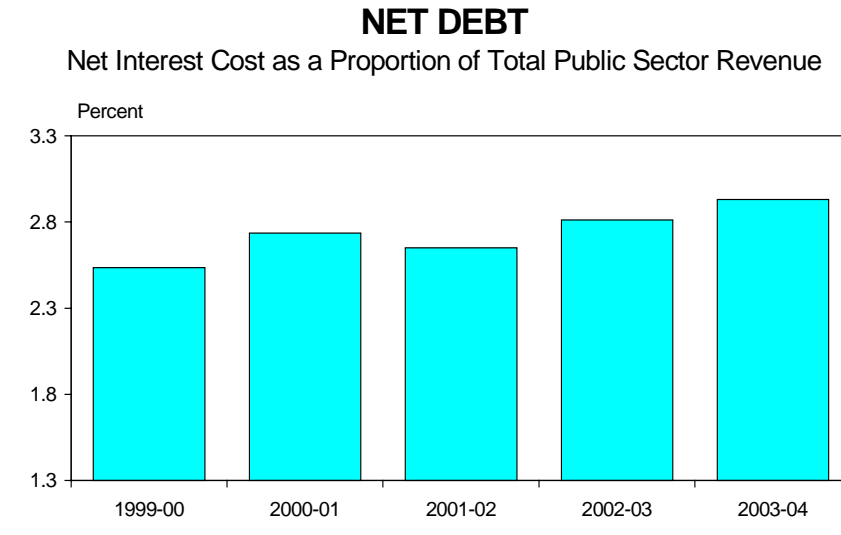
## Net Debt: a declining net interest cost as a proportion of total public sector revenue

This target is not achieved over the forward estimates period as a whole with a reduction in the ratio expected only in 2001-02.

The increase in the ratio in 2000-01 is due to the decline in gross interest expenses (from debt retirement) being more than offset by an accompanying decline in gross interest income. Specifically, for the financial public sector, investments, loans and placements have been run-down in 2000-01 after having been built up for liquidity purposes as a precaution against the potentially adverse financial market conditions arising from Y2k related problems.

The reasons underpinning the increasing ratio beyond 2000-01 are twofold. Firstly, revenue is forecast to grow at a modest rate of 0.8% per annum over the forward estimates. Secondly, net interest costs are forecast to rise reflecting increased borrowings to fund capital works. Notwithstanding this, at between 2.5% and 2.9%, the ratio remains low<sup>2</sup> and indicates an extremely small level of risk to the financial projections from any future upward movement in interest rates.

Figure 2

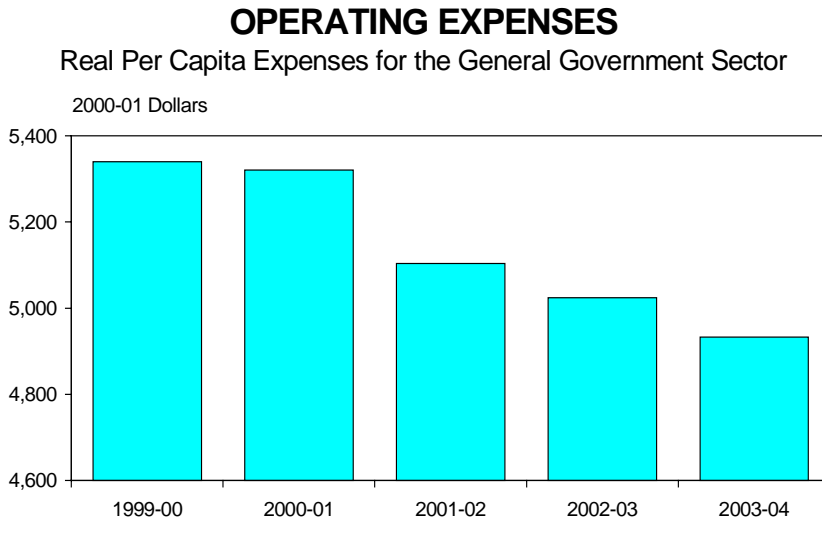


<sup>2</sup> The ratio was close to 4.0% in the early/mid-1990s.

**Operating Expenses: real per capita expenses for the general government sector be decreased**

This target is met in the budget year and over the forward estimates period. Operating expenses per capita over the forward estimates period as a whole are expected to decline from \$5,321 per person in 2000-01 to \$4,926 per person in 2003-04.

Figure 3



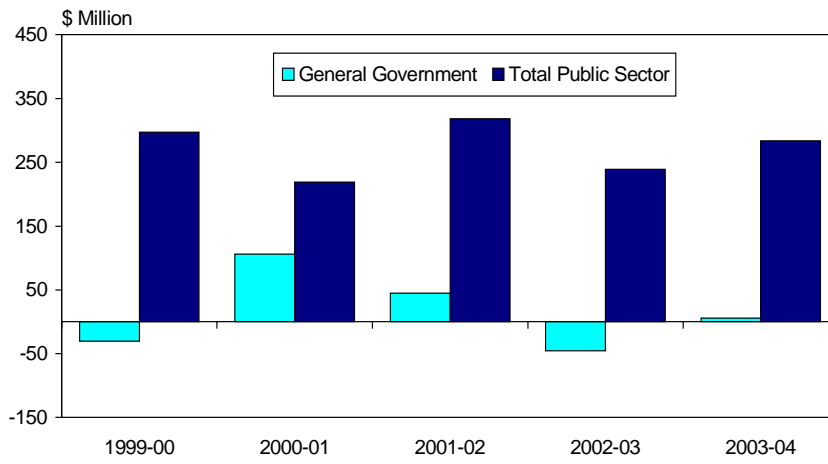
**Operating Balance: an accrual operating surplus for the general government and total public sectors**

For the general government sector, this target is expected to be achieved in all years other than 2002-03. Trends in revenue and expenses are expected to lead to a modest operating deficit in that year. More detail on these aggregates is provided in Chapter 3: *Financial Projections*.

For the total public sector, this target is achieved in all years due to the expected operating surpluses of public corporations combining with the general government sector results.

Figure 4

## NET OPERATING BALANCE



# Financial Projections

## General Government

### **Summary**

General government sector finances have changed significantly since the 2000-01 Budget. Factors impacting on the sector's finances include the sale of AlintaGas and Westrail Freight, commitments to progress the Perth Urban Rail Development (PURD) and the Perth Convention and Exhibition Centre, and the accommodation of service delivery pressures, particularly in the transport and health portfolios.

These changes have resulted in significant revisions to the projected operating finances of the general government sector from budget time. In 2000-01, the general government operating balance is expected to be in surplus by \$106.2 million, up from the projected operating surplus of \$42.0 million in the budget. The net operating balance is expected to be in surplus in two of the three remaining forward years (2001-02 and 2003-04).

Table 1

**GENERAL GOVERNMENT SECTOR**  
Summary Financial Statements

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b><u>OPERATING STATEMENT</u></b>						
Revenue	9,692.8	9,838.7	10,228.4	10,138.2	10,251.7	10,479.6
Expenses	9,723.0	9,796.7	10,122.2	10,093.6	10,297.2	10,474.1
<b>Net Operating Balance</b>	<b>-30.2</b>	<b>42.0</b>	<b>106.2</b>	<b>44.7</b>	<b>-45.5</b>	<b>5.5</b>
<b><u>BALANCE SHEET</u></b>						
Assets	41,127.2	42,568.0	41,815.4	42,902.3	43,747.9	44,758.2
Liabilities	9,436.2	9,727.1	9,365.6	9,697.9	10,211.5	10,655.8
<b>Net Worth</b>	<b>31,691.0</b>	<b>32,840.9</b>	<b>32,449.8</b>	<b>33,204.3</b>	<b>33,536.4</b>	<b>34,102.3</b>
<b><u>STATEMENT OF CASH FLOWS</u></b>						
<b>Change in net cash held</b>	<b>28.4</b>	<b>-115.2</b>	<b>-151.5</b>	<b>-120.0</b>	<b>-18.5</b>	<b>3.0</b>
GFS Cash Surplus	-382.1	-345.5	-399.0	-363.0	-461.8	-484.4
<i>Memorandum Item: Net Debt</i>	726.5	1,181.0	475.0	758.8	1,282.6	1,729.2

Note: Columns may not add due to rounding.

The impact on the general government sector balance sheet is mixed. In particular, although net worth is projected to increase in 2000-01, the size of the increase will be more modest than anticipated at budget. However, general government net debt will be substantially lower than projected at budget following directly from the impact of the recent asset sales.

## Operating Statement

The net operating balance of the general government sector is projected to be in surplus by \$106.2 million in 2000-01. This is \$64.2 million higher than the surplus projected in the 2000-01 Budget. The net operating balance is projected to remain in surplus in 2001-02, record a small deficit in 2002-03, and return to surplus thereafter.

Table 2

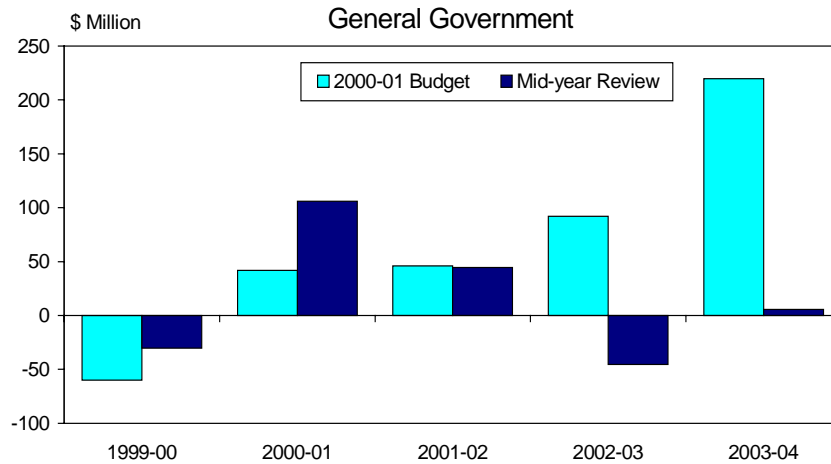
**GENERAL GOVERNMENT**  
Operating Statement

	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimate	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate
			\$m	\$m	\$m
<b>MID-YEAR REVIEW</b>					
Revenue	9,692.8	10,228.4	10,138.2	10,251.7	10,479.6
Expenses	9,723.0	10,122.2	10,093.6	10,297.2	10,474.1
<b>Net Operating Balance</b>	<b>-30.2</b>	<b>106.2</b>	<b>44.7</b>	<b>-45.5</b>	<b>5.5</b>
<b>2000-01 BUDGET</b>					
Revenue	9,370.3	9,838.7	9,965.3	10,202.9	10,487.2
Expenses	9,430.3	9,796.7	9,919.2	10,110.8	10,267.5
<b>Net Operating Balance</b>	<b>-60.1</b>	<b>42.0</b>	<b>46.1</b>	<b>92.1</b>	<b>219.7</b>
<b>VARIANCE</b>					
Revenue	322.5	389.7	172.9	48.8	-7.6
Expenses	292.7	325.5	174.4	186.4	206.6
<b>Net Operating Balance</b>	<b>29.8</b>	<b>64.2</b>	<b>-1.5</b>	<b>-137.6</b>	<b>-214.2</b>

Note: Columns may not add due to rounding.

**NET OPERATING BALANCE**

Figure 1





## Revenue

General government sector revenue is projected to rise to \$10,228.4 million in 2000-01. This is \$389.7 million higher than estimated in the 2000-01 Budget. The higher than budgeted revenue primarily reflects:

- taxation revenue - up \$89.7 million in 2000-01 from:
  - a revision upwards in stamp duties on financial and capital transactions of around \$54.7 million since the budget, with estimated revenue related to the sale of AlintaGas and Westrail Freight (around \$73.2 million) more than offsetting the impact of weaker than expected residential dwelling activity on conveyance duty collections; and
  - taxes on insurance being revised up since budget by around \$9.5 million, reflecting higher than expected collections to date in 2000-01, and motor vehicle taxes being revised up by \$13.8 million.

Increases in taxation revenue in forward years mainly reflect the recent implementation of anti-avoidance measures in relation to the “land rich” provisions of the *Stamp Act* (which have an estimated full year impact of \$30.0 million) and the flow through of higher revenue from insurance and motor vehicle taxes in 2000-01.

- current grants and subsidies - up \$110.0 million in the current year. This is principally due to higher North West Shelf petroleum royalties (which are treated as grants as they are collected by the Commonwealth and passed to the State) resulting from the high world price of oil. A similar benefit is projected in 2001-02;
- tax equivalent regime (TER) revenue - up \$99.5 million in 2000-01. This includes a once-off payment generated by the operating activity of AlintaGas for the period 1 July 2000 through to 17 October 2000 and the profit on the sale of AlintaGas. TER revenue will decline relative to budget in the forward years with the removal of AlintaGas from the revenue base;
- sales of goods and services revenue - up \$59.1 million in 2000-01. This largely reflects sales of forest products through the Department of Conservation and Land Management (CALM) prior to the creation of the Forest Products Commission<sup>1</sup> (FPC). The forward years incorporate only marginal variations since budget; and

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<sup>1</sup> The 2000-01 budget for CALM was predicated on the basis that the necessary legislation for the creation of the FPC would be passed before 1 July 2000. However, CALM continued under its previous structure until 16 November 2000. The FPC is a public non-financial corporation.

- royalty revenue - up \$77.8 million in 2000-01 reflecting:
  - a lower than expected \$A in 2000-01; and
  - iron ore production being stronger than expected and royalties from petroleum, nickel and diamonds having risen in response to stronger than expected prices.

Increases in royalty revenue in forward estimate years mainly results from:

- a downward revision to the \$A/\$US forecast to 0.56 following movements in the \$A since the budget. The rate is assumed to remain constant over the forward estimates period;
- upward revisions to the volume of iron ore and petroleum exports to Asian regions, and an improved outlook for diamond and (to a lesser extent) gold prices. These factors are partly offset by a more subdued outlook for prices and production of mineral sands and nickel; and
- oil prices are expected to decline from around \$US27-28 per barrel for the remainder of 2000-01 to around \$US19-20 per barrel by 2003-04.

The revenue increases in 2000-01 are expected to be partially offset by a decline in dividend revenue (\$42.3 million, largely from a decline in Westrail dividends due to the sale of its freight division in 2000-01) and other revenue (\$30.1 million) relative to budget.

## **Expenses**

Total operating expenses of the general government sector are expected to be \$10,122.2 million in 2000-01. This is an increase of \$325.5 million relative to the 2000-01 Budget estimate, which is largely due to:

- current transfers being \$100.0 million higher than projected. This includes Jervois Bay funding from the Commonwealth (received in 1999-2000) being released in 2000-01, assistance to farmers, commitments under the Regional Forest Agreement, regional development and payments to bus operators;
- higher than projected salaries expense (up \$44.0 million);
- an upward revision to the depreciation expense estimate of \$37.0 million, primarily as a result of the use of more detailed information in measuring depreciation of roads (\$36.0 million); and
- other gross operating expenses (including goods, services and consumables, etc.) being revised up \$173.0 million.

Some of these variations persist into the out-year projections. Notable contributors to changes in consolidated general government expenses include the following agencies:

- Transport - \$88.6 million higher, largely from:
  - increases in service, contract and other goods and services expenses (\$60.9 million) including activity associated with the PURD program; and
  - higher than expected grants and subsidies to private bus operators in regional centres and school bus subsidies (\$21.0 million).

Service delivery increases are also incorporated in the forward year estimates.

- Health - \$43.0 million higher in net terms in 2000-01 as a result of increased salaries expenses (\$22.3 million), direct patient support costs (\$21.8 million), and private sector contract expenses (\$7.9 million). These increases support the maintenance of service delivery targets in the context of unavoidable growth in demands and costs. The impact of these factors is also reflected in the forward years;
- Main Roads - \$36.1 million higher in net terms, reflecting an upward revision to depreciation, higher salaries expense resulting from carried forward works from 1999-2000, and a re-assessment of the estimated mix between capitalised and expensed road building/maintenance and other operating activities. These variations persist into the out-years;
- CALM - \$33.3 million higher in the current year, reflecting expenses incurred over the period in which CALM continued to include the operations of the FPC. Application of AlintaGas sale proceeds to salinity projects adds a further \$10.0 million per annum in 2001-02 and 2002-03;
- Treasury - the State is required to pay GST on the sale of its motor vehicles. A provision of \$10.0 million has been made for these costs in 2000-01. As part of the renegotiation of the fleet funding arrangements future GST costs are expected to be met from within existing rental costs;
- higher GST administration costs (the Commonwealth being reimbursed from higher GST grants).

In some cases, expenses variations are accompanied by changes in Consolidated Fund appropriation support to agencies. Variations in appropriations since budget, and brief explanations of the policy initiatives they fund, are provided in Appendix 3: *Variations in Appropriations Since Budget*.

## Balance Sheet

The general government sector balance sheet indicates that the State's finances are expected to remain in a sound position.

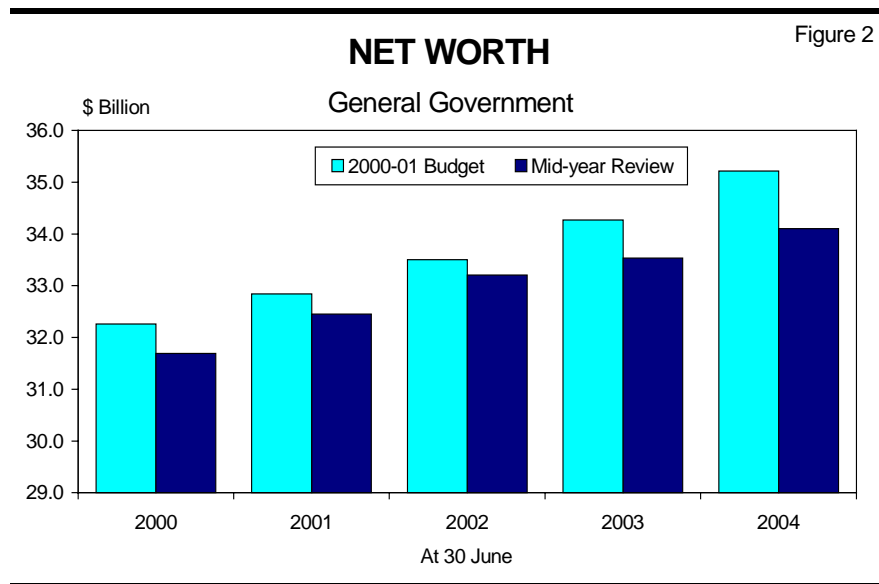
Table 3

### GENERAL GOVERNMENT Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
<b>MID-YEAR REVIEW</b>					
Assets	41,127.2	41,815.4	42,902.3	43,747.9	44,758.2
Liabilities	9,436.2	9,365.6	9,697.9	10,211.5	10,655.8
<b>Net Worth</b>	<b>31,691.0</b>	<b>32,449.8</b>	<b>33,204.3</b>	<b>33,536.4</b>	<b>34,102.3</b>
<b>2000-01 BUDGET</b>					
Assets	41,693.8	42,568.0	43,506.8	44,494.4	45,452.1
Liabilities	9,436.7	9,727.1	10,006.6	10,220.6	10,232.6
<b>Net Worth</b>	<b>32,257.1</b>	<b>32,840.9</b>	<b>33,500.2</b>	<b>34,273.8</b>	<b>35,219.5</b>
<b>VARIANCE</b>					
Assets	-566.6	-752.6	-604.5	-746.5	-694.0
Liabilities	-0.5	-361.5	-308.7	-9.1	423.2
<b>Net Worth</b>	<b>-566.1</b>	<b>-391.1</b>	<b>-295.9</b>	<b>-737.4</b>	<b>-1,117.1</b>

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 \$32.4 billion at 30 June 2001, \$391.1 million lower than projected at budget time, largely reflecting land valuation methodology changes in the intervening period. Nevertheless, net worth is expected to be \$758.8 million higher than at 30 June 2000. By 30 June 2004, net worth is projected to increase to \$34.1 billion.



