

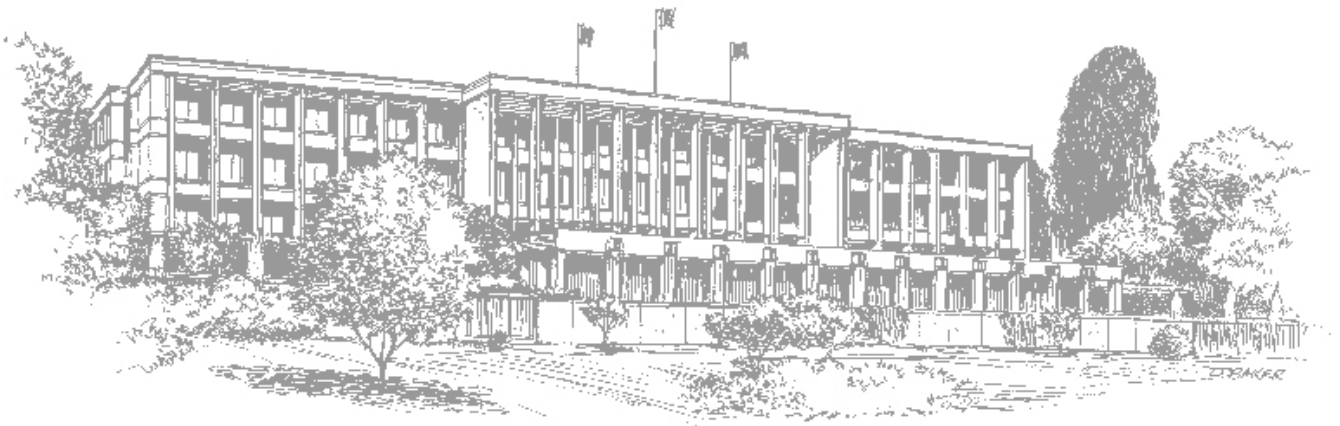


Department of Treasury and Finance  
Government of Western Australia

**2008-09**

**PRE-ELECTION FINANCIAL  
PROJECTIONS STATEMENT**

**AUGUST 2008**



2008–09 Pre-election Financial Projections Statement

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# Foreword

Writs for an election were issued by the Governor on 7 August 2008.

The *Government Financial Responsibility Act 2000* (GFRA) requires the Under Treasurer to release a *Pre-election Financial Projections Statement* (PFPS) within 10 days of the dissolution of the Legislative Assembly, that is, by no later than 17 August 2008.

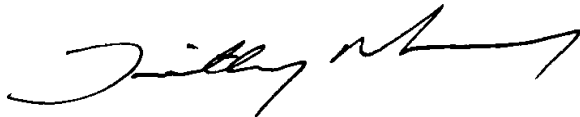
Section 15 of the GFRA requires that the PFPS:

- includes financial projections for the budget year and three forward estimate years (in this case, the period 2008-09 to 2011-12);
- takes account of the economic and other assumptions which have a bearing on public sector finances;
- explains the implications of the financial projections for meeting the Government's financial targets;
- outlines any risks that could materially affect the financial projections; and
- reflects all decisions taken by the Government before the Legislative Assembly was dissolved, and any other information available to the Under Treasurer within three days of the dissolution.

For comparative purposes, this PFPS includes revised estimated outturn information for 2007-08. Final outcomes for 2007-08 are not yet available. Accordingly, the revised estimated outturn in this publication is based on the estimates presented in the 2008-09 Budget, adjusted for decisions and other known events that occurred between the 2008-09 Budget cut-off date (7 April 2008) and 30 June 2008. Final audited results for 2007-08 will be available in the 2007-08 *Annual Report on State Finances*, to be released by 28 September 2008.

Pre-election Financial Projections Statement

This PFPS was prepared under my instruction, and is based upon Government decisions I was aware of, or that were communicated to me by the Government, by the cut-off date of 10 August 2008. The projections contained in this report comply with applicable Australian Accounting Standards and Government Finance Statistics principles, and are based on the economic assumptions outlined in Chapter 3: *The Western Australian Economy*. These assumptions were finalised on 10 August 2008.

A handwritten signature in black ink, appearing to read 'Timothy Marney', with a stylized flourish at the end.

Timothy Marney  
UNDER TREASURER

16 August 2008

# Financial Projections

## Overview

The outlook for the State's finances has strengthened since the budget projections were finalised on 7 April 2008, despite the realisation of a number of risks highlighted at the time of the 2008-09 Budget (most notably, a significant weakening in property market conditions). This stronger outlook mainly reflects:

- the outcome of iron ore price negotiations for the 2008-09 Japanese fiscal year being significantly higher than expectations;
- movements in international oil and liquefied natural gas (LNG) prices;
- agreement by the State's major iron ore producers to remove the concessional rate of royalty for new projects/production covered by State Agreement Acts; and