Total assets are projected to rise to \$41.8 billion by 30 June 2001. This is \$752.6 million lower than estimated at budget time. The decline in projected net worth relative to budget is largely attributable to:

- a \$504.0 million decline in the estimated value of financial assets. Equity holdings in the public non-financial corporations (PNFC) sector are \$769.3 million lower as a result of the sale of AlintaGas and Westrail Freight. This is partially offset by higher investments, loans and placements (\$119.1 million), advances paid (\$82.5 million), cash (\$7.3 million), and other non-equity assets such as receivables (\$56.6 million); and
- a \$248.7 million downward revision in the estimated value of non-financial assets. This is due to revisions to the value of road assets arising from the use of more detailed information in measuring accumulated depreciation, the value of buildings, particularly in the Department of Education and the Police Service, and the change in land valuation methodology adopted since the budget.

Liabilities are expected to increase to \$9,365.6 million at 30 June 2001. This is \$361.5 million lower than estimated at budget. The estimated value of borrowings is \$442.3 million lower (due to the retirement of general government debt from the proceeds of the AlintaGas sale).

The trend in net worth for the sector is for a steady increase over the medium term.

## Cash Flow Statement

The following table shows net cash flows for the general government sector. It indicates a fall in net cash held of \$151.5 million in 2000-01, compared with an estimated decline of \$115.2 million in the 2000-01 Budget.

Table 4

<b>GENERAL GOVERNMENT</b>					
<b>Net Cash Flow Statement</b>					
	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Forward	Forward	Forward
	\$m	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m
<b>MID-YEAR REVIEW</b>					
From Operating Activities	355.7	571.7	441.5	368.5	433.8
From Investing Activities	-461.0	-564.9	-803.2	-903.6	-980.3
From financing activities	133.6	-158.4	241.8	516.5	549.5
<b>Net Increase in Cash Held</b>	<b>28.4</b>	<b>-151.5</b>	<b>-120.0</b>	<b>-18.5</b>	<b>3.0</b>
GFS Cash Surplus	-382.1	-399.0	-363.0	-461.8	-484.4
<b>2000-01 BUDGET</b>					
From Operating Activities	293.4	487.0	411.7	485.9	643.0
From Investing Activities	-723.2	-820.0	-638.9	-666.0	-617.4
From financing activities	245.1	217.8	180.7	175.4	-27.6
<b>Net Increase in Cash Held</b>	<b>-184.6</b>	<b>-115.2</b>	<b>-46.6</b>	<b>-4.7</b>	<b>-2.0</b>
GFS Cash Surplus	-613.2	-345.5	-225.7	-178.5	29.1
<b>VARIATION</b>					
From Operating Activities	62.3	84.8	29.8	-117.4	-209.2
From Investing Activities	262.2	255.1	-164.3	-237.5	-362.9
From financing activities	-111.5	-376.2	61.1	341.1	577.2
<b>Net Increase in Cash Held</b>	<b>213.0</b>	<b>-36.3</b>	<b>-73.4</b>	<b>-13.8</b>	<b>5.0</b>
GFS Cash Surplus	231.1	-53.5	-137.3	-283.3	-513.5

Note: Columns may not add due to rounding.

The general government sector cash deficit is estimated at \$399.0 million in 2000-01. This is \$53.5 million larger than the budget estimate of a deficit of \$345.5 million in 2000-01. This reflects higher than forecast capital investment, and lower than projected sales of non-financial assets, including Crown land.

Net cash flows from operating activities (ie. current operations) are expected to be \$84.8 million higher in 2000-01 than projected at budget, largely as a result of the two business sales. Net cash flows from operating activities are expected to be in surplus in 2000-01 and throughout the forward estimates period.

## Total Public Sector

### Summary

The AlintaGas and Westrail Freight sales, the commitment to invest in rail assets, and strong service delivery demands have also had a significant impact on total public sector finances.

However, consistent with the 2000-01 Budget projections, the total public sector is expected to return net operating surpluses and increases in net worth in each of the forward estimate years.

An operating surplus of \$218.9 million is expected in 2000-01. This is \$85.1 million lower than anticipated in the 2000-01 Budget, which is the result of a lower than projected operating surplus in the non-financial public sectors.

Readers should note that these projections do not include sale proceeds (other than stamp duties) from AlintaGas and Westrail Freight in the government finance statistics (GFS) operating result. These proceeds are treated as equity transactions in GFS rather than as operating activities.

Under the GFS model, 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 held by the total public sector is expected to fall by \$153.2 million in 2000-01. This is lower than the \$294.9 million decline anticipated in the budget.

The total public sector cash deficit for 2000-01 is estimated to be \$979.8 million. This is substantially larger than the budget estimate of a cash deficit of \$442.3 million. The larger than projected cash deficit is an outcome of lower net cash flows from operating activities (down \$277.1 million compared to budget) and higher net cash outflows for investment in non-financial assets (\$242.8 million). This result is in part due to the impact of the gas utility and rail freight sales with wind-up costs, etc. funded from the equity sale (the cash in-flow from the sales largely being financing transactions in GFS).

Table 5

**TOTAL PUBLIC SECTOR**  
Summary Financial Statements

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Estimate	Estimate	Estimate	Estimate
<b><u>OPERATING STATEMENT</u></b>						
Revenue	15,361.0	15,470.3	15,094.6	15,093.9	15,426.8	15,846.3
Expenses	15,064.1	15,166.2	14,875.7	14,775.9	15,187.9	15,562.8
<b>Net Operating Balance</b>	<b>296.9</b>	<b>304.0</b>	<b>218.9</b>	<b>318.0</b>	<b>239.0</b>	<b>283.4</b>
<b><u>BALANCE SHEET</u></b>						
Assets	53,468.5	55,129.3	54,250.6	55,773.2	56,893.8	58,200.7
Liabilities	21,778.0	22,288.4	21,801.2	22,569.3	23,357.8	24,098.8
<b>Net Worth</b>	<b>31,690.5</b>	<b>32,840.9</b>	<b>32,449.4</b>	<b>33,203.9</b>	<b>33,536.0</b>	<b>34,101.9</b>
<b><u>STATEMENT OF CASH FLOWS</u></b>						
<b>Change in net cash held</b>	<b>528.9</b>	<b>-294.9</b>	<b>-153.2</b>	<b>-70.8</b>	<b>37.9</b>	<b>65.0</b>
GFS Cash Surplus	-190.8	-442.3	-979.8	-342.1	-364.6	-429.9
<i>Memorandum Item: Net Debt</i>	4,974.3	5,999.0	4,540.9	4,875.5	5,347.2	5,758.6

Note: Columns may not add due to rounding.

## Public Non-Financial Corporations

The PNFC sector is expected to record an operating surplus of \$43.8 million in 2000-01. This compares with the budget projection of a \$196.7 million surplus.

Revenue is estimated to be \$529.3 million lower than budgeted while expenses are projected to be \$376.4 million lower than estimated. This is due to the removal of the operations of AlintaGas and Westrail Freight, and a downward revision to expected sales and associated expenses of Gold Corporation.

In addition, substantial once-off income tax equivalent expenses were incurred by the sector with the pre-sale revaluation and profit on sale of AlintaGas. With these expenses accruing to the general government sector, they have no impact at the total public sector level.

Beyond 2000-01, the PNFC sector is expected to return to its trend surplus position. This surplus level is projected to be maintained in each of the forward estimate years, and to reach \$226.1 million by 2003-04.



Net worth of the PNFC sector is estimated to be \$15.3 billion at 30 June 2001, \$763.5 million lower than projected in the budget. This reflects:

- assets are \$1.2 billion lower than budget – largely as a result of a revision to the methodology for estimating the value of land (arising from a change in the use of Department of Land Administration estimates rather than estimates from the Valuer General). This accounts for \$547.1 million of the difference between the current and budget estimates. The sale of AlintaGas and Westrail Freight also contributed to the lower estimated value of assets; and
- liabilities are \$481.5 million lower than budget. This is due the repayment of debt associated with AlintaGas and Westrail Freight.

Despite the lower base, the trend in net assets is a steady increase over the medium term, consistent with budget expectations.

Cash held by the PNFC sector is projected to decline by \$3.8 million in 2000-01. This compares with the budget forecast of a run down in cash holdings of \$192.2 million.

The PNFC sector cash deficit for 2000-01 is estimated to be \$669.5 million. This is substantially larger than the budget estimate of a cash deficit of \$215.4 million, and reflects the payment of wind-up costs for AlintaGas and Westrail Freight, higher levels of investment in non-financial assets, and higher TER and dividend payments to the general government sector. The privatisation related payments are funded from the sale proceeds.

## **Public Financial Corporations**

The public financial corporation (PFC) sector is expected to remain in surplus throughout the forward estimates.

The net operating surplus of the PFC sector is estimated to be \$69.3 million in 2000-01. This is slightly higher than the budget estimate. Mid-year review and budget estimates of the operating balance for the sector over the projections period are broadly similar.

The sector's net worth is estimated to be \$40.6 million at 30 June 2001. This is slightly lower than projected in the budget. Mid-year review estimates of net worth across the forward estimates period are also slightly lower than budget estimates.

## Net Debt

The following table shows a breakdown of Western Australia's net debt levels by sector and the composition of that debt.

Table 6

### NET DEBT OF THE PUBLIC SECTOR AT 30 JUNE

	2000 Actual \$m	2001 Budget Estimate \$m	2001 Mid-Year Revision \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
<b>GENERAL GOVERNMENT</b>						
Gross Debt <sup>(a)</sup>	2,906.0	3,138.4	2,641.1	2,863.8	3,359.4	3,792.8
Cash, Deposits and Lending <sup>(b)</sup>	2,179.5	1,957.3	2,166.1	2,105.0	2,076.8	2,063.6
<b>Net Debt</b>	<b>726.5</b>	<b>1,181.0</b>	<b>475.0</b>	<b>758.8</b>	<b>1,282.6</b>	<b>1,729.2</b>
<b>PUBLIC NON-FINANCIAL CORPORATIONS</b>						
Gross Debt <sup>(a)</sup>	6,461.2	6,683.1	6,166.4	6,320.4	6,411.4	6,507.0
Cash, Deposits and Lending <sup>(b)</sup>	1,589.7	1,308.0	1,478.2	1,515.3	1,591.7	1,649.0
<b>Net Debt</b>	<b>4,871.5</b>	<b>5,375.0</b>	<b>4,688.3</b>	<b>4,805.1</b>	<b>4,819.7</b>	<b>4,858.0</b>
<b>PUBLIC FINANCIAL CORPORATIONS</b>						
Gross Debt <sup>(a)</sup>	12,288.7	12,862.4	12,165.0	12,673.7	13,358.3	13,990.2
Cash, Deposits and Lending <sup>(b)</sup>	12,912.8	13,419.5	12,787.8	13,362.7	14,113.9	14,819.3
<b>Net Debt</b>	<b>-624.1</b>	<b>-557.1</b>	<b>-622.8</b>	<b>-688.9</b>	<b>-755.6</b>	<b>-829.2</b>
<b>TOTAL PUBLIC SECTOR <sup>(c)</sup></b>						
Gross Debt <sup>(a)</sup>	12,462.6	12,941.1	12,161.0	12,642.3	13,312.6	13,913.2
Cash, Deposits and Lending <sup>(b)</sup>	7,488.3	6,942.1	7,620.1	7,766.7	7,965.4	8,154.7
<b>Net Debt</b>	<b>4,974.3</b>	<b>5,999.0</b>	<b>4,540.9</b>	<b>4,875.5</b>	<b>5,347.2</b>	<b>5,758.6</b>

(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.

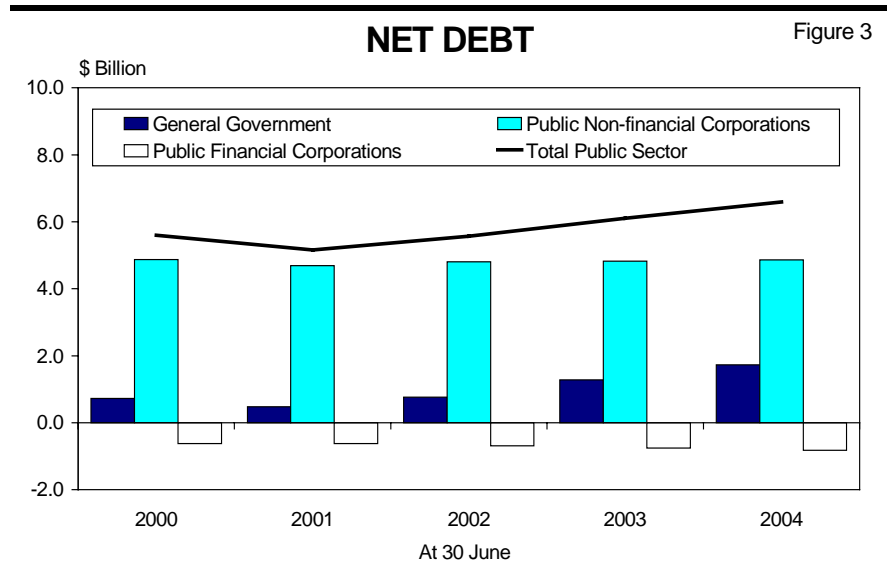
(c) Individual items for the respective sectors may not add to the total public sector. Each sector holds financial assets which are liabilities of the other. These inter-sector holdings eliminate on consolidation.

Note: Columns may not add due to rounding.

The use of proceeds from the AlintaGas sale and Westrail Freight to retire debt has resulted in a substantial decline in the estimated value of net debt projected for 30 June 2001.

Overall, total public sector net debt is estimated to be \$4,540.9 million at 30 June 2001. This is \$1.5 billion lower than projected at budget time. The value of net debt at 30 June 2001 will be at its lowest level in more than a decade.

As illustrated in the following figure, most of the State's stock of net debt resides with the PNFCs.



PNFC sector net debt will continue to account for the majority of total public sector net debt over the medium term. However, increases in total public sector debt over the forward estimates years are primarily driven by increases in general government sector net debt.

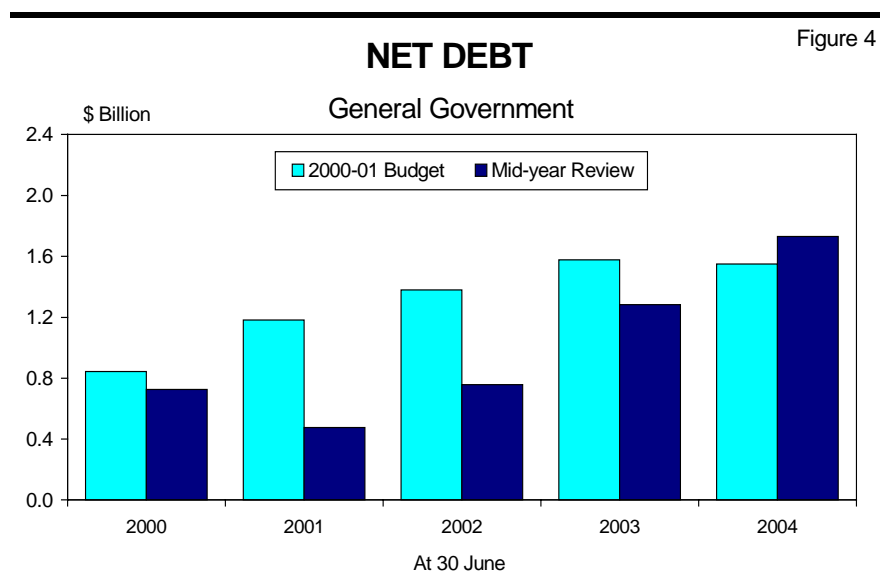
AlintaGas sale proceeds returned to the general government sector have reduced net debt in the current year. This initial debt net reduction and other borrowings are then utilised in the forward years to fund capital spending. Appendix 2 includes details of the disposition of AlintaGas proceeds for this purpose.

Net debt of the total public sector is estimated to increase to \$5,758.6 million at 30 June 2004. Despite this increase, net debt as a share of gross State product is expected to remain historically low, at around 6.3% at 30 June 2004.

## General Government

General government net debt is expected to stand at around \$475.0 million at 30 June 2001. This is \$706.1 million lower than the budget estimate. The decline in general government sector net debt is principally due to the use of part proceeds from the AlintaGas sale to retire debt. A smaller than anticipated capital works program in the sector, and consequently lower than expected borrowings, also contributed to a decline in net debt of general government agencies.

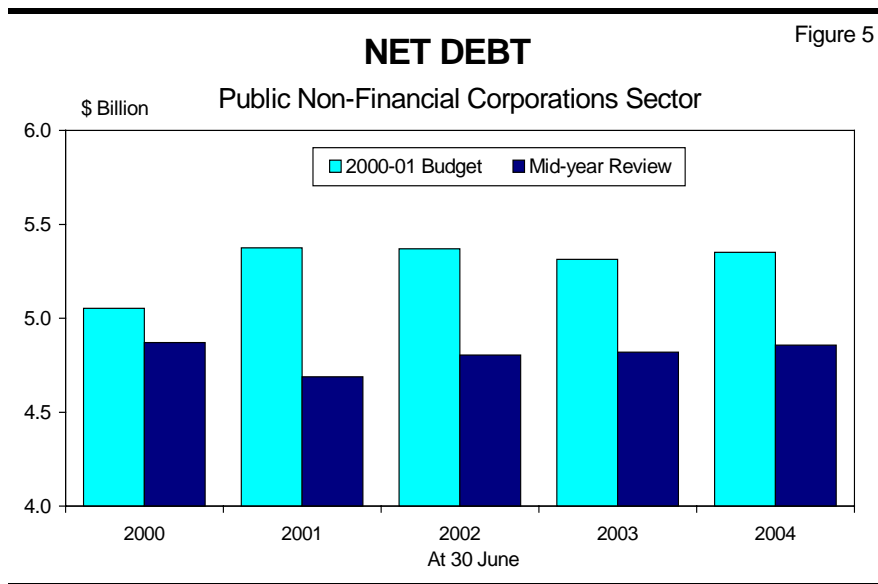
Over the projection period, general government sector net debt is expected to rise by \$1,254.2 million, to \$1,729.2 billion at 30 June 2004. The increase in net debt reflects a higher reliance on borrowings to fund the capital works program with lower cash surpluses on operations reducing the availability of internally generated funds.



## Public Non-Financial Corporations

Most of the total public sector net debt is held by the PNFCs, which service that debt through normal commercial operations.

Net debt of the PNFC sector is estimated to be \$4,688.3 million at 30 June 2001, \$686.8 million lower than expected at budget. The use of proceeds from asset sales to retire AlintaGas and Westrail debt is the main reason for the decline in net debt of the sector. Net debt of the PNFC sector is expected to increase only slightly over the near term, rising by \$169.7 million to \$4,858.0 million by 30 June 2004.



## Public Financial Corporations

The PFCs are in a net credit position and are expected to achieve a credit level of \$622.8 million by 30 June 2001. This is \$65.7 million higher than estimated at budget as a result of lower than anticipated borrowing.

In the PFC sector large gross debt figures are more than offset by financial assets. As in other jurisdictions, these PFC aggregates combine to produce a net benefit to the total public sector net debt position.

## Asset Sales

AlintaGas was publicly floated on 17 October 2000 and the sale of the freight business of Westrail was completed on 18 December 2000 at a price in excess of the estimated retention value of the business. Consistent with the 2000-01 Budget commitment, proceeds from the sales have been applied to extinguish debt held by these entities, general government debt, and for capital purposes. Greater detail of the impact of the sales on Government finances is provided in Appendix 2: *Impact of Asset Sales on Financial Projections*.

## Loan Council Allocations

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's cash deficit<sup>2</sup> 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 deficit<sup>3</sup>.

A full presentation of LCA data and footnotes are included in Appendix 1: *Uniform Presentation of Public Sector Finances - Statistical Tables*.

An LCA surplus of \$323.9 million is projected for 2000-01. This compares with the \$627.7 million LCA deficit forecast at the time of the 2000-01 Budget. The large variation is attributable to changes in the general government and PNFC finances outlined above, and in particular, the sale proceeds from the AlintaGas and Westrail Freight sales.

Based on the mid-year projections contained in this publication, the State's nomination for 2001-02, is an LCA deficit of \$346.0 million. This reflects the continued large capital programs of the general government and PNFC sectors. Anticipated lower housing market activity is primarily responsible for the variation in the memorandum items projected for 2001-02.

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<sup>2</sup> For the purposes of LCAs, cash deficits are positives and surpluses negative.

<sup>3</sup> These 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.

## Statement of Risks

The risks to the Government's financial projections presented in this mid-year review are similar in nature to those outlined in the 2000-01 Budget. They are based on a number of judgements and assumptions about the state of the economy in Western Australia, 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 increases as the forecasts extend into the forward estimates period.

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);
- specific assumptions about expenses, the balance sheet, and in particular revenue not being realised;
- revaluations of assets and liabilities;
- the realisation of specific financial circumstances which have not been reflected in the financial forecasts 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. All accountable officers and authorities are required to ensure that there are procedures in place for the periodic assessment, identification, and treatment of risks inherent in the operations of the department or statutory authority, together with suitable risk management policies and practices.

## Estimating Assumptions

The major economic parameters upon which the expenditure and revenue estimates have been based are detailed in the following table.

Table 7

### MAJOR ECONOMIC AGGREGATES

	2000-01 Budget Estimate	2000-01 Mid-Year Revision	2001-02 Forward Estimate	2002-03 Forward Estimate	2003-04 Forward Estimate
Real gross State product <sup>(a)</sup> (%)	4.0	4.0	5.0	5.0	5.0
Real State final demand <sup>(b)</sup> (%)	2.5	2.0	4.0	4.0	4.0
Consumer price index (%)	3.0	3.25	3.25	3.0	2.75
Wages growth <sup>(c)</sup> (%)	3.5	4.0	3.5	3.5	3.5
Employment growth <sup>(c)</sup> (%)	2.5	2.0	3.0	2.75	2.75
GSP implicit price deflator <sup>(d)</sup> (%)	2.5	3.0	2.5	2.25	2.25
\$A/\$US	0.605	0.56 <sup>(e)</sup>	0.56	0.56	0.56
Oil Price \$US	22.0	27.00 <sup>(e)</sup>	23.00	20.00	19.00

- (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. SFD is used in forecasting a number of State taxes, including stamp duties and financial transactions taxes.
- (c) These labour market aggregates are used in forecasting payroll tax revenue.
- (d) The GSP implicit price deflator is a derived measure of price movement within GSP. It reflects movements in prices across a broad range of goods and services, unlike the consumer price index which measures movements in prices of consumer goods and services only. Therefore, the implicit price deflator provides a more representative measure of cost pressures on Government services.
- (e) Forecast for remainder of 2000-01.

### Parameter Sensitivity of the Estimates

The estimated effects on revenue projections of variations in wages and employment growth, the \$A/\$US exchange rate, oil prices and the national consumer price index (CPI) are as follows:

- the annual payroll tax estimate increases by around \$8.0 million for each 1.0 percentage point increase in wages or employment growth;



- the total annual mining revenue estimate (including North West Shelf petroleum royalties) falls by around \$16.0 million (before Commonwealth Grants Commission effects) for each 1.0 cent increase in the \$A/\$US exchange rate;
- the annual petroleum royalty estimate (including North West Shelf petroleum royalties) falls by around \$17.0 million (before Commonwealth Grants Commission effects) for each \$US1 fall in the price of a barrel of oil; and
- Commonwealth general purpose grants vary by around \$25.0 million for each 1.0 percentage point variation in the national CPI.

### ***State Taxes***

The forward estimates are based on projected growth in key economic parameters such as employment, wages and State final demand. Risk factors in these projections include international developments and the outlook for business investment (see Chapter 4: *The Western Australian Economy*).

Some of the tax estimates are still subject to some uncertainty over the impact of national tax reform, particularly the impact on some stamp duty bases and the behavioural response of taxpayers. The major areas affected are stamp duty collections on motor vehicle licence transfers, property purchases and insurance.

More generally, stamp duties linked to the historically volatile property and share markets are difficult to forecast, although stamp duty on quoted marketable securities will be abolished from 1 July 2001 under national tax reform.

The estimates for financial transactions taxes are subject to the uncertain impact of further developments in banking and payments technologies. Although this risk will be less important after the abolition of financial institutions duty from 1 July 2001, the remaining debits tax base may be eroded by more widespread use of alternatives to cheque facilities (under national tax reform, the future of debits tax will be reviewed by 2005).

### ***Mining Royalties***

As noted above, the mining royalty estimates are sensitive to movements in oil prices and the \$A/\$US exchange rate. The future direction of these parameters is very difficult to predict, particularly in light of recent volatility.

The oil price is assumed to ease steadily and be at its long run average of \$US19.00 by 2003-04. The \$A/\$US exchange rate has been projected to remain unchanged from its recent average value. In view of the sensitivity of revenue to these estimates, variations from these forecasts can have large impacts on the projections.

The estimates of the gold royalty assume that the gold price will remain over \$A450/oz, thereby triggering the full royalty rate of 2.5% for the whole of 2000-01 and the forward estimates period.

## **Expenses**

Demand for public sector expenditure is to a large extent driven by economic and population growth, which is not necessarily matched by comparable increases in Western Australia's budget revenue. This situation reflects the narrow base of some of Western Australia's taxes and low growth in grants from the Commonwealth. Growth in grants is low largely because of Western Australia's declining share of these grants (which redistribute the revenue benefits of Western Australia's relatively high economic growth and particularly from off-shore petroleum royalties, to other States).

Forward estimates of expenses contained in the mid-year review are consistent with expenses as projected in the 2000-01 Budget and decisions since budget that increase those expenses. They also assume price increases consistent with the GSP implicit price deflator and include a provision for salary and wage increases. This later provision stands at 1.0% in each year from 1999-2000 to 2002-03 and 2.0% in 2003-04. These provisions, along with productivity initiatives internal to each agency, fund wages and salary growth under the Government's endorsed wages policy. The current 1999-2001 policy aims to limit wages growth to 6.0% over this two year period. To the extent that outcomes differ from these assumptions, expenditure levels may differ from the mid-year review estimates.

It is anticipated that the funding levels implicit in the mid-year review are adequate to provide service delivery levels outlined in the 2000-01 Budget Papers adjusted for any decisions made since the budget.

The financial projections incorporate estimates of reduced input costs for State agencies as a result of national tax reform. Input costs were expected to fall as a result of the elimination of wholesale sales tax (WST) that is embedded in the cost of goods and services. The Commonwealth has recouped these savings through the tax reform guarantee arrangements.

To the extent that these savings are not realised, there will be greater pressure on expenditure. To date, the general indication from agencies is that there is a difficulty in directly identifying the embedded WST savings. A number of agencies have indicated they may not realise the savings, whilst a number of others have indicated that although the savings may not be achieved directly, they will implement measures to ensure that their overall budget position is maintained at 30 June 2001.

There will be an ongoing need to monitor this situation to ensure that any adverse budget position relating to the non-achievement of embedded WST savings is minimised.

## **Financial Risks**

Financial risks are either general developments or specific events that may have an effect on the fiscal outlook. Financial risks may affect both expenditure and revenue, and may be positive or negative.

Details of known financial risks that may have an impact on the Government's financial projections but are not reflected in the forward estimates are briefly discussed in the following paragraphs.

### ***Capital Works***

The projected capital works budget assumes that a number of projects will be progressed by private sector involvement. A number of projects are also predicated on the continuance of Commonwealth funding in accordance with existing agreements (eg. Jervis Bay).

The capital works budget also assumes that a number of projects will be funded from the proceeds of asset sales. If these asset sales do not eventuate either the new works will not proceed, or funding will be required from elsewhere.

### ***Commonwealth Grants***

#### ***General Purpose Grants***

The State budget is protected from lower than expected GST revenue growth by the tax reform guarantee arrangements, which act to ensure that the State budget is no worse off than if current arrangements had continued (so the guarantee payments will rise to offset any GST revenue shortfall).

Based on current projections, Western Australia will require guarantee payments (also known as budget balancing assistance grants) throughout the forward estimates period. Accordingly, during this period, growth in general purpose grants to the State will depend upon parameters such as the CPI and population growth (reflecting the pre-tax reform arrangements), rather than actual GST collections.

On the other hand, if GST revenue growth is higher than projected, the guarantee payment may no longer be required, in which case the State's revenue may be higher than forecast.

Relative to budget time, current forecasts reflect a \$2.3 billion increase in expected national GST receipts in 2000-01 (due to once-off timing factors), which has the effect of substantially reducing (but not eliminating) the expected guarantee payment to Western Australia in 2000-01. Forecasts of national GST revenue beyond 2000-01 have not changed.

Western Australia's share of GST revenue and guarantee payments is forecast to decline steadily over the forward estimates period. This reflects the impact of the Commonwealth Grants Commission's assessment of the State's ability to raise revenue and the cost of providing services, relative to other States. These assessments are updated each year and consequently there is considerable scope for variations in the State's expected share.

Competition payments (\$46.0 million in 2000-01) are conditional on the State satisfying the Commonwealth on its progress in implementing National Competition Policy and related reforms. If the National Competition Council considers that our obligations have not been met, and the Commonwealth accepts that assessment, funding from this source would be reduced.

#### *Specific Purpose Payments (SPPs)*

The Commonwealth has made a commitment not to cut aggregate SPPs as a result of tax reform, reflecting the intention that the States should be better off under the new tax arrangements. However, should GST revenue grow substantially in future years, there is a risk the Commonwealth may allow SPPs to erode over time.

SPP forward estimates have a margin of uncertainty (particularly in later years) reflecting the potential for Commonwealth policy changes, the reliance of funding in some cases on State submissions, future negotiations on detailed funding arrangements and parameter uncertainties.

## Contingent Liabilities

Contingent liabilities are costs which 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. Contingent liabilities constitute an important component of risk around the financial position. At 30 June 2000, the latest date at which published figures are available, quantified contingent liabilities of the Treasurer<sup>4</sup> were in the order of \$1,436.5 million comprising:

- Contingent liabilities under guarantees, indemnities and sureties (\$410.5 million); and
- Guaranteed obligations of the Bank of Western Australia Ltd (\$1,026.0 million at credit risk equivalent)<sup>5</sup>.

In addition, there are unquantified contingent liabilities for warranties given on the sale of BankWest and the Dampier to Bunbury natural gas pipeline.

With the sale of BankWest, the State gave warranties in respect of taxation and BankWest's previous land development activities. The taxation warranties apply for seven years from privatisation to 2002 for jurisdictions outside Western Australia. The warranties in respect of the bank's land development activities were provided to BankWest and to LandCorp (the land development activities were transferred to LandCorp) to ensure both were guaranteed for past and future liabilities arising from land development activities.

Under the Asset Sale Agreement relating to the sale of the Dampier to Bunbury natural gas pipeline, the State issued the following indemnities:

- an indemnity in favour of Epic Energy in relation to certain aspects of the Alcoa Agreement covering the period from the sale to 30 June 2005; and
- an indemnity in favour of the six AlintaGas directors against any liability incurred as a consequence of acting in accordance with the Ministerial Direction to execute the Asset Sale Agreement.

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<sup>4</sup> Excluding guaranteed borrowings and unfunded superannuation liabilities which are identified as part of the calculation of net worth in the balance sheet of the total public sector. For the purposes of identifying contingent liabilities in the *Treasurer's Annual Statements*, guaranteed borrowings and unfunded superannuation liabilities are included in the aggregate. However, for the purposes of identifying additional risk, the balance sheet explicitly accounts for all borrowings (guaranteed or not) and unfunded superannuation as public sector liabilities.

<sup>5</sup> It should be noted that the value of these obligations has declined rapidly from the \$9,680 million at the time the bank was privatised on 1 December 1995.

The warranties provided by AlintaGas under the Asset Sale Agreement expired at the end of March 1999. The liability under the warranty is limited in aggregate to \$50.0 million. Epic has raised five items under the warranty. These claims have yet to be resolved.

# The Western Australian Economy

## Overview

The Western Australian economy grew faster than anticipated in 1999-2000, with gross State product (GSP) growth of 4.6% recorded over the year, buoyed by stronger than expected growth in exports. GSP growth is expected to moderate slightly over 2000-01, but remain strong at 4.0% (unchanged from budget time). Growth is forecast to strengthen to 5.0% in 2001-02 (up from 4.5% at budget time) and continue at this rate in the out-years.

A major change to the forecasts since budget is a weakening in the forecast for dwelling investment in 2000-01, with activity coming off the GST-induced peak sooner than expected. The upside to this revision is that a rebound in dwelling investment is now anticipated in 2001-02. Also, business investment is now forecast to remain unchanged in 2000-01, down from slight growth foreseen in the budget estimates.

Offsetting this, the external sector is forecast to continue its contribution to growth, with stronger growth in net exports now expected compared to budget (9.25%, up from 6.75%). Nevertheless, growth in exports is expected to moderate from the dramatic growth over 1999-2000.

The forecast for employment growth has been revised down to 2.0% (from 2.5%) in 2000-01, largely reflecting the downward revision to forecast dwelling investment (which is a labour-intensive sector). Employment growth is expected to rebound to 3.0% in 2001-02, before stabilising at 2.75% in the out-years. This growth should underpin a gradual reduction in the unemployment rate to 6.0% in annual average terms by 2002-03.

Underlying growth in the Consumer Price Index is expected to increase by 3.25% over 2000-01 – 0.25 percentage points higher than at budget. This largely reflects the expected flow-through effects of higher oil prices on production costs and the weakness of the \$A. The outlook for wages growth over 2000-01 has also strengthened, with growth of 4.0% now expected.

Treasury's forecasts for 2000-01 and beyond are within the range predicted by other forecasters, with most forecasters predicting robust growth in Western Australia.

The Commonwealth Treasury is forecasting that growth in Australia will remain strong at 4.0% during 2000-01, but will then moderate to 3.5% over the out-years.

Table 1

**MAJOR ECONOMIC AGGREGATES**  
Western Australia

	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimate	Forward	Forward	Forward
	%	%	Estimate	Estimate	Estimate
			%	%	%
Real Gross State Product Growth	4.6 (4.0)	4.0 (4.0)	5.0 (4.5)	5.0 (5.0)	5.0 (5.0)
Employment Growth	2.9 (3.0)	2.0 (2.5)	3.0 (2.5)	2.75 (2.75)	2.75 (2.75)
Unemployment Rate	6.5 (6.5)	6.25 (6.5)	6.25 (6.25)	6.0 (6.25)	6.0 (6.0)
Wages Growth	2.7 (2.5)	4.0 (3.5)	3.5 (3.5)	3.5 (3.5)	3.5 (3.5)
Consumer Price Index Growth <sup>(a)</sup>	2.3 (2.5)	3.25 (3.0)	3.25 (2.75)	3.0 (2.75)	2.75 (2.75)
Implicit Price Deflator Growth	4.0 (2.0)	3.0 (2.5)	2.5 (2.5)	2.25 (2.25)	2.25 (2.25)
Population Growth <sup>(b)</sup>	1.6 (1.6)	1.5 (1.5)	1.4 (1.4)	1.4 (1.4)	1.4 (1.4)

Note: Figures in brackets represent Treasury's 2000-01 Budget estimates (for 1999-2000) and forecasts (for 2000-01 and beyond).

(a) Does not incorporate any impact of the tax reform package.

(b) Based on Australian Bureau of Statistics' projections.



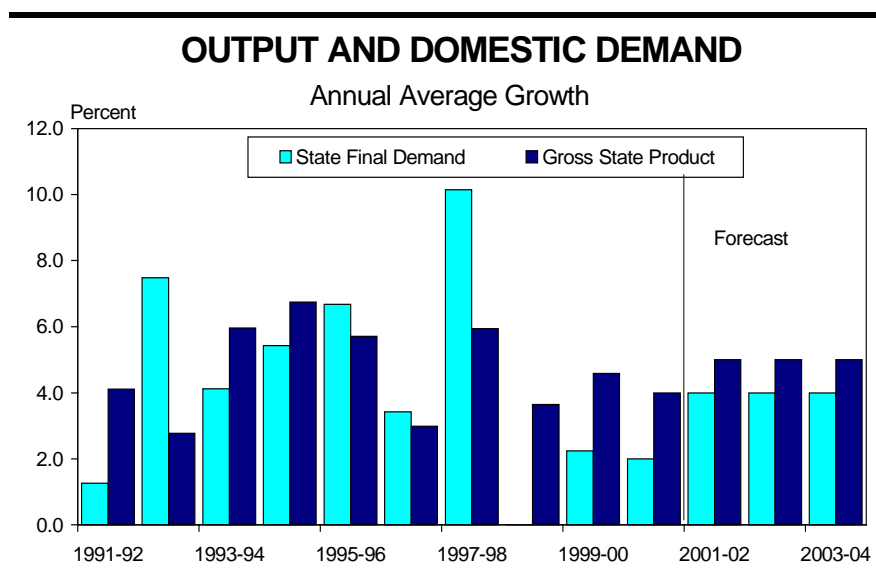


Table 2

### COMPONENTS OF GROSS STATE PRODUCT<sup>(a)</sup>

Western Australia

Annual Average Growth

	Actual 1999-00		Forecast			
	%	%	2000-01		2001-02	
			%	%	%	%
<b>Private</b>						
- Household Consumption	3.8	3.5	3.5	3.5	3.5	3.25
- Dwelling Investment	11.6	12.5	-12.0	0.25	1.5	-1.75
- Business Investment	-15.1	-11.0	0.0	4.0	15.0	15.0
<b>Public</b>						
- Consumption	6.5	4.0	3.25	1.25	1.0	1.0
- Investment	31.5	26.0	10.5	-6.0	-7.5	-6.75
<b>STATE FINAL DEMAND</b>	<b>2.2</b>	<b>2.75</b>	<b>2.0</b>	<b>2.5</b>	<b>4.0</b>	<b>4.0</b>
<b>External Sector</b>						
- Exports	9.2	5.25	6.75	6.75	7.0	7.0
- Imports	4.0	4.75	2.5	7.0	11.0	13.5
<b>Net Exports</b>	<b>12.7</b>	<b>5.75</b>	<b>9.25</b>	<b>6.75</b>	<b>4.75</b>	<b>2.75</b>
<b>GROSS STATE PRODUCT</b>	<b>4.6</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>5.0</b>	<b>4.5</b>

(a) Totals may not add due to rounding.

## State Final Demand

### Household Consumption

Household consumption is still expected to grow by 3.5% over 2000-01, underpinned by moderate wages and employment growth, and the tax cuts and increases in welfare payments introduced as part of the tax reform package.

The introduction of the tax reform package on 1 July 2000 appears to have led to a delay in consumption, with the bring-forward of spending on retail items expected to increase in price more than offset by the delay in the consumption of items likely to fall in price (particularly new motor vehicles). This timing impact is anticipated to provide a small fillip to growth in 2000-01, and offset any softening of spending from weaker employment growth.

Household consumption is expected to remain steady at 3.5% in 2001-02, underpinned by a lift in employment growth.

### Dwelling Investment

Growth in dwelling investment has been revised down to a fall of 12.0% in 2000-01, compared with an increase of 0.25% forecast at budget time.

There are two main reasons for this revision. Firstly, the latest expansion has been stronger than first thought. Indeed, growth in 1998-99 has been recently revised up by the Australian Bureau of Statistics from 5.7% to 11.0%. This means that growth in dwelling investment has exceeded underlying demand by more than initially estimated, implying a larger downturn after the GST than first thought.

Secondly, the downturn is expected to be stronger and sooner than expected at budget time due to fewer first home owners constructing new dwellings than anticipated at budget time.

Nevertheless, it is expected that the downturn will be short-lived, with dwelling investment expected to return to positive growth (of 1.5%) in 2001-02.

### Business Investment

The outlook for business investment is positive over the medium-term, although uncertainty over the timing of the anticipated turnaround in activity makes forecasting growth for 2000-01 and 2001-02 difficult. There are a number of major projects that have the potential to lift activity considerably, but the timing of construction commencement will affect investment growth in each fiscal year.

While latest quarterly figures just released suggest a substantial decline in investment in the September quarter 2000, there are a number of projects that are likely to add to activity over the remainder of 2000-01. These include the Emily Ann nickel project and the Hazelmere brick and tile plant, on which construction has recently commenced. In addition, the expansion of the Sons of Gwalia tantalum mines is expected to begin in coming months. Less certain is the timing of the construction of the \$3 billion 4<sup>th</sup> train for the North West Shelf project. Encouragingly, letters of intent have been signed with a number of buyers and pre-investment spending is expected in early 2001.

There are a number of other projects that could commence in coming quarters, including the West Angelas iron ore project, the Syntroleum gas-to-liquids project, the Plenty River ammonia and urea plant and the Ravensthorpe nickel project.

Importantly, there are a number of positive signs for business investment in 2001 and beyond. Commodity prices remain strong, underpinned by sound international demand conditions and the low \$A. Commodity exporters are experiencing strong profits and have funds available for investment. Mineral exploration spending has increased in recent quarters, suggesting increased confidence in the sector.

Overall, business investment is expected to pick up in the remaining three-quarters of 2000-01, so that business investment remains unchanged for the year (down from forecast growth of 4.0% at budget). The recovery in business investment is expected to continue in 2001-02 with growth of 15% forecast (the same as at budget).

## **Public Activity**

Government consumption is expected to moderate in 2000-01, with growth of 3.25% forecast over the year. However, public investment is expected to be stronger than forecast at budget time, with some investment originally planned by the State Government for 1999-2000 being carried forward into 2000-01.

## **Net Exports**

Net exports recorded much stronger than expected growth (of 12.7%) in 1999-2000. This reflected a lift in international demand conditions (particularly in Asia) as well as increased capacity from recently completed projects. While strong growth is forecast to continue in 2000-01, there is expected to be some moderation from the rate of growth in 1999-2000.

Overall, net exports are expected to grow by 9.25% in 2000-01, and by 4.75% in 2001-02 (up from 6.75% and 2.75% respectively at budget time).

## Exports

Exports increased considerably more than expected over 1999-2000, with growth of 9.2% recorded compared with estimated growth of 5.25% at budget time.

While exports are forecast to remain strong, buoyed by strong commodity prices and the weak \$A, constraints on production capacity are expected to limit growth in 2000-01. This is largely a reflection of the fall in business investment in 1998-99 and 1999-2000.

Nevertheless, higher production at several recently completed large projects (eg. the Worsley Alumina expansion) and a sustained improvement in economic conditions in key Asian export markets, should underpin a 6.75% increase in exports in 2000-01.

Exports are forecast to remain strong in 2001-02, with growth of 7.0% expected. This reflects increases in production capacity from recently completed projects.

## Imports

Compared to 1999-2000, import growth is forecast to moderate in 2000-01, before lifting strongly in 2001-02. Weaker growth in 2000-01 reflects flat business investment and expected domestic-import substitution resulting from the lower \$A. Imports are expected to increase in 2001-02, buoyed by the lift in business investment. Nevertheless, the forecast for growth is down slightly from budget time reflecting the \$A's impact on the relative prices of imports and domestic goods.

Imports are forecast to grow by 2.5% in 2000-01 (down from 7.0% at budget) and by 11.0% in 2001-02 (down from 13.5%).

## Labour Market

### Employment

Employment growth is expected to moderate to 2.0% over 2000-01, after strong growth of 2.9% in 1999-2000. This primarily reflects an easing in employment in the construction industry. The stronger than anticipated downturn in the dwelling sector has prompted a downgrade of expectations for employment growth this year. However, the rise in business investment in the second half of 2000-01 and into 2001-02 is expected to add to employment growth over this period.

Buoyed by a lift in domestic demand conditions, employment growth is expected to increase to 3.0% in 2001-02, before easing to around its long-term average of 2.75% in 2002-03 and 2003-04.

## **Unemployment**

So far in 2000-01, the unemployment rate has averaged 6.2%, lower than expected at budget time. This has reflected lower than anticipated growth in the labour force (most probably driven by the recent decline in interstate migration) and is evidenced in the marked reduction in the participation rate over the past year. In the absence of strong employment growth, the participation rate is not expected to rebound fully. Therefore, despite the slowing in the rate employment of growth, the unemployment rate is expected to average 6.25% over 2000-01 (slightly lower than the 6.5% forecast at budget time).

It is expected that the return to strong employment growth in 2001-02 (of 3.0%) will encourage individuals into the labour force (and will lift the participation rate). The net effect is that the unemployment rate is expected to remain unchanged at 6.25%.

With Western Australia set to become one of the fastest growing States in Australia once more, it is anticipated that further reductions in the unemployment rate are likely to continue to be constrained by increases in the participation rate (including through increased interstate migration). Nevertheless, over the out-years, employment growth is expected to run slightly ahead of growth in the labour force. As a result, the unemployment rate is expected to continue its downward trend, reaching 6.0% by 2002-03.

## **Wages**

Wages growth has lifted in recent quarters, with average weekly earnings (AWE) growing by 4.4% over the year to the September quarter 2000 (up from 2.7% over 1999-2000). However, this is likely to partly reflect compositional effects (in particular, the rise in full-time employment) rather than being solely due to an underlying lift in wages pressures. Reflecting this, growth in AWE is expected to increase by 4.0% over 2000-01.

Wages growth is expected to ease in 2001-02 to around 3.5% reflecting the weaker employment growth in 2000-01, and remain at around this rate over the forecast period. This is consistent with average wages growth over the longer term.

To counter some of the difficulties of forecasting wages growth using AWE (in particular the problem of compositional effects), it is likely that the wage cost index will be used for future wages growth forecasts.

## Prices

While underlying price pressures have remained modest to date, there is an upside risk to the CPI forecast due to the potential impact of the flow-through of higher oil and import prices. In this regard, producer price indices have been trending upwards, suggesting emerging consumer price pressures in coming quarters. Reflecting this, the underlying CPI (ie. abstracting from the tax reform package) is expected to grow by 3.25% over 2000-01 – up 0.25 percentage points from budget time. The Commonwealth Treasury has also forecast a lift in underlying CPI for Australia over 2000-01, with growth of 3.25% expected compared with 2.75% at budget.

Beyond 2000-01, the CPI is forecast to remain at 3.25% in 2001-02, but to moderate to 3.0% and 2.75% in 2002-03 and 2003-04 respectively.

Over 1999-2000, the implicit price deflator (an economy-wide measure of growth in prices) increased by 4.0%. This is by far the highest increase in the current series, and was driven by a large increase in the price of exports (9.4%), which is also the strongest increase in the series.

The implicit price deflator is forecast to increase by more than expected at budget (3.0% compared to 2.5%) in 2000-01, largely due to the break in the nexus between commodity prices and the \$A over the past two years. Prior to that, changes in commodity prices were largely offset by changes in the value of the \$A, with the prices of the State's imports and exports remaining relatively constant in \$A terms. This has had a stabilising, as well as moderating, effect on the price deflator, and has generally kept the deflator below the forecast for CPI and wages growth.

However, over the past two years this relationship has broken down and the \$A has depreciated while commodity prices have risen. Hence, the price of exports in the deflator for 2000-01 has been increased to reflect the assumed average exchange rate for the year. In addition, commodity prices are expected to moderate slightly from their recent peaks.

The price of imports in the deflator has been also been revised up for 2000-01 to reflect the expected fall in the average exchange rate over the year, compared to 1999-2000.

## External Developments

After estimated growth of 4.75% in 2000, the OECD has forecast world growth of 4.0% for both 2001 and 2002. These forecasts are slightly more upbeat than those made earlier in the year by the OECD. While the lift in the forecasts is a positive development for growth in Western Australia, there remain a number of risks to these forecasts. These are outlined at the end of this Chapter (*Risks to the Outlook: International Environment*).

Underpinning this forecast is a slowdown in growth in the United States to between 3.25% and 3.5% for 2001 and 2002. The slowdown in the United States is already underway, with an easing in household spending evident. This has been driven by higher interest rates, diminished wealth effects following the easing of stock market prices and higher oil prices.

Growth in Asia is expected to remain firm, with the Japanese recovery expected to continue. Higher profits should underpin an increase in business investment, as well as a lift in wages and bonuses, which in turn are expected to provide a fillip to consumer spending.

The European Union is expected to continue to enjoy modest growth of between 3.0% and 3.5%. Growth has slowed slightly over 2000 as a result of increases in interest rates and higher oil prices, but activity should remain steady.

## Risks to the Outlook

### **International Environment**

World growth is forecast to remain strong at 4.0% over 2001 and 2002 (OECD forecasts). This incorporates a “soft-landing” scenario for the United States.

There is, however, a risk that growth may slow more quickly than anticipated due to, for instance, negative wealth effects from the correction in high-technology stock prices and any further fall in prices of industrial stocks. A fall in household wealth could cause a sharp contraction in consumer spending.

Additionally, the investment surge in the United States high-technology industry appears to be largely over. New companies are finding it increasingly difficult to raise the funds necessary to maintain their hefty R&D activities. The number of initial public offerings have fallen dramatically since the market peak in April, while the spread between low grade (junk) corporate bonds and US Treasury bonds has risen substantially. Also, anecdotal evidence suggests that venture capital has all but dried up (data is not yet available).

The low-inflationary expansion of the United States economy over the last decade has been largely attributed to high productivity growth generated from advances in information technology products. If R&D activity in the high-technology sector declines, then productivity growth may stagnate and economic growth could falter.

Any slowdown in the United States poses a risk to Western Australia's exports – both directly and indirectly. The United States accounts for around 9% of the State's exports; and many of Western Australia's commodity exports are transformed into consumption goods in Asia for sale in the United States. A softening in consumer demand could have negative impacts on the State's exports.

There is also a risk that sustained higher oil prices will reduce consumer and business confidence, ignite inflationary pressures and dampen world growth.

## **Oil Prices, the \$A and Inflation**

At the time of framing the 2000-01 Budget, it was believed that oil prices would soften in the middle of 2000, particularly with the Northern Hemisphere winter coming to an end. However, oil prices have remained persistently high, notwithstanding the recent softening in prices, which has resulted in a number of new risks to the outlook.

In particular, there is evidence that higher oil prices and the lower \$A are flowing through to higher producer costs. So far, producers have generally absorbed increased costs through lower profit margins and changes in import sources. However, either producers must eventually pass costs on, or rationalisation will occur, reducing supply until long-run rates of return are restored.

Increases in consumer prices due to the flow-through effects of higher producer costs could lead the Reserve Bank to again raise interest rates. This could dampen dwelling investment further, reduce household consumption and soften consumer and business confidence. However, recent indications from the Reserve Bank are that interest rates may have peaked due to the softening national economy.

In addition, higher oil prices may impact on demand conditions in the State's major trading partners. Slower growth in these economies is likely to reduce demand for the State's exports. In particular, Asian economies have been hit hard by high oil prices through the direct effects on consumption spending and business costs.

If high oil prices continue for longer than expected, the slow-down in the United States may be more pronounced than initially expected. There is evidence that higher oil prices have impacted on consumer confidence in the United States<sup>1</sup>.

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<sup>1</sup> Dr Greenspan, Chairman of the Board of Governors of the US Federal Reserve, noted in a recent speech that the Fed has estimated that the increased oil prices are equivalent to a tax of 1% of national income.



It also appears that US producers have not passed on costs associated with higher oil prices to consumers, which has led to lower profit margins. If this continues, similar industry rationalisation pressures will occur as those in Australia.

An equally potent risk flowing from higher oil prices (but arguably less likely with the slowing world economy) is the potential for rising inflation and wages in major industrialised economies to result in higher interest rates. While impacts on living costs are not likely to be as severe as during the 1970s oil shocks (as oil now accounts for a much smaller share of household consumption), there is a risk that individuals will seek to maintain real incomes through wage bargaining.

Oil prices and the \$A also have an impact on the State's finances, and pose downside (as well as upside) risks to the forecasts. In this regard, the revenue projections assume an oil price of \$US27-28 per barrel over the remainder of 2000-01, and \$US23-24 per barrel over 2001-02. Each \$US1 fall in the oil price below the assumed levels will reduce petroleum royalties by around \$17.0 million over a full year, before Commonwealth Grants Commission effects, which impact over the forward estimates period.

The \$A/\$US exchange rate has a significant impact on the State's mining royalties. This is assumed to average 0.56 over the remainder of 2000-01, and in each of the out-years. For each US1.0 cent that the exchange rate exceeds this assumption, the State's mining revenues will fall by around \$16.0 million (over a full year).

## **New Projects**

As noted above, business investment is inherently difficult to forecast due to the large number of factors impacting on the timing of new projects. The lumpy nature of these projects means that timing issues can have significant impacts on forecasts. For instance, if the timing of a project slips by a quarter, or is brought forward by a quarter, this can have a substantial impact on growth over that period.

## APPENDIX 1

# Uniform Presentation of Public Sector Finances - Statistical Tables

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#### **Western Australia**

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Table 1.1

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>REVENUE</b>						
Taxation	3,421.7	2,706.2	2,795.9	2,724.8	2,878.0	3,050.6
Current grants and subsidies	3,673.6	4,607.4	4,717.4	4,933.7	4,923.9	4,988.2
Capital grants	202.7	273.2	254.3	249.7	177.8	165.6
Sales of goods and services	1,047.9	762.9	822.0	748.3	761.5	765.8
Interest income	118.8	85.6	130.3	116.8	100.6	105.7
Revenue from public corporations						
Dividends	381.4	416.5	374.2	377.4	405.0	404.6
Tax equivalent payments	214.3	260.0	359.5	239.7	260.4	268.2
Royalty income	468.7	520.5	598.3	585.5	582.6	566.2
Other	163.7	206.6	176.5	162.4	162.0	164.6
<i>Total</i>	<i>9,692.8</i>	<i>9,838.7</i>	<i>10,228.4</i>	<i>10,138.2</i>	<i>10,251.7</i>	<i>10,479.6</i>
<b>EXPENSES</b>						
Gross operating expenses						
Salaries	3,759.9	3,848.0	3,892.0	3,974.7	4,072.4	4,177.4
Depreciation and amortisation	453.7	415.7	452.7	469.5	481.8	492.7
Superannuation	332.8	343.3	328.6	323.5	329.8	323.0
Other gross operating expenses	2,656.7	2,430.5	2,603.5	2,392.6	2,486.3	2,521.7
Nominal superannuation interest	296.7	302.8	304.1	306.7	309.7	311.1
Other interest	235.7	223.9	238.7	246.9	255.3	283.7
Other property expenses	-	-	-	-	-	-
Current transfers	1,720.2	1,987.5	2,087.5	2,141.2	2,106.2	2,149.2
Capital transfers	267.3	245.0	215.0	238.5	255.7	215.3
<i>Total</i>	<i>9,723.0</i>	<i>9,796.7</i>	<i>10,112.2</i>	<i>10,093.6</i>	<i>10,297.2</i>	<i>10,474.1</i>
<b>NET OPERATING BALANCE</b>	<b>-30.2</b>	<b>42.0</b>	<b>106.2</b>	<b>44.7</b>	<b>-45.5</b>	<b>5.5</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Gross fixed capital formation	731.7	981.4	1,003.3	823.2	821.4	910.5
Less depreciation	453.7	415.7	452.7	469.5	481.8	492.7
Plus change in inventories	-18.9	-	-11.9	-1.3	-0.9	-0.7
Plus other movements in non-financial assets	-16.2	-63.3	-3.3	-13.8	9.0	7.7
<i>Total</i>	<i>242.9</i>	<i>502.4</i>	<i>535.4</i>	<i>338.7</i>	<i>347.7</i>	<i>424.9</i>
<b>NET LENDING</b>	<b>-273.1</b>	<b>-460.4</b>	<b>-429.2</b>	<b>-294.1</b>	<b>-393.2</b>	<b>-419.4</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET OPERATING BALANCE</b>	<b>-30.2</b>	<b>42.0</b>	<b>106.2</b>	<b>44.7</b>	<b>-45.5</b>	<b>5.5</b>
Less provisions for doubtful debts	-	-	-	-	-	-
Plus net gains on assets (including derivatives)	-227.8	40.0	213.0	61.9	50.6	31.7
Plus capitalised interest	-	-	-	-	-	-
Less revaluation of superannuation liabilities	34.6	-	-	-	-	-
Plus all other adjustments	-43.3	-	-13.2	-	-	-
<b>AAS OPERATING RESULT</b>	<b>-335.9</b>	<b>81.9</b>	<b>305.9</b>	<b>106.6</b>	<b>5.1</b>	<b>37.2</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
 Balance Sheet at 30 June

	2000	2001	2001	2002	2003	2004
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>						
<i>Financial assets</i>						
Cash and deposits	227.0	195.3	202.6	183.9	193.7	196.1
Advances paid	858.4	780.9	863.3	865.5	855.5	843.5
Investments, loans and placements	1,094.1	981.2	1,100.2	1,055.6	1,027.6	1,023.9
Other non-equity assets	767.5	571.6	628.2	630.5	640.9	633.1
Equity	14,757.5	16,061.3	15,292.0	15,724.4	16,168.4	16,623.3
<i>Total</i>	17,704.6	18,590.2	18,086.3	18,459.8	18,886.1	19,320.0
<i>Non-Financial assets</i>						
Land and fixed assets	23,259.5	23,845.1	23,643.5	24,306.7	24,677.2	25,206.9
Other non-financial assets	163.2	132.7	85.6	135.7	184.6	231.2
<i>Total</i>	23,422.7	23,977.8	23,729.1	24,442.5	24,861.8	25,438.1
<b>TOTAL ASSETS</b>	41,127.2	42,568.0	41,815.4	42,902.3	43,747.9	44,758.2
<b>LIABILITIES</b>						
Deposits held	150.8	189.3	134.4	147.7	173.6	188.2
Advances received	732.5	595.2	595.2	567.6	555.8	535.6
Borrowings	2,022.7	2,353.8	1,911.5	2,148.5	2,630.0	3,069.0
Unfunded superannuation liabilities	5,069.1	5,094.8	5,111.4	5,161.2	5,185.3	5,193.4
Other employee entitlements and provisions	976.2	981.7	993.2	1,023.8	1,062.8	1,100.1
Non-equity liabilities	484.9	512.3	619.9	649.2	604.0	569.6
<b>TOTAL LIABILITIES</b>	9,436.2	9,727.1	9,365.6	9,697.9	10,211.5	10,655.8
<b>NET WORTH</b>	31,691.0	32,840.9	32,449.8	33,204.3	33,536.4	34,102.3
<i>Memorandum Item: Net Debt</i>	726.5	1,181.0	475.0	758.8	1,282.6	1,729.2
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET WORTH</b>	31,691.0	32,840.9	32,449.8	33,204.3	33,536.4	34,102.3
Less equity (net worth) of PNC and PFC sectors	14,757.4	16,061.3	15,292.1	15,724.5	16,168.5	16,623.4
Less all other adjustments	-	-	-	-	-	-
<b>AAS NET ASSETS</b>	16,933.6	16,779.6	17,157.8	17,479.9	17,367.8	17,478.9

Note: Columns may not add due to rounding.

Table 1.3

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Taxes received	3,332.1	2,625.8	2,744.4	2,674.0	2,824.3	2,995.2
Receipts from sales of goods and services	1,133.1	793.1	862.8	793.5	792.9	792.6
Grants and subsidies received	3,811.4	4,804.6	4,921.9	5,143.6	5,082.6	5,130.8
Other receipts	1,187.0	1,620.2	2,171.4	1,869.7	1,868.5	1,909.1
<i>Total</i>	<i>9,463.6</i>	<i>9,843.7</i>	<i>10,700.5</i>	<i>10,480.8</i>	<i>10,568.2</i>	<i>10,827.7</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-6,818.1	-6,700.8	-7,021.8	-6,883.8	-7,098.0	-7,254.9
Grants and subsidies paid	-1,941.2	-2,087.7	-2,144.1	-2,246.5	-2,203.7	-2,208.7
Interest paid	-226.7	-252.8	-238.6	-244.4	-253.0	-282.3
Other payments	-121.8	-315.4	-724.3	-664.6	-645.0	-648.0
<i>Total</i>	<i>-9,107.9</i>	<i>-9,356.7</i>	<i>-10,128.7</i>	<i>-10,039.3</i>	<i>-10,199.7</i>	<i>-10,393.9</i>
<b>Net Cash Flow from Operating Activities</b>	<b>355.7</b>	<b>487.0</b>	<b>571.7</b>	<b>441.5</b>	<b>368.5</b>	<b>433.8</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-837.6	-1,045.6	-1,126.0	-918.0	-932.8	-989.4
Sales of non-financial assets	99.7	219.0	155.2	113.5	102.5	71.2
<i>Total</i>	<i>-737.8</i>	<i>-826.6</i>	<i>-970.8</i>	<i>-804.5</i>	<i>-830.3</i>	<i>-918.2</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	280.5	14.2	415.2	14.5	14.9	14.2
Liquidity purposes	-3.6	-7.5	-9.3	-13.3	-88.1	-76.3
<i>Total</i>	<i>276.8</i>	<i>6.6</i>	<i>405.9</i>	<i>1.3</i>	<i>-73.3</i>	<i>-62.1</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-461.0</b>	<b>-820.0</b>	<b>-564.9</b>	<b>-803.2</b>	<b>-903.6</b>	<b>-980.3</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-202.1	-119.8	-21.1	-15.4	1.1	-7.1
Borrowings (net)	286.6	340.7	-155.8	240.0	484.1	519.2
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	49.1	-3.0	18.6	17.2	31.3	37.4
<i>Total</i>	<i>133.6</i>	<i>217.8</i>	<i>-158.4</i>	<i>241.8</i>	<i>516.5</i>	<i>549.5</i>
<i>Opening cash balance</i>	<i>741.0</i>	<i>556.4</i>	<i>769.4</i>	<i>617.9</i>	<i>497.9</i>	<i>479.3</i>
<b>NET INCREASE IN CASH HELD<sup>(a)</sup></b>	<b>28.4</b>	<b>-115.2</b>	<b>-151.5</b>	<b>-120.0</b>	<b>-18.5</b>	<b>3.0</b>
<i>Closing cash balance</i>	<i>769.4</i>	<i>441.2</i>	<i>617.9</i>	<i>497.9</i>	<i>479.3</i>	<i>482.3</i>
<i>Net cash from operating activities and investments in non-financial asset and distributions paid</i>	<i>-382.1</i>	<i>-339.7</i>	<i>-399.0</i>	<i>-363.0</i>	<i>-461.8</i>	<i>-484.4</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>-5.9</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>-382.1</i>	<i>-345.5</i>	<i>-399.0</i>	<i>-363.0</i>	<i>-461.8</i>	<i>-484.4</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 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>REVENUE</b>						
Current grants and subsidies	395.2	439.3	429.0	473.1	490.8	512.7
Capital grants	101.6	126.4	108.4	108.4	108.4	99.9
Sales of goods and services	5,564.8	5,625.8	5,049.2	5,006.0	5,227.9	5,388.8
Interest income	103.6	79.4	95.2	81.4	82.0	81.1
Other	225.0	82.7	142.6	92.1	96.0	100.1
<i>Total</i>	6,390.2	6,353.7	5,824.4	5,761.1	6,005.1	6,182.6
<b>EXPENSES</b>						
Gross operating expenses						
Salaries	485.2	480.6	426.1	405.9	412.1	419.6
Depreciation and amortisation	580.4	601.1	564.1	559.1	584.0	604.2
Superannuation	43.0	39.8	32.1	30.5	32.4	31.4
Other gross operating expenses	3,776.8	3,745.4	3,356.9	3,331.1	3,454.8	3,569.6
Nominal superannuation interest	-	-	-	-	-	-
Other interest	498.0	457.5	472.5	429.0	442.2	453.0
Other property expenses	570.6	659.0	730.0	612.0	658.1	670.8
Current transfers	196.7	162.9	198.9	190.1	200.6	207.8
Capital transfers	0.9	10.7	-	-	-	-
<i>Total</i>	6,151.6	6,157.0	5,780.6	5,557.7	5,784.3	5,956.5
<b>NET OPERATING BALANCE</b>	<b>238.6</b>	<b>196.7</b>	<b>43.8</b>	<b>203.3</b>	<b>220.8</b>	<b>226.1</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Gross fixed capital formation	940.2	988.6	1,004.2	908.9	897.9	940.9
Less depreciation	580.4	601.1	564.1	559.1	584.0	604.2
Plus change in inventories	71.8	-	-93.2	71.7	-5.6	-22.0
Plus other movements in non-financial assets	-144.2	-135.7	-53.9	-106.2	-120.6	-103.1
<i>Total</i>	287.4	251.8	292.9	315.3	187.7	211.6
<b>NET LENDING</b>	<b>-48.9</b>	<b>-55.1</b>	<b>-249.1</b>	<b>-112.0</b>	<b>33.1</b>	<b>14.5</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET OPERATING BALANCE</b>	<b>238.6</b>	<b>196.7</b>	<b>43.8</b>	<b>203.3</b>	<b>220.8</b>	<b>226.1</b>
Less provisions for doubtful debts	-	-	-	-	-	-
Plus net gains on assets (including derivatives)	48.1	58.7	260.7	60.0	44.3	46.7
Plus capitalised interest	-	-	-	-	-	-
Less revaluation of superannuation liabilities	3.4	-	-	-	-	-
Plus all other adjustments	-18.2	-	7.3	-	-	-
<b>AAS OPERATING RESULT</b>	<b>265.1</b>	<b>255.4</b>	<b>311.8</b>	<b>263.4</b>	<b>265.1</b>	<b>272.8</b>

Note: Columns may not add due to rounding.

Table 1.5

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

	2000	2001	2001	2002	2003	2004
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>						
<i>Financial assets</i>	226.0	135.4	161.4	182.1	216.0	266.7
Cash and deposits	233.2	216.2	215.4	202.4	191.8	183.2
Advances paid	1,130.5	956.4	1,101.4	1,130.7	1,183.9	1,199.1
Investments, loans and placements	712.2	756.5	615.5	640.0	675.7	704.2
Other non-equity assets	4.2	1.1	2.5	2.5	2.5	2.5
Equity	2,306.1	2,065.7	2,096.2	2,157.8	2,269.9	2,355.7
<i>Total</i>						
<i>Non-Financial assets</i>	20,438.7	21,949.6	20,697.7	21,237.7	21,625.1	22,044.9
Land and fixed assets	1.9	108.1	84.5	85.1	85.2	85.0
Other non-financial assets	20,440.5	22,057.8	20,782.2	21,322.8	21,710.3	22,129.9
<i>Total</i>						
<b>TOTAL ASSETS</b>	<b>22,746.6</b>	<b>24,123.5</b>	<b>22,878.4</b>	<b>23,480.7</b>	<b>23,980.3</b>	<b>24,485.6</b>
<b>LIABILITIES</b>						
Deposits held	3.7	5.7	0.5	0.5	0.5	0.5
Advances received	610.2	614.9	596.4	585.1	573.3	561.2
Borrowings	5,847.2	6,062.5	5,569.5	5,734.8	5,837.6	5,945.2
Unfunded superannuation liabilities	270.0	287.0	267.0	262.0	258.0	252.0
Other employee entitlements and provisions	232.2	241.1	187.3	187.7	195.2	198.5
Non-equity liabilities	1,041.1	897.2	1,006.2	1,096.8	1,121.6	1,131.0
<b>TOTAL LIABILITIES</b>	<b>8,004.4</b>	<b>8,108.4</b>	<b>7,626.9</b>	<b>7,866.9</b>	<b>7,986.2</b>	<b>8,088.5</b>
<b>NET WORTH</b>	<b>14,742.1</b>	<b>16,015.0</b>	<b>15,251.5</b>	<b>15,613.8</b>	<b>15,994.1</b>	<b>16,397.1</b>
<i>Memorandum Item: Net Debt</i>	4,871.5	5,375.0	4,688.3	4,805.1	4,819.7	4,858.0
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET WORTH</b>	<b>14,742.1</b>	<b>16,015.0</b>	<b>15,251.5</b>	<b>15,613.8</b>	<b>15,994.1</b>	<b>16,397.1</b>
Less all other adjustments	-	-	-	-	-	-
<b>AAS NET ASSETS</b>	<b>14,742.1</b>	<b>16,015.0</b>	<b>15,251.5</b>	<b>15,613.8</b>	<b>15,994.1</b>	<b>16,397.1</b>

Note: Columns may not add due to rounding.

Table 1.6

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Receipts from sales of goods and services	5,547.1	5,590.6	5,062.0	4,981.3	5,211.5	5,372.2
Grants and subsidies received	501.5	564.5	556.2	584.3	606.0	613.3
Other receipts	103.8	147.5	343.6	329.5	334.2	334.8
<b>Total</b>	<b>6,152.4</b>	<b>6,302.6</b>	<b>5,961.8</b>	<b>5,895.0</b>	<b>6,151.8</b>	<b>6,320.3</b>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-4,118.7	-4,217.1	-3,976.5	-3,768.5	-3,905.6	-4,025.2
Grants and subsidies paid	-144.6	-118.3	-87.5	-93.8	-95.7	-98.5
Interest paid	-496.4	-473.5	-477.1	-449.4	-452.2	-455.3
Other payments	-86.5	-96.8	-275.2	-291.3	-298.8	-300.9
<b>Total</b>	<b>-4,846.1</b>	<b>-4,905.7</b>	<b>-4,816.2</b>	<b>-4,602.9</b>	<b>-4,752.3</b>	<b>-4,879.9</b>
<b>Net Cash Flow from Operating Activities</b>	<b>1,306.2</b>	<b>1,396.9</b>	<b>1,145.6</b>	<b>1,292.1</b>	<b>1,399.5</b>	<b>1,440.4</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-1,222.5	-1,229.8	-1,260.3	-1,124.0	-1,115.9	-1,142.5
Sales of non-financial assets	451.9	367.3	303.5	321.3	338.6	304.6
<b>Total</b>	<b>-770.6</b>	<b>-862.5</b>	<b>-956.8</b>	<b>-802.7</b>	<b>-777.3</b>	<b>-837.8</b>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	-95.0	-	1,083.2	-	-	-
Liquidity purposes	5.5	-101.3	-41.4	-47.4	-66.2	-18.6
<b>Total</b>	<b>-89.5</b>	<b>-101.3</b>	<b>1,041.8</b>	<b>-47.4</b>	<b>-66.2</b>	<b>-18.6</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-860.0</b>	<b>-963.8</b>	<b>85.0</b>	<b>-850.1</b>	<b>-843.5</b>	<b>-856.4</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-204.2	-11.0	-10.9	-11.3	-13.1	-12.1
Borrowings (net)	127.3	100.6	-415.5	140.2	79.2	114.8
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-471.3	-759.4	-858.2	-579.3	-622.0	-668.2
Other financing	56.4	44.4	50.2	47.6	48.3	49.9
<b>Total</b>	<b>-491.8</b>	<b>-625.4</b>	<b>-1,234.3</b>	<b>-402.8</b>	<b>-507.6</b>	<b>-515.6</b>
<i>Opening cash balance</i>	<i>457.0</i>	<i>531.4</i>	<i>411.4</i>	<i>407.6</i>	<i>446.8</i>	<i>495.2</i>
<b>NET INCREASE IN CASH HELD<sup>(a)</sup></b>	<b>-45.6</b>	<b>-192.2</b>	<b>-3.8</b>	<b>39.2</b>	<b>48.4</b>	<b>68.4</b>
<i>Closing cash balance</i>	<i>411.4</i>	<i>339.2</i>	<i>407.6</i>	<i>446.8</i>	<i>495.2</i>	<i>563.6</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>64.4</i>	<i>-225.0</i>	<i>-669.5</i>	<i>-89.8</i>	<i>0.2</i>	<i>-65.6</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>9.6</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Surplus</b>	<b>64.4</b>	<b>-215.4</b>	<b>-669.5</b>	<b>-89.8</b>	<b>0.2</b>	<b>-65.6</b>

(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 1.7

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
<b>REVENUE</b>						
Taxation	3,247.1	2,667.0	2,631.6	2,562.6	2,712.6	2,882.7
Current grants and subsidies	3,673.6	4,607.4	4,717.4	4,933.7	4,923.9	4,988.2
Capital grants	202.8	273.2	254.3	249.7	177.8	165.6
Sales of goods and services	6,485.3	6,285.3	5,763.5	5,651.0	5,886.0	6,049.4
Interest income	171.8	158.0	190.5	163.1	148.2	153.2
Royalty revenue	468.7	520.5	598.3	585.5	582.6	566.2
Other	368.2	288.8	278.4	243.9	249.4	250.7
<i>Total</i>	<i>14,617.4</i>	<i>14,800.2</i>	<i>14,434.0</i>	<i>14,389.5</i>	<i>14,680.5</i>	<i>15,056.0</i>
<b>EXPENSES</b>						
Gross operating expenses						
Salaries	4,245.1	4,328.6	4,318.1	4,380.6	4,484.5	4,596.9
Depreciation and amortisation	1,034.1	1,016.7	1,016.8	1,028.7	1,065.8	1,096.9
Superannuation	365.2	373.3	351.3	344.9	352.9	344.8
Other gross operating expenses	6,178.9	6,071.9	5,729.0	5,494.4	5,709.7	5,856.5
Nominal superannuation interest	296.7	302.8	304.1	306.7	309.7	311.1
Other interest	683.1	674.5	676.2	640.8	663.2	703.1
Other property expenses	-	-	-	-	-	-
Current transfers	1,463.1	1,663.8	1,782.2	1,815.5	1,772.3	1,799.6
Capital transfers	141.9	129.3	106.6	130.1	147.3	115.4
<i>Total</i>	<i>14,408.2</i>	<i>14,561.0</i>	<i>14,284.5</i>	<i>14,141.7</i>	<i>14,505.3</i>	<i>14,824.5</i>
<b>NET OPERATING BALANCE</b>	<b>209.2</b>	<b>239.3</b>	<b>149.6</b>	<b>247.9</b>	<b>175.2</b>	<b>231.5</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Gross fixed capital formation	1,666.4	1,970.0	2,007.6	1,732.1	1,719.2	1,851.4
Less depreciation	1,034.1	1,016.7	1,016.8	1,028.7	1,065.8	1,096.9
Plus change in inventories	52.9	-	-105.1	70.5	-6.4	-22.7
Plus other movements in non-financial assets	-160.4	-199.0	-57.3	-119.9	-111.6	-95.4
<i>Total</i>	<i>524.8</i>	<i>754.3</i>	<i>828.4</i>	<i>654.0</i>	<i>535.4</i>	<i>636.4</i>
<b>NET LENDING</b>	<b>-315.6</b>	<b>-515.0</b>	<b>-678.9</b>	<b>-406.1</b>	<b>-360.2</b>	<b>-404.9</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET OPERATING BALANCE</b>	<b>209.2</b>	<b>239.3</b>	<b>149.6</b>	<b>247.9</b>	<b>175.2</b>	<b>231.5</b>
Less provisions for doubtful debts	-	-	-	-	-	-
Plus net gains on assets (including derivatives)	-179.7	98.7	473.6	122.0	94.8	78.5
Plus capitalised interest	-	-	-	-	-	-
Less revaluation of superannuation liabilities	38.0	-	-	-	-	-
Plus all other adjustments	-62.4	-0.7	-5.5	0.1	0.2	-
<b>AAS OPERATING RESULT</b>	<b>-70.8</b>	<b>337.3</b>	<b>617.7</b>	<b>370.0</b>	<b>270.2</b>	<b>310.0</b>

Note: Columns may not add due to rounding.

Table 1.8

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

	2000	2001	2001	2002	2003	2004
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>						
<i>Financial assets</i>	343.9	242.1	264.1	257.1	280.3	320.1
Cash and deposits	481.3	382.2	482.4	482.8	474.0	465.5
Advances paid	2,220.7	1,931.2	2,200.4	2,185.1	2,210.4	2,221.8
Investments, loans and placements	1,118.6	1,068.5	1,044.4	1,060.7	1,082.6	1,101.7
Other non-equity assets	19.6	47.4	43.1	113.2	176.9	228.9
Equity	4,184.1	3,671.4	4,034.5	4,098.8	4,224.2	4,337.9
<i>Total</i>						
<i>Non-Financial assets</i>						
Land and fixed assets	43,698.2	45,794.7	44,341.2	45,544.4	46,302.3	47,251.8
Other non-financial assets	165.0	240.8	170.2	220.8	269.8	316.1
<i>Total</i>	43,863.2	46,035.5	44,511.3	45,765.3	46,572.1	47,568.0
<b>TOTAL ASSETS</b>	<b>48,047.3</b>	<b>49,706.9</b>	<b>48,545.8</b>	<b>49,864.1</b>	<b>50,796.3</b>	<b>51,905.9</b>
<b>LIABILITIES</b>						
Deposits held	42.1	100.7	34.6	38.7	44.2	45.5
Advances received	732.5	595.2	595.2	567.6	555.8	535.6
Borrowings	7,869.3	8,415.6	7,480.3	7,882.6	8,466.9	9,013.6
Unfunded superannuation liabilities	5,339.1	5,381.8	5,378.4	5,423.2	5,443.3	5,445.4
Other employee entitlements and provisions	1,208.4	1,222.8	1,180.5	1,211.5	1,258.0	1,298.5
Non-equity liabilities	1,165.0	1,149.8	1,426.9	1,536.1	1,491.6	1,465.0
<i>TOTAL LIABILITIES</i>	<i>16,356.3</i>	<i>16,866.0</i>	<i>16,095.9</i>	<i>16,659.7</i>	<i>17,259.8</i>	<i>17,803.5</i>
<b>NET WORTH</b>	<b>31,691.0</b>	<b>32,840.9</b>	<b>32,449.9</b>	<b>33,204.4</b>	<b>33,536.5</b>	<b>34,102.4</b>
<i>Memorandum Item: Net Debt</i>	<i>5,597.9</i>	<i>6,556.1</i>	<i>5,163.2</i>	<i>5,563.9</i>	<i>6,102.3</i>	<i>6,597.2</i>
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET WORTH</b>	<b>31,691.0</b>	<b>32,840.9</b>	<b>32,449.9</b>	<b>33,204.4</b>	<b>33,536.5</b>	<b>34,102.4</b>
Less equity (net worth) of the PFC sector	15.2	46.3	40.6	110.7	174.4	226.3
Less all other adjustments	0.1	-	-	0.1	0.1	0.1
<b>AAS NET ASSETS</b>	<b>31,675.7</b>	<b>32,794.6</b>	<b>32,409.3</b>	<b>33,093.7</b>	<b>33,361.9</b>	<b>33,876.0</b>

Note: Columns may not add due to rounding.

Table 1.9

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Taxes received	3,245.6	2,591.1	2,585.1	2,513.6	2,661.1	2,829.8
Receipts from sales of goods and services	6,448.3	6,197.0	5,735.8	5,575.4	5,816.3	5,978.5
Grants and subsidies received	3,811.4	4,804.6	4,921.9	5,143.6	5,082.6	5,130.8
Other receipts	758.2	949.1	1,610.9	1,574.1	1,535.2	1,530.8
<i>Total</i>	<i>14,263.5</i>	<i>14,541.8</i>	<i>14,853.7</i>	<i>14,806.6</i>	<i>15,095.3</i>	<i>15,469.9</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-10,694.5	-10,721.2	-10,675.8	-10,317.6	-10,678.1	-10,954.6
Grants and subsidies paid	-1,584.4	-1,641.5	-1,675.3	-1,756.0	-1,693.3	-1,693.9
Interest paid	-671.4	-692.7	-681.1	-659.1	-671.1	-704.2
Other payments	-119.7	-373.7	-962.4	-919.6	-906.7	-911.1
<i>Total</i>	<i>-13,070.0</i>	<i>-13,429.2</i>	<i>-13,994.6</i>	<i>-13,652.2</i>	<i>-13,949.2</i>	<i>-14,263.8</i>
<b>Net Cash Flow from Operating Activities</b>	<b>1,193.5</b>	<b>1,112.7</b>	<b>859.1</b>	<b>1,154.4</b>	<b>1,146.1</b>	<b>1,206.1</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-2,054.6	-2,275.5	-2,386.3	-2,042.0	-2,048.7	-2,131.9
Sales of non-financial assets	551.7	586.3	458.7	434.8	441.1	375.9
<i>Total</i>	<i>-1,502.9</i>	<i>-1,689.1</i>	<i>-1,927.6</i>	<i>-1,607.2</i>	<i>-1,607.6</i>	<i>-1,756.0</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	13.7	14.1	1,499.3	14.5	14.9	14.2
Liquidity purposes	1.9	-108.8	-50.7	-60.7	-154.4	-94.9
<i>Total</i>	<i>15.6</i>	<i>-94.7</i>	<i>1,448.6</i>	<i>-46.2</i>	<i>-139.5</i>	<i>-80.7</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-1,487.3</b>	<b>-1,783.8</b>	<b>-479.0</b>	<b>-1,653.4</b>	<b>-1,747.1</b>	<b>-1,836.7</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-228.6	-130.8	-29.1	-26.7	-12.0	-19.2
Borrowings (net)	413.9	441.3	-571.3	380.2	563.3	634.0
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-2.7	11.9	-	-	-	-
Other financing	94.0	41.4	65.0	64.7	79.6	87.2
<i>Total</i>	<i>276.6</i>	<i>363.7</i>	<i>-535.4</i>	<i>418.2</i>	<i>630.9</i>	<i>702.0</i>
<i>Opening cash balance</i>	<i>1,195.9</i>	<i>1,085.7</i>	<i>1,178.7</i>	<i>1,023.4</i>	<i>942.6</i>	<i>972.4</i>
<b>NET INCREASE IN CASH HELD<sup>(a)</sup></b>	<b>-17.2</b>	<b>-307.4</b>	<b>-155.3</b>	<b>-80.8</b>	<b>29.9</b>	<b>71.4</b>
<i>Closing cash balance</i>	<i>1,178.7</i>	<i>778.2</i>	<i>1,023.4</i>	<i>942.6</i>	<i>972.4</i>	<i>1,043.8</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>	<i>-312.1</i>	<i>-564.6</i>	<i>-1,068.5</i>	<i>-452.8</i>	<i>-461.6</i>	<i>-549.9</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>3.7</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>-312.1</i>	<i>-560.9</i>	<i>-1,068.5</i>	<i>-452.8</i>	<i>-461.6</i>	<i>-549.9</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 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>REVENUE</b>						
Current grants and subsidies	-	-	2.0	-	-	-
Capital grants	-	-	-	-	-	-
Sales of goods and services	505.3	509.4	516.5	552.9	596.7	641.4
Interest income	949.5	896.7	837.8	846.4	866.3	892.8
Other	-	-	1.0	-	-	-
<i>Total</i>	1,454.5	1,406.1	1,357.3	1,399.2	1,463.0	1,534.2
<b>EXPENSES</b>						
Gross operating expenses						
Salaries	16.5	17.8	17.6	18.5	19.4	20.3
Depreciation and amortisation	1.5	2.9	2.4	2.8	3.2	3.0
Superannuation	1.5	2.5	1.3	1.4	2.6	2.7
Other gross operating expenses	509.4	502.0	497.4	537.5	589.8	650.4
Nominal superannuation interest	-	-	-	-	-	-
Other interest	820.0	805.4	757.3	761.1	777.4	799.4
Other property expenses	16.4	8.7	8.0	5.8	5.1	4.6
Current transfers	1.5	2.2	3.9	2.0	1.9	2.0
Capital transfers	-	-	-	-	-	-
<i>Total</i>	1,366.8	1,341.4	1,287.9	1,329.1	1,399.3	1,482.3
<b>NET OPERATING BALANCE</b>	<b>87.7</b>	<b>64.7</b>	<b>69.3</b>	<b>70.1</b>	<b>63.8</b>	<b>51.9</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Gross fixed capital formation	2.7	8.5	12.9	2.5	1.4	1.3
Less depreciation	1.5	2.9	2.4	2.8	3.2	3.0
Plus change in inventories	-	-	-	-	-	-
Plus other movements in non-financial assets	-	-	-	-	-	-
<i>Total</i>	1.2	5.7	10.4	-0.4	-1.8	-1.7
<b>NET LENDING</b>	<b>86.5</b>	<b>59.1</b>	<b>58.9</b>	<b>70.4</b>	<b>65.6</b>	<b>53.6</b>

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

<b>NET OPERATING BALANCE</b>	<b>87.7</b>	<b>64.7</b>	<b>69.3</b>	<b>70.1</b>	<b>63.8</b>	<b>51.9</b>
Less provisions for doubtful debts	-	-	-	-	-	-
Plus net gains on assets (including derivatives)	39.5	-	-0.1	-	-	-
Plus capitalised interest	-	-	-	-	-	-
Less revaluation of superannuation liabilities	2.0	-	-	-	-	-
Plus all other adjustments	-	-	-	-	-	-
<b>AAS OPERATING RESULT</b>	<b>125.2</b>	<b>64.7</b>	<b>69.2</b>	<b>70.1</b>	<b>63.8</b>	<b>51.9</b>

Note: Columns may not add due to rounding.

Table 1.11

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

	1998-99	2001	2001	2002	2003	2004
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>						
<i>Financial assets</i>						
Cash and deposits	24.0	18.4	14.9	22.0	26.4	18.2
Advances paid	1,578.4	1,929.7	1,848.0	1,952.8	2,052.2	2,147.4
Investments, loans and placements	11,310.4	11,471.3	10,924.9	11,387.8	12,035.3	12,653.8
Other non-equity assets	329.6	331.6	308.0	293.0	279.8	268.2
Equity	542.3	574.5	596.7	667.7	732.9	805.4
<i>Total</i>	<i>13,784.7</i>	<i>14,325.6</i>	<i>13,692.6</i>	<i>14,323.3</i>	<i>15,126.6</i>	<i>15,893.0</i>
<i>Non-Financial assets</i>						
Land and fixed assets	276.8	340.0	311.9	343.9	371.8	403.1
Other non-financial assets	-	-	-	-	-	-
<i>Total</i>	<i>276.8</i>	<i>340.0</i>	<i>311.9</i>	<i>343.9</i>	<i>371.8</i>	<i>403.1</i>
<b>TOTAL ASSETS</b>	<b>14,061.5</b>	<b>14,665.6</b>	<b>14,004.5</b>	<b>14,667.2</b>	<b>15,498.4</b>	<b>16,296.1</b>
<b>LIABILITIES</b>						
Deposits held	-	-	-	-	-	-
Advances received	3.5	-	3.5	3.5	3.5	3.5
Borrowings	12,285.2	12,862.4	12,161.5	12,670.2	13,354.8	13,986.7
Unfunded superannuation liabilities	16.0	15.0	15.0	14.0	14.0	14.0
Other employee entitlements and provisions	9.7	8.4	7.9	6.9	6.6	6.5
Non-equity liabilities	1,731.9	1,733.5	1,776.0	1,861.9	1,945.1	2,059.1
<b>TOTAL LIABILITIES</b>	<b>14,046.3</b>	<b>14,619.3</b>	<b>13,963.9</b>	<b>14,556.6</b>	<b>15,324.0</b>	<b>16,069.8</b>
<b>NET WORTH</b>	<b>15.2</b>	<b>46.3</b>	<b>40.6</b>	<b>110.7</b>	<b>174.4</b>	<b>226.3</b>
<i>Memorandum Item: Net Debt</i>	<i>-624.1</i>	<i>-557.1</i>	<i>-622.8</i>	<i>-688.9</i>	<i>-755.6</i>	<i>-829.2</i>
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET WORTH</b>	<b>15.2</b>	<b>46.3</b>	<b>40.6</b>	<b>110.7</b>	<b>174.4</b>	<b>226.3</b>
Less all other adjustments	-	-0.1	-	-	-	-
<b>AAS NET ASSETS</b>	<b>15.2</b>	<b>46.2</b>	<b>40.6</b>	<b>110.7</b>	<b>174.4</b>	<b>226.3</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
Cash Flow Statement

	1999-09	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Receipts from sales of goods and services	484.4	472.3	469.4	498.7	537.8	587.7
Grants and subsidies received	-	-	2.0	-	-	-
Other receipts	895.8	924.2	889.0	903.8	923.9	951.7
<b>Total</b>	<b>1,380.2</b>	<b>1,396.6</b>	<b>1,360.4</b>	<b>1,402.5</b>	<b>1,461.6</b>	<b>1,539.4</b>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-466.1	-429.3	-442.9	-471.6	-527.1	-556.6
Grants and subsidies paid	-	-	-	-	-	-
Interest paid	-777.0	-815.7	-757.3	-761.1	-777.4	-799.4
Other payments	-1.9	-8.9	-46.8	-49.9	-53.5	-57.3
<b>Total</b>	<b>-1,245.0</b>	<b>-1,253.8</b>	<b>-1,247.1</b>	<b>-1,282.7</b>	<b>-1,358.0</b>	<b>-1,413.4</b>
<b>Net Cash Flow from Operating Activities</b>	<b>135.2</b>	<b>142.7</b>	<b>113.3</b>	<b>119.9</b>	<b>103.7</b>	<b>126.1</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-3.0	-8.5	-12.9	-2.5	-1.4	-1.3
Sales of non-financial assets	0.3	-	-	-	-	-
<b>Total</b>	<b>-2.7</b>	<b>-8.5</b>	<b>-12.9</b>	<b>-2.5</b>	<b>-1.4</b>	<b>-1.3</b>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-45.6	-386.4	-274.0	-202.5	-182.2	-197.1
<b>Total</b>	<b>-45.6</b>	<b>-386.4</b>	<b>-274.0</b>	<b>-202.5</b>	<b>-182.2</b>	<b>-197.1</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-48.2</b>	<b>-394.9</b>	<b>-286.9</b>	<b>-204.9</b>	<b>-183.6</b>	<b>-198.4</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-	-	-0.1	-	-	-
Borrowings (net)	472.2	273.0	185.5	101.8	93.3	70.7
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-11.2	-8.3	-9.8	-6.7	-5.4	-4.7
Other financing	-1.9	-	-	-	-	-
<b>Total</b>	<b>459.1</b>	<b>264.7</b>	<b>175.7</b>	<b>95.1</b>	<b>87.9</b>	<b>66.0</b>
<i>Opening cash balance</i>	<i>2,783.6</i>	<i>2,781.6</i>	<i>3,329.7</i>	<i>3,331.8</i>	<i>3,341.8</i>	<i>3,349.8</i>
<b>NET INCREASE IN CASH HELD<sup>(a)</sup></b>	<b>546.1</b>	<b>12.5</b>	<b>2.1</b>	<b>10.0</b>	<b>8.0</b>	<b>-6.4</b>
<i>Closing cash balance</i>	<i>3,329.7</i>	<i>2,794.1</i>	<i>3,331.8</i>	<i>3,341.8</i>	<i>3,349.8</i>	<i>3,343.5</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>	<i>121.3</i>	<i>125.9</i>	<i>90.7</i>	<i>110.7</i>	<i>96.9</i>	<i>120.1</i>
<i>Less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Surplus</b>	<b>121.3</b>	<b>125.9</b>	<b>90.7</b>	<b>110.7</b>	<b>96.9</b>	<b>120.1</b>

(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 1.13

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>REVENUE</b>						
Taxation	3,245.6	2,665.0	2,629.8	2,560.8	2,710.7	2,880.8
Current grants and subsidies	3,673.6	4,607.4	4,717.4	4,933.7	4,923.9	4,988.2
Capital grants	202.8	273.2	254.3	249.7	177.8	165.6
Sales of goods and services	6,898.6	6,689.1	6,177.1	6,092.9	6,362.7	6,560.2
Interest income	520.6	435.8	448.0	433.9	425.4	439.9
Royalty income	468.7	520.5	598.3	585.5	582.6	566.2
Other	819.8	799.9	868.0	823.0	826.3	811.6
<i>Total</i>	<i>15,361.0</i>	<i>15,470.3</i>	<i>15,094.6</i>	<i>15,093.9</i>	<i>15,426.8</i>	<i>15,846.3</i>
<b>EXPENSES</b>						
<b>Gross operating expenses</b>						
Salaries	4,261.6	4,346.4	4,335.7	4,399.1	4,503.9	4,617.2
Depreciation and amortisation	1,035.6	1,019.6	1,019.2	1,031.5	1,069.0	1,099.9
Superannuation	366.1	375.1	351.9	345.6	354.8	346.8
Other gross operating expenses	6,596.7	6,468.3	6,122.5	5,920.9	6,179.6	6,376.3
Nominal superannuation interest	296.7	302.8	304.1	306.7	309.7	311.1
Other interest	902.4	860.9	853.3	826.3	851.4	896.4
Other property expenses	-	-	-	-	-	-
Current transfers	1,463.1	1,663.9	1,782.3	1,815.7	1,772.3	1,799.6
Capital transfers	141.9	129.3	106.6	130.1	147.3	115.4
<i>Total</i>	<i>15,064.1</i>	<i>15,166.2</i>	<i>14,875.7</i>	<i>14,775.9</i>	<i>15,187.9</i>	<i>15,562.8</i>
<b>NET OPERATING BALANCE</b>	<b>296.9</b>	<b>304.0</b>	<b>218.9</b>	<b>318.0</b>	<b>239.0</b>	<b>283.4</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Gross fixed capital formation	1,669.1	1,978.6	2,020.5	1,734.6	1,720.6	1,852.7
Less depreciation	1,035.6	1,019.6	1,019.2	1,031.5	1,069.0	1,099.9
Plus change in inventories	52.9	-	-105.1	70.5	-6.4	-22.7
Plus other movements in non-financial assets	-160.4	-199.0	-57.3	-119.9	-111.6	-95.4
<i>Total</i>	<i>526.0</i>	<i>759.9</i>	<i>838.8</i>	<i>653.6</i>	<i>533.6</i>	<i>634.7</i>
<b>NET LENDING</b>	<b>-229.1</b>	<b>-455.9</b>	<b>-619.9</b>	<b>-335.7</b>	<b>-294.6</b>	<b>-351.3</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET OPERATING BALANCE</b>	<b>296.9</b>	<b>304.0</b>	<b>218.9</b>	<b>318.0</b>	<b>239.0</b>	<b>283.4</b>
Less provisions for doubtful debts	-	-	-	-	-	-
Plus net gains on assets (including derivatives)	-140.1	98.7	473.5	122.0	94.8	78.5
Plus capitalised interest	-	-	-	-	-	-
Less revaluation of superannuation liabilities	40.0	-	-	-	-	-
Plus all other adjustments	-62.4	-0.7	-5.5	0.1	0.2	-
<b>AAS OPERATING RESULT</b>	<b>54.4</b>	<b>402.0</b>	<b>686.9</b>	<b>440.1</b>	<b>334.0</b>	<b>361.9</b>

Note: Columns may not add due to rounding.

Table 1.14

<b>TOTAL PUBLIC SECTOR</b>						
<b>Balance Sheet at 30 June</b>						
	2000	2001	2001	2002	2003	2004
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>						
<i>Financial assets</i>						
Cash and deposits	364.0	257.5	279.0	277.4	303.6	337.3
Advances paid	2,056.2	2,312.0	2,326.9	2,432.2	2,522.6	2,609.4
Investments, loans and placements	5,068.0	4,372.7	5,014.2	5,057.1	5,139.2	5,208.0
Other non-equity assets	1,293.4	1,236.0	1,208.0	1,227.1	1,249.0	1,267.0
Equity	546.7	575.6	599.3	670.2	735.4	808.0
<i>Total</i>	<i>9,328.4</i>	<i>8,753.8</i>	<i>9,427.4</i>	<i>9,664.0</i>	<i>9,949.9</i>	<i>10,229.6</i>
<i>Non-Financial assets</i>						
Land and fixed assets	43,975.0	46,134.7	44,653.1	45,888.4	46,674.1	47,655.0
Other non-financial assets	165.0	240.8	170.2	220.8	269.8	316.1
<i>Total</i>	<i>44,140.0</i>	<i>46,375.5</i>	<i>44,823.2</i>	<i>46,109.2</i>	<i>46,943.9</i>	<i>47,971.1</i>
<b>TOTAL ASSETS</b>	<b>53,468.5</b>	<b>55,129.3</b>	<b>54,250.6</b>	<b>55,773.2</b>	<b>56,893.8</b>	<b>58,200.7</b>
<b>LIABILITIES</b>						
Deposits held	38.3	97.7	34.6	37.0	41.1	44.4
Advances received	732.5	595.2	595.2	567.6	555.8	535.6
Borrowings	11,691.9	12,248.2	11,531.2	12,037.7	12,715.8	13,333.3
Unfunded superannuation liabilities	5,355.1	5,396.8	5,393.4	5,437.2	5,457.3	5,459.4
Other employee entitlements and provisions	1,218.1	1,231.1	1,188.4	1,218.5	1,264.6	1,305.1
Non-equity liabilities	2,742.1	2,719.3	3,058.4	3,271.5	3,323.3	3,421.2
<b>TOTAL LIABILITIES</b>	<b>21,778.0</b>	<b>22,288.4</b>	<b>21,801.2</b>	<b>22,569.3</b>	<b>23,357.8</b>	<b>24,098.8</b>
<b>NET WORTH</b>	<b>31,690.5</b>	<b>32,840.9</b>	<b>32,449.4</b>	<b>33,203.9</b>	<b>33,536.0</b>	<b>34,101.9</b>
<i>Memorandum Item: Net Debt</i>	<i>4,974.3</i>	<i>5,999.0</i>	<i>4,540.9</i>	<i>4,875.5</i>	<i>5,347.2</i>	<i>5,758.6</i>
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET WORTH</b>	<b>31,690.5</b>	<b>32,840.9</b>	<b>32,449.4</b>	<b>33,203.9</b>	<b>33,536.0</b>	<b>34,101.9</b>
Less all other adjustments	-0.4	0.1	-0.5	-0.5	-0.3	-0.4
<b>AAS NET ASSETS</b>	<b>31,690.9</b>	<b>32,840.8</b>	<b>32,449.9</b>	<b>33,204.4</b>	<b>33,536.3</b>	<b>34,102.3</b>

Note: Columns may not add due to rounding.



Table 1.15

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

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Taxes received	3,243.8	2,582.0	2,579.5	2,507.6	2,654.9	2,823.5
Receipts from sales of goods and services	6,825.9	6,563.9	6,101.7	5,962.6	6,233.6	6,435.1
Grants and subsidies received	3,811.4	4,804.6	4,921.9	5,143.6	5,082.6	5,130.8
Other receipts	1,001.4	1,222.7	1,897.6	1,881.1	1,853.7	1,863.1
<i>Total</i>	<i>14,882.5</i>	<i>15,173.2</i>	<i>15,500.7</i>	<i>15,495.0</i>	<i>15,824.9</i>	<i>16,252.5</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-11,049.5	-11,042.9	-11,012.5	-10,675.9	-11,083.1	-11,378.7
Grants and subsidies paid	-1,584.4	-1,641.5	-1,675.3	-1,756.0	-1,693.3	-1,693.9
Interest paid	-847.8	-880.4	-858.7	-846.5	-861.5	-899.7
Other payments	-83.3	-370.8	-993.5	-949.0	-942.5	-952.7
<i>Total</i>	<i>-13,564.9</i>	<i>-13,935.5</i>	<i>-14,540.1</i>	<i>-14,227.4</i>	<i>-14,580.5</i>	<i>-14,925.0</i>
<b>Net Cash Flow from Operating Activities</b>	<b>1,317.5</b>	<b>1,237.7</b>	<b>960.6</b>	<b>1,267.5</b>	<b>1,244.4</b>	<b>1,327.5</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of new non-financial assets	-2,057.6	-2,284.0	-2,399.2	-2,044.5	-2,050.1	-2,133.2
Sales of non-financial assets	552.0	586.3	458.7	434.8	441.1	375.9
<i>Total</i>	<i>-1,505.6</i>	<i>-1,697.6</i>	<i>-1,940.5</i>	<i>-1,609.7</i>	<i>-1,609.0</i>	<i>-1,757.4</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	13.7	14.1	1,499.3	14.5	14.9	14.2
Liquidity purposes	-43.7	-495.2	-324.7	-263.2	-336.6	-292.0
<i>Total</i>	<i>-30.0</i>	<i>-481.0</i>	<i>1,174.6</i>	<i>-248.6</i>	<i>-321.7</i>	<i>-277.8</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-1,535.5</b>	<b>-2,178.7</b>	<b>-765.9</b>	<b>-1,858.3</b>	<b>-1,930.7</b>	<b>-2,035.2</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-228.6	-130.8	-29.2	-26.8	-12.0	-19.2
Borrowings (net)	886.1	714.3	-385.7	482.0	656.7	704.7
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-2.7	13.9	-	-	-	-
Other financing	92.2	48.7	67.0	64.7	79.6	87.2
<i>Total</i>	<i>746.9</i>	<i>646.0</i>	<i>-347.9</i>	<i>520.0</i>	<i>724.2</i>	<i>772.7</i>
<i>Opening cash balance</i>	<i>3,979.4</i>	<i>3,867.2</i>	<i>4,508.3</i>	<i>4,355.1</i>	<i>4,284.3</i>	<i>4,322.2</i>
<b>NET INCREASE IN CASH HELD<sup>(a)</sup></b>	<b>528.9</b>	<b>-294.9</b>	<b>-153.2</b>	<b>-70.8</b>	<b>37.9</b>	<b>65.0</b>
<i>Closing cash balance</i>	<i>4,508.3</i>	<i>3,572.3</i>	<i>4,355.1</i>	<i>4,284.3</i>	<i>4,322.2</i>	<i>4,387.2</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>	<i>-190.8</i>	<i>-446.0</i>	<i>-979.8</i>	<i>-342.1</i>	<i>-364.6</i>	<i>-429.9</i>
<i>Less leases and similar arrangements</i>	<i>-</i>	<i>3.7</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>-190.8</i>	<i>-442.3</i>	<i>-979.8</i>	<i>-342.1</i>	<i>-364.6</i>	<i>-429.9</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 1.16

**TAXATION REVENUE**

	1999-00	2000-01	2000-01	2001-02	2002-03	2003-04
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
<b>TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE</b>						
<i>Payroll taxes</i>	765.7	809.3	809.3	861.5	923.8	983.0
<b>TAXES ON PROPERTY</b>						
Land taxes	195.5	209.5	213.5	224.0	240.0	256.5
Stamp duty on financial and capital transactions	672.3	584.4	639.1	640.8	685.8	737.1
Financial institutions transaction taxes	235.0	240.8	238.8	114.5	103.0	103.0
Other	40.1	38.6	42.7	45.4	48.4	51.3
<i>Total</i>	1,142.9	1,073.3	1,134.1	1,024.7	1,077.2	1,147.9
<b>TAXES ON PROVISION OF GOODS AND SERVICES</b>						
Taxes on gambling	170.1	115.9	112.9	110.0	112.4	116.2
Taxes on insurance	197.4	211.0	220.5	228.9	238.1	247.3
Other	2.7	3.0	3.0	1.1	1.5	1.8
<i>Total</i>	370.1	329.9	336.4	340.0	352.0	365.3
<b>TAXES ON USE OF GOODS AND PERFORMANCE OF ACTIVITIES</b>						
Motor vehicle taxes	389.7	459.6	473.4	498.6	525.1	554.4
Franchise fees	753.4	34.0	42.7	-	-	-
<i>Total</i>	1,143.0	493.6	516.1	498.6	525.1	554.4
<b>TOTAL TAXES</b>	<b>3,421.7</b>	<b>2,706.2</b>	<b>2,795.9</b>	<b>2,724.8</b>	<b>2,878.0</b>	<b>3,050.6</b>

Table 1.17

**LOAN COUNCIL ALLOCATIONS  
WESTERN AUSTRALIA**

	1999-00 Actual \$m	2000-01 Projected \$m	2001-02 Projected \$m
General Government deficit	382.1	399.0	363.0
Public Non-financial Corporations' net financing requirement	-64.4	669.5	89.8
Net Capital Advances	-13.7	-1,499.3	-14.5
<i>Total Non-Financial Public Sector deficit</i>	<i>298.4</i>	<i>-430.8</i>	<i>438.3</i>
<i>Memorandum Items <sup>(a)</sup></i>	<i>105.5</i>	<i>106.9</i>	<i>-92.3</i>
<b>Loan Council Allocation</b>	<b>403.8</b>	<b>-323.9</b>	<b>346.0</b>
Tolerance limit <sup>(b)</sup>	-	-	296.1

(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.

# Asset Sales

## Impact of Recent Sales

This appendix summarises the effect of the sale of two substantial assets on the State's financial aggregates. AlintaGas was privatised by public float on 17 October 2000. The sale of the freight business and operations of Westrail was announced on 30 October 2000 with the sale price in excess of the estimated retention value of the business. The rail freight sale was completed on 18 December 2000 when financial settlement occurred.

### **AlintaGas**

Gross sale proceeds from the float totalled \$971.4 million. Netting the various costs, stamp duties and other revenue and expenses associated with the sale (\$81.6 million) from gross proceeds resulted in \$889.8 million net proceeds for this asset.

At the time of the sale, the debt held by AlintaGas totalled \$320.0 million. This has been repaid. In addition, a further \$121.4 million of general government sector debt has been retired.

The remaining \$424.4 million has been utilised for capital works. Projects in a number of functional areas are to be funded from the sale including:

- Public Transport – \$310.0 million to partly fund expansion of the urban passenger rail system and to enhance security of public train travel;
- Education – \$40.0 million over the next four years to refurbish and upgrade a significant number of government secondary schools throughout Western Australia;

- Health – enhancements at two of the State’s major hospitals (\$7.0 million), the purchase and replacement of major medical equipment (\$20.0 million), the construction of two purpose-built patient recovery facilities (\$8.0 million) and rural accommodation for doctors and nurses (\$5.0 million);
- Environment - \$20.0 million for additional salinity management programs;
- Telecommunications - \$7.0 million to improve telecommunications services in the State’s South West region;
- National Trust - \$6.9 million for the Golden Pipelines project; and
- Kalgoorlie Miners’ and Prospectors’ Hall of Fame - an additional \$0.5 million.

In addition, provision has been made for future superannuation payment liabilities and certain warranties accepted or which may yet arise as part of the sale.

Table 2.1

**ALINTAGAS: APPLICATION OF SALE PROCEEDS**

	\$m	\$m
<b>GROSS PROCEEDS</b>		<b>971.4</b>
<i>Less:</i> costs of sale	35.9	
stamp duties	45.7	
<b>TOTAL OF COSTS AND STAMP DUTY</b>	<b>81.6</b>	<b>889.8</b>
<i>Retirement of:</i> AlintaGas debt	320.0	
general government debt	121.4	
<b>TOTAL DEBT RETIREMENT</b>	<b>441.4</b>	<b>448.4</b>
<i>Capital Expenditure:</i> public transport	310.0	
education	40.0	
health	40.0	
Environment	20.0	
telecommunications	7.0	
Golden Pipelines project	6.9	
Kalgoorlie Miners’ and Prospectors’ Hall of Fame	0.5	
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>424.4</b>	<b>24.0</b>
<i>Provisions and warranties:</i>	24.0	-

To manage interest rate risk prudently, net proceeds from the sale (that is, after debt retirement) have been temporarily invested in financial assets. These investment funds will be utilised to replace general government sector debt as it arises over the next two years. This approach provides maximum flexibility to meet emerging budget pressures while minimising investment risks.

### Major Financial Impacts

In terms of budget aggregates, the AlintaGas sale, debt retirement and related capital works projects impact on the operating balances, net debt and net worth positions of both general government and total public sectors. The impacts are summarised in the following table.

Table 2.2

#### FINANCIAL IMPACT OF ALINTAGAS SALE AND ASSOCIATED CAPITAL WORKS SPENDING <sup>(a)</sup>

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>GENERAL GOVERNMENT</b>				
Operating Balance	211.2	-6.4	-33.7	-58.0
Net Worth	493.1	473.6	419.1	332.8
Net Debt	-536.0	-376.3	-124.5	-154.2
<b>TOTAL PUBLIC SECTOR</b>				
Operating Balance	56.9	26.7	4.0	-32.1
Net Worth	493.1	473.6	419.1	332.8
Net Debt	-851.0	-691.3	-439.5	-160.8

(a) Positive indicates an increase and negative a decline in operating surplus, net worth or net debt

The large positive operating balance impact for the general government sector in 2000-01 arises from:

- once-off stamp duty from the sale of \$45.7 million;
- once-off tax equivalent regime revenue (TERs) of \$130.4 million generated from operating activity for the period 1 July 2000 through to 17 October 2000 and the profit on the revaluation and sale of the asset; and
- on-going interest savings of around \$22.0 million in 2000-01 (half year impact), increasing to around \$42.0 million per annum thereafter.

The first two of these effects cease after the first year. The outyear impacts reflect:

- foregone future AlintaGas dividend and ordinary TER payments; and
- debt servicing costs for the Perth Urban Rail Development which is supported by borrowings as well as sale proceeds.

## Westrail Freight Division

Gross sale proceeds from the sale of Westrail Freight totalled \$585.0 million. Netting the various selling costs, provisions and stamp duties associated with the sale (\$96.0 million) from gross proceeds leaves net proceeds of \$489.0 million.

Proceeds from the sale were used to retire a large proportion of Westrail debt. At the time of the sale, Westrail's debt totalled \$1,094.7 million. A total of \$462.3 million of this debt has been retired from sale proceeds.

The following table summarises the allocation of the Westrail Freight sale proceeds.

Table 2.3

### WESTRAIL FREIGHT: APPLICATION OF SALE PROCEEDS

	\$m	\$m
<b>GROSS PROCEEDS</b>		<b>585.0</b>
<i>Less:</i> costs of sale	20.0	
employee transition costs	48.0	
stamp duty	28.0	
<b>TOTAL OF COSTS, PROVISIONS AND STAMP DUTY</b>	<b>96.0</b>	<b>489.0</b>
<i>Retirement of:</i> Westrail debt	462.3	
interest premium on early debt retirement	26.7	
<b>TOTAL DEBT RETIREMENT</b>	<b>489.0</b>	<b>-</b>

## Major Financial Impacts

As with the sale of AlintaGas, the sale of Westrail Freight and associated debt retirement has implications for the operating balances, net debt and net worth positions of both general government and total public sectors. These are summarised below.

Table 2.4

### FINANCIAL IMPACT OF WESTRAIL FREIGHT SALE AND DEBT REDUCTION <sup>(a)</sup>

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>GENERAL GOVERNMENT</b>				
Operating Balance	-22.2	-64.5	-58.5	-72.9
Net Worth	-21.5	-73.9	-119.8	-179.6
Net Debt	22.2	86.7	145.2	218.1
<b>TOTAL PUBLIC SECTOR</b>				
Operating Balance	31.6	3.1	9.2	20.8
Net Worth	-21.5	-73.9	-119.8	-179.6
Net Debt	-588.7	-633.5	-626.7	-623.2

(a) Positive indicates an increase and negative a decline in operating surplus, net worth or net debt

The sale of Westrail Freight results in a \$22.2 million decline in the 2000-01 general government operating balance relative to budget estimates. This is due to:

- lower Westrail dividends (totalling \$37.6 million);
- lower TER revenue (\$1.1 million); and
- general government interest subsidies to the remaining Westrail operation on debt outstanding after retirements (beginning at around \$10.0 million in 2000-01 and rising to around \$21.0 million per annum thereafter).

Stamp duty receipts of \$28.0 million offset these impacts to some degree in 2000-01.

The Westrail Freight sale results in a small increase in general government net debt (expected to be in the order of \$22.2 million) for the year ending 30 June 2001. A significant decline in net debt (around \$588.7 million) for the total public sector is expected this year following Westrail's debt retirement and the removal of rail freight capital investment in the forward years.



## APPENDIX 3

### Variations in Appropriations Since Budget

This appendix provides a detailed breakdown of the variations in recurrent and capital appropriations that have occurred since the 2000-01 Budget. It also provides greater detail on variations by agency.

Consolidated Fund appropriations are related to the cash support of centrally funded agencies. These variations may be for both capital investment and operating activities.

Accordingly, readers should note that the variations listed in this appendix do not necessarily relate directly to changes in aggregates discussed in other parts of this document. Rather, they reflect the cash funding from central government for some of the changes described elsewhere in this publication. The following table outlines Consolidated Fund appropriations changes relative to budget by agency. A brief description of these variations follows the table.

**SUMMARY OF VARIATIONS IN APPROPRIATIONS  
SINCE THE 2000-01 BUDGET**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Aboriginal Affairs	0.2	0.2	-	-
Agriculture	7.4	4.1	0.6	-
Agriculture Protection Board	4.9	-	-	-
Chemistry Centre	0.3	-	-	-
Commerce and Trade	8.8	12.1	-	-
Commerce and Trade, and Productivity and Labour Relations	10.8	1.3	3.5	7.0
Conservation and Land Management	-5.8	7.1	10.0	-
Culture and the Arts	2.5	1.0	1.2	1.0
Education	0.2	18.4	47.5	63.1
Education Services	-	1.7	3.2	-
Environmental Protection	1.0	0.1	0.1	0.1
Fair Trading	8.2	2.7	1.4	1.4
Fire and Emergency Services Authority	0.5	-	-	-
Fisheries	-	0.3	0.3	-
Government Projects Office	3.4	3.9	-	-
Health	64.4	49.0	46.0	35.0
Justice	3.0	4.3	3.4	1.4
National Trust	2.3	2.3	2.3	-
Office of Energy	0.2	0.3	0.3	0.3
Office of Inspector of Custodial Services	-	0.2	0.2	0.2
Office of the Director of Public Prosecutions	-	0.3	0.3	0.3
Planning	0.2	0.4	0.4	0.4
Police Service	2.2	0.2	0.2	0.2
Premier and Cabinet	0.5	-	-	-
Resources Development	9.0	6.8	2.3	-
Sport and Recreation	0.7	1.3	1.0	1.1
Sports Centre Trust	2.5	-	-	-
State Revenue	8.7	14.9	15.2	16.0
Training and Employment	3.0	-	-	-
Transport	92.8	156.1	183.2	72.9
Treasury	19.4	38.9	23.8	24.7
Western Australian Tourism Commission	0.8	1.1	-11.5	56.1
<b>TOTAL</b>	<b>252.1</b>	<b>329.0</b>	<b>334.9</b>	<b>281.2</b>
<i>Consisting of:</i>				
Total Recurrent	161.2	172.9	181.7	216.5
Total Capital	90.9	156.1	153.0	64.7

**Aboriginal Affairs**

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Deferred supplementation for 1999-2000	0.2	0.2	-	-
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>

- Deferred payment of additional funds approved in 1999-2000 to develop final agreements governing future land ownership and community development.

## Agriculture

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Assistance for farmers adversely affected by dry seasonal conditions	4.6	4.1	0.6	-
Carnarvon Farm Recovery Scheme	2.5	-	-	-
Dairy Industry Assistance Scheme – Refund Stamp Duty	0.3	-	-	-
<b>Total</b>	<b>7.4</b>	<b>4.1</b>	<b>0.6</b>	-

- Assistance to farmers affected by the dry seasonal conditions incorporates a variety of measures, including:
  - State contribution of \$3.9 million over three years in the form of interest rate subsidies, under the Exceptional Circumstances Program, a predominantly Commonwealth funded program designed to provide relief to farmers who have been severely affected by a series of climatic events resulting in a prolonged financial burden;
  - Livestock Management of \$3.5 million over three years for breeding stock retention and the re-establishment of pastures, consisting of \$0.5 million in transport subsidies, infrastructure grants of \$1.8 million and soil testing subsidies of \$1.2 million; and
  - Farm Business and diagnostic services of \$1.9 million over three years, consisting of \$0.4 million in subsidies for the engagement of consultants to develop farm business plans and \$1.5 million in skill development grants.
- \$2.5 million has been provided to assist the economic recovery of the Carnarvon horticultural precinct, which was severely affected by flooding from Cyclone Steve.
- Certain financial institutions have made loans to dairy producers in advance of payment from the Commonwealth's Dairy Structural Adjustment Scheme. This measure refunds stamp duty on loans provided for this purpose.

## Agriculture Protection Board

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Locust outbreak control	3.5	-	-	-
Assistance to farmers adversely affected by dry seasonal conditions	1.4	-	-	-
<b>Total</b>	<b>4.9</b>	-	-	-

- Provisional contribution of \$3.5 million as part of a program totalling \$8.5 million to implement locust controls measures to minimise crop damage in the South West Land Division.
- Assistance to farmers affected by the dry seasonal conditions comprises:
  - Additional funding of \$1.0 million for the purchase of chemicals to complete the above locust control measures; and
  - Additional funding to meet a shortfall of \$0.4 million in the skeleton weed eradication program, which has arisen from not implementing a scheduled increase in the skeleton weed levy (in view of the dry conditions) from 15c to 20c per tonne.

### Chemistry Centre (WA)

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Establish cost for facility at Midland – Capital	0.3	-	-	-
<b>Total</b>	<b>0.3</b>	-	-	-

- \$0.3 million has been provided in 2000-01 for planning to establish a reliable estimate of the cost of a new Chemistry Centre facility at Midland.

### Commerce and Trade

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Wittenoom clean-up	1.0	1.1	-	-
Wyndham Crocodile Park	0.3	-	-	-
Pemberton sawmill	0.7	5.0	-	-
Wireless South West Project - Capital	3.5	3.5	-	-
Wastewater treatment plant – Capital	3.5	2.5	-	-
Regional tour of “CATS”	-0.2	-	-	-
<b>Total</b>	<b>8.8</b>	<b>12.1</b>	-	-

- \$2.1 million has been provided for the clean-up of three General Purpose Leases near Wittenoom.
- Funding of \$0.3 million has been provided to enable Wyndham Crocodile Park to meet its future water requirements.

- \$5.0 million has been provided in 2001-02 to assist ongoing operations of the Pemberton sawmill and construction of down-stream manufacturing consistent with the Regional Forest Agreement value adding strategy. An additional \$0.7 million has also been provided in 2000-01 to acquire the Pemberton Country Club and consolidate sporting facilities in the town, which will permit development of a business incubator for furniture and fine woodcraft.
- \$7.0 million has been allocated from the AlintaGas sale proceeds to improve telecommunications services in the South West Land Division. Telstra and the Commonwealth will match the State's contribution.
- \$6.0 million has been allocated for the rectification of defects associated with the East Rockingham wool processing precinct's wastewater treatment plant.
- Support for the tour of the Really Useful Productions Pty Ltd's production "CATS" to seven regional centres will be provided through the Ministry of Culture and the Arts and financed by an equivalent reduction in funding to the Department of Commerce and Trade.

## Commerce and Trade, and Productivity and Labour Relations

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Forest Industry Structural Adjustment Program	10.8	1.3	3.5	7.0
<b>Total</b>	<b>10.8</b>	<b>1.3</b>	<b>3.5</b>	<b>7.0</b>

- Additional funding reflects revised timing of expenditure associated with the Program. This is largely due to the bringing forward of \$20.0 million State expenditure for Industry Development Assistance from 2005-06 and beyond, into the current year and forward estimates period. Changes in the timing of the Commonwealth's \$15.0 million contribution to the Forest Industry Structural Adjustment Program have also had additional funding implications.

## Conservation and Land Management

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Adjustment for asset sales	-2.9	-2.9	-	-
Adjustment to reflect increased revenue	-2.9	-	-	-
Salinity Strategy	-	10.0	10.0	-
<b>Total</b>	<b>-5.8</b>	<b>7.1</b>	<b>10.0</b>	<b>-</b>

- Appropriations provided to CALM in 1999-2000 included anticipated proceeds from the sale of CALM controlled assets which were payable to the Consolidated Fund. As these assets have yet to be sold CALM's appropriation and forward estimates have been adjusted accordingly.
- As a result of legislative delays in the commencement of operations by the Forest Products Commission, revenue from commercial forest activities continued to be received by CALM up to 2 November 2000. The reduction in CALM's appropriation of \$2.9 million offsets these revenue increases.
- \$20.0 million has been allocated from AlintaGas sale proceeds for salinity projects, which are to be implemented on a whole-of-government cross-agency basis. These funds will in due course be allocated to participating agencies when details of specific projects are finalised.

## Culture and the Arts

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Implementation of Major Performing Arts Inquiry recommendations	1.8	1.0	1.2	1.0
Operating subsidy for Swan Bells	0.5	-	-	-
Regional tour of "CATS"	0.2	-	-	-
<b>Total</b>	<b>2.5</b>	<b>1.0</b>	<b>1.2</b>	<b>1.0</b>

- Additional funding has been provided to implement the recommendations of the *Major Performing Arts Inquiry*. The Inquiry recommended funding be provided to restructure the major performing arts companies (Western Australian Symphony Orchestra, Western Australian Ballet Company, Western Australian Opera Company and the Black Swan Theatre Company) and to put in place marketing plans to increase revenue from sponsorship and box office.
- \$0.5 million will be provided to meet the operational costs of Swan Bells until the establishment of the Swan Bells Foundation.

- \$0.2 million has been approved to support the tour of the Really Useful Productions Pty Ltd's production "CATS" to seven regional centres. This variation is offset by an equivalent reduction in funding to the Department of Commerce and Trade.

## Education

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Government Teachers Enterprise Bargaining Agreement	-	4.2	35.2	54.6
Education capital works - Capital	-	14.2	12.3	8.5
Revenue from land sale	0.2	-	-	-
<b>Total</b>	<b>0.2</b>	<b>18.4</b>	<b>47.5</b>	<b>63.1</b>

- The proposed government teachers' enterprise bargaining and workplace agreements have been ratified by the Australian Education Union members. The pay increases incorporated into the agreements are 4% from 1 December 2000, 3% from 1 August 2001, 4% from 1 August 2002 and a minimum of 2.5% from 31 July 2003.
- An additional \$40.0 million contribution has been provided to the Education Department from the sale of AlintaGas towards its capital works program over the forward estimates (\$35.0 million to 2003-04). The additional funds will provide thirty-two high schools throughout Western Australia with building upgrades, generally for those built prior to 1980, to assist in adapting facilities to meet current educational needs.
- Revenue from land sales was received into the Consolidated Fund in June 2000, but the reimbursement to the Department will proceed in 2000-01.

## Education Services

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Claremont Education Precinct	-	0.7	3.2	-
Claremont Education Precinct (Capital)	-	1.0	-	-
<b>Total</b>	<b>-</b>	<b>1.7</b>	<b>3.2</b>	<b>-</b>

- The Department of Education Services and the Curriculum Council are to commence arrangements for re-location to the Claremont Education Precinct (currently an Edith Cowan University campus). Funds are provided for refurbishment costs, borrowing expenses and maintenance costs associated with the Precinct.

## Environmental Protection

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Adjustments to salary increments	0.1	0.1	0.1	0.1
Deferred supplementation from 1999-2000	0.9	-	-	-
<b>Total</b>	<b>1.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

- Salary adjustments as a result of Salary and Allowances Tribunal determinations.
- Due to significant cash balances held at 30 June 2000, the payment of supplementary funds approved for 1999-2000 was deferred to 2000-01.

## Fair Trading

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Additional funding for finance broker investigations	2.1	0.2	-	-
Finance for Supervisors and Liquidators of Global Finance and Grubb Finance	2.7	-	-	-
Implementation of Gunning Committee recommendations	1.5	1.1	-	-
Establishment of a Petroleum Pricing Unit	1.9	1.4	1.4	1.4
<b>Total</b>	<b>8.2</b>	<b>2.7</b>	<b>1.4</b>	<b>1.4</b>

- \$2.1 million was provided to extend the operations of the Gunning Inquiry to December 2000 and meet the cost of the Finance and Valuation Industries Task Force.
- An additional \$2.7 million was provided to meet the costs for the continuing appointment of the Supervisors to Global Finance and Grubb Finance and fund specific activities of the respective Liquidators related to recovery action for the period November 2000 to June 2001.
- \$1.5 million has been allocated to implement the Gunning Committee's recommendations relating to the operation of the Finance Brokers Supervisory Board.
- To meet the requirements of the *Petroleum Prices Amendment Bill 2000*, funding has been provided to establish and administer a transparent fuel monitoring system.



## Fire and Emergency Services Authority

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Recovery costs from Cyclone Rosita	0.5	-	-	-
<b>Total</b>	<b>0.5</b>	-	-	-

- Funding for the Shire of Broome to meet clean-up costs, mulching green waste and the restoration and repair of Cable Beach Reserve resulting from Cyclone Rosita.

## Fisheries

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Management of emergency incursions of introduced marine pests	-	0.3	0.3	-
<b>Total</b>	-	<b>0.3</b>	<b>0.3</b>	-

- Funding for an interim cost sharing arrangement for responding to declared national emergencies of incursions of introduced marine pests. The National Introduced Marine Pests Consultative Group is responsible over the next two years for addressing long-term reforms and overseeing the development of a National Strategy.

## Government Projects Office

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Reappropriation of proceeds from the sale of surplus Crown land in the City of Melville.	3.4	3.9	-	-
<b>Total</b>	<b>3.4</b>	<b>3.9</b>	-	-

- Reimbursement to the City of Melville for costs incurred in the Heathcote Redevelopment Project. These reimbursements will be offset by proceeds from the sale of surplus Crown land within the locality of the City of Melville. In addition, Landcorp will also be reimbursed for costs incurred during the sale process.

## Health

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Funding to maintain service delivery targets	33.8	32.0	32.0	32.0
Outpatient Arrangements Reforms	15.0	-	-	-
Royal Flying Doctor Service - Aircraft Replacement	0.6	-	-	-
Medical Health Research Infrastructure Fund	-	3.0	3.0	3.0
Medical Equipment Acquisition and Replacement – Capital	15.0	14.0	11.0	-
<b>Total</b>	<b>64.4</b>	<b>49.0</b>	<b>46.0</b>	<b>35.0</b>

- \$33.8 million has been provided to the Health Department for the Metropolitan Health Service in 2000-01 and \$32.0 million in the out-years, to maintain service delivery targets in the context of unavoidable growth in demand and costs.
- \$15.0 million has been provided to the Metropolitan Health Service due to unforeseen delays in the development and implementation of longer-term strategies to manage outpatient services in public hospitals.
- \$0.6 million will be provided to the Royal Flying Doctor Service for its aircraft replacement program due to the depreciation in the Australian dollar since the Budget.
- \$9.0 million over three years has been provided to expand the State's investment in medical and health research infrastructure.
- Capital works funding of \$40.0 million over three years has been allocated from the AlintaGas sale proceeds for the replacement and acquisition of new health and medical equipment.

## Justice

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Additional District Court Judge	-	1.0	1.1	1.1
Establishment of Mortgage Information Service in the Public Trustee's Office	1.0	-	-	-
May Holman Centre Rental Subsidy	-	0.3	0.3	0.3
Funding to process Native Title Claims	2.0	3.0	2.0	-
<b>Total</b>	<b>3.0</b>	<b>4.3</b>	<b>3.4</b>	<b>1.4</b>

- \$1.0 million has been provided in the out-years for the appointment of an additional judge to the District Court.

- \$1.0 million has been allocated for the establishment of a Mortgage Information Service to provide practical assistance and support to investors involved in mortgage investments arranged through a finance broker.
- Provision of additional subsidy (\$0.3 million) to fund lease differential for the May Holman Centre in the out-years.
- Provision of funds to the Crown Solicitor's Office for meeting the costs associated with native title matters, including the cost of preparing work undertaken by other agencies.

## National Trust

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Golden Pipelines Project - Capital	2.3	2.3	2.3	-
<b>Total</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>-</b>

- \$6.9 million has been provided over three years for the Golden Pipelines Project from the AlintaGas sale proceeds.

## Office of Energy

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Aboriginal community power supply arrangement	0.2	0.3	0.3	0.3
<b>Total</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

- Establishment of an Aboriginal Community Power Procurement Steering Committee to conduct a pilot project to procure and implement by mid 2002 electricity supply for each of three large remote Aboriginal communities. Subject to the satisfactory completion of the pilot project, ongoing funding has been provided in the out-years to complete the procurement process.

## Office of Inspector of Custodial Services

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Additional staffing	-	0.2	0.2	0.2
<b>Total</b>	<b>-</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

- Funding to allow increase in total staff from six to ten, consistent with meeting core business obligations under the *Prisons Act*.

## Office of Director of Public Prosecutions

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Additional District Court judge	-	0.3	0.3	0.3
<b>Total</b>	<b>-</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

- Funding to meet the cost of additional prosecutions which will result from having an additional judge on the District Court.

## Planning

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Perth's Bushplan – extension of existing funding arrangements	-	0.4	0.4	0.4
Funding for increased accommodation costs	0.2	-	-	-
<b>Total</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

- Extension of existing funding arrangements of \$0.4 million per annum from July 2001 to ensure adequate servicing, on-ground management support and implementation of Perth's Bushplan 2000 and full implementation of the Government's Urban Bushland Strategy.
- \$0.2 million has been provided for increased accommodation costs due to increases in rental rates at Albert Facey House associated with revised land valuations.

## Police Service

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Funding for higher fuel costs and Operation Isolate	2.0	-	-	-
Funding for Crosswalk attendants	0.2	0.2	0.2	0.2
<b>Total</b>	<b>2.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

- Funding of up to \$2.0 million has been provided to meet the cost impact of higher fuel costs and unbudgeted costs associated with Operation Isolate which dealt with a motor cycle gang visit to Western Australia.
- Additional funding has been provided to assist the Police Service to meet the cost of crosswalk attendants.

## Premier and Cabinet

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Kalgoorlie Miners' and Prospectors' Hall of Fame	0.5	-	-	-
<b>Total</b>	<b>0.5</b>	-	-	-

- In 1998 the Government approved \$2.5 million for the Kalgoorlie Miners' and Prospectors' Hall of Fame. A further \$0.5 million has been provided from the AlintaGas sale proceeds.

## Resources Development

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Provision of natural gas to Albany	6.0	3.0	1.0	-
Kalgoorlie-Boulder Eastern Bypass road	-	1.8	-	-
Oakajee – Narngulu rail corridor	2.3	-	-	-
Leonora – Oakajee infrastructure corridor	0.7	2.0	1.3	-
<b>Total</b>	<b>9.0</b>	<b>6.8</b>	<b>2.3</b>	-

- \$5.0 million has been allocated to determine an alignment for a multi-user gas pipeline corridor between Bunbury and Albany, and to establish the first section of this corridor to Manjimup. A further \$5.0 million has been provided as the State's contribution to the development of a pipeline from Bunbury to Greenbushes.
- Funding of \$1.8 million in 2001-02 has been provided to assist with the relocation of the Kalgoorlie to Boulder Eastern Bypass road, to enable Kalgoorlie Consolidated Gold Mines Pty Ltd to access additional gold reserves.
- \$2.3 million has been provided to purchase land for the Oakajee to Narngulu rail corridor, in anticipation of the commencement of the Kingstream steel project.
- \$2.3 million has been allocated to purchase land for the Leonora to Oakajee infrastructure corridor, to improve the provision of essential services to the North Eastern Goldfields region.

## Sport and Recreation

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Perth Hockey Stadium Upgrade – subsidy	0.3	0.3	0.3	0.3
Surf Life Saving	0.3	0.3	0.3	0.4
Sport and recreational services to regional WA	0.1	0.7	0.4	0.4
<b>Total</b>	<b>0.7</b>	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>

- Funding has been provided for an upgrade program for the Perth Hockey Stadium in preparation for the 2002 Women's Hockey World Cup.
- Ongoing support to Surf Life Saving Western Australia to provide and maintain surveillance and rescue service on Western Australian beaches.
- Ongoing funding provided to the Ministry of Sport and Recreation, arising from a strategic review of the Ministry, to implement structural and operational reforms in order to enhance the delivery of sport and recreational services to regional Western Australia.

## Sports Centre Trust

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
International Motor Sport Facility - Capital	2.5	-	-	-
<b>Total</b>	<b>2.5</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Additional funding provided to meet cost over-runs including contractors and consultants claims resulting from delays and changes caused by the environmental clearance process. Also, a number of items additional to the original contract were identified during the construction process.

## State Revenue

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Reinstatement of On-Road Fuel Subsidy Scheme	7.6	9.2	9.7	10.3
Assessment and Collection Initiatives	1.1	1.2	1.0	1.0
Social Concessions – Local Government Rates rebate	-	4.5	4.5	4.7
<b>Total</b>	<b>8.7</b>	<b>14.9</b>	<b>15.2</b>	<b>16.0</b>

- The Government announced on 4 July 2000 the reinstatement of the 6.8c per litre subsidy for on-road diesel.

- Additional funding provided to implement a number of assessment and collection initiatives to strengthen compliance work in the payroll tax and stamp duty areas and to implement a conveyance duty tax regime. Strengthening of these areas is expected to generate additional revenue.
- Extension of the Local Government rates rebates to self-funded seniors.

## Training and Employment

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Cadets	0.5	-	-	-
Additional enrolments	2.5	-	-	-
<b>Total</b>	<b>3.0</b>	-	-	-

- Funding to support the operation of Leadership Western Australia with regard to the expansion of the Cadets WA program.
- Funding of up to \$2.5 million in 2000-01 to allow Training and Employment to ensure that it can cater for the expected growth in student numbers (an estimated 5,565 places). The increase in funding is to address projected cost and demand pressures resulting from an on-going upsurge in training activity over recent years.

## Transport

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Funding to maintain 2000-01 service delivery targets	26.1	27.4	28.4	29.6
Incentives for conversion of vehicles to LPG	2.4	0.8	-	-
Social Concessions – motor vehicle and drivers licence fees	-	2.1	2.2	2.3
Perth Urban Rail Development Project: Recurrent	-	-	5.9	32.4
Capital	56.0	107.6	136.4	-
Safer Transport (Rail) Security Initiatives: Recurrent	4.3	10.7	4.2	4.2
Capital	1.2	7.1	6.1	4.4
Mandurah Bus Transfer Station – Capital	2.8	0.4	-	-
<b>Total</b>	<b>92.8</b>	<b>156.1</b>	<b>183.2</b>	<b>72.9</b>

- The additional funding of \$26.1 million increasing to \$29.6 million by 2003-04 provides for the growth in transport services.
- Establishment of an incentive scheme for purchase of LPG or dual-fuel (LPG/petrol) vehicles or conversion of existing vehicles for family use, of \$500 per vehicle.

- Extension of the 50% motor vehicle licence fee concession and 100% drivers licence fee concession to Commonwealth Senior Health Card Holders from 1 July 2001.
- \$300.0 million from AlintaGas sale proceeds will be applied towards funding works associated with the Perth Urban Rail Development Project, which provides for the extension of the railway service to Mandurah and the northern railway line to Clarkson. Recurrent funding has also been allocated over the forward estimates period to meet operational costs of the new services.
- Capital expenditure of \$20.8 million over four years has been provided to improve urban passenger train security. The first two years of the initiative will in part be funded from AlintaGas sale proceeds.
- \$3.2 million has been approved for construction of the Mandurah Bus Transfer Station and associated Park and Ride facility.

## Treasury

	2000-01	2001-02	2002-03	2003-04
	\$m	\$m	\$m	\$m
Thompsons Lake Regional Centre Study	0.5	-	-	-
Westrail	14.6	29.1	21.1	21.8
Exmouth Resort/Residential Project – Capital	-	6.0	-	-
Equity Injection to Fremantle Port Authority - Capital	3.8	-	-	-
CSO payment to statutory port authorities	0.5	-	-	-
Social Concessions – Water rates and air conditioning subsidy	-	3.8	2.7	2.9
<b>Total</b>	<b>19.4</b>	<b>38.9</b>	<b>23.8</b>	<b>24.7</b>

- \$0.5 million to Landcorp has been approved for a Study for Thompsons Lake Regional Centre, Jandakot.
- Funding has been provided to Westrail for residual debt servicing, network and corridor management and surplus staff following the sale of the Freight Division.
- Additional funding to Landcorp of \$6.0 million in 2001-02 has been approved for the Exmouth Resort/Residential Project as a result of more stringent engineering specifications following Cyclone Vance. The scope of the Project has also been expanded to provide marine facilities to secure the relocation of Kailis's operations to Exmouth.



- A \$3.8 million equity injection payment has been approved to the Fremantle Port Authority to provide agreed infrastructure works for the Fremantle Waterfront project.
- A \$0.5 million community service obligation (CSO) payment has been approved to the statutory port authorities in respect of unrecovered land tax revenue from port tenants.
- Extending rebates on water rates and the provision of air conditioning subsidies in specified zones to self-funded seniors.

## Western Australian Tourism Commission

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Convention and Exhibition Centre	-	-2.5	-15.1	51.8
Reduced funding for Heineken Classic	-	-0.4	-0.4	-0.4
Perth International Golf Tournament	-	2.5	2.5	2.5
Rally Australia	0.8	1.5	1.5	2.2
<b>Total</b>	<b>0.8</b>	<b>1.1</b>	<b>-11.5</b>	<b>56.1</b>

- Additional funding for the Convention and Exhibition Centre meets the required cash flow for the loan of funds to the developer in accordance with contracts finalised since the 2000-01 Budget. The nominal cash flow represents a present value of \$110.0 million at July 2000 and includes the loan to the developer for the proposed Multipurpose Sports Stadium.
- Funds not required for Heineken Classic as it will cease to be held in Perth from 2002 onwards.
- A strategy to replace the Heineken Classic and develop a replacement tournament, the Perth International Golf Tournament.
- Further funding for Rally Australia, Western Australia's largest event, in order to secure the event in the face of increasing competition.

# 1999-2000 Final Outcome

The *Government Financial Results Report (GFRR)* for 1999-2000 was released 29 September 2000. The data presented in that report was based on a full census of all agencies' financial statements.

As stated in the GFRR, that data was prior to scrutiny by the Auditor General. As a result of the audit review, variations to the government financial statistics results published in the GFRR have become apparent. The following table provides a brief reconciliation of the net operating balance, by sector, as published in the GFRR to the results included in 1999-2000 comparative data in the mid-year review.

Table 4.1

## RECONCILIATION OF RESULTS REPORT TO FINAL OUTCOMES Net Operating Result

	General Government \$m	PNFCs \$m	PFCs \$m	Total Public Sector \$m
<i>1999-2000 GOVERNMENT FINANCIAL RESULTS REPORT</i>	-9.8	232.4	78.6	302.9
Variances:				
revenue from public corporations	-18.4	-	-	-18.4
depreciation of Education fixed assets	-2.0	-	-	-2.0
goods and services revenue (Homeswest, WALA)	-	6.1	-	6.1
investment income	-	-	9.1	9.1
<b>POST-AUDIT OUTTURN</b>	<b>-30.2</b>	<b>238.6</b>	<b>87.7</b>	<b>296.9</b>

Note: Columns may not add due to rounding.

Balance sheet variations for 30 June 2000 since the GFRR and included in this publication are largely a result of a change in land valuation methodology. This valuation change has been reflected in the forward estimates of the mid-year review. Further details of variations from the GFRR may be obtained from Treasury upon request.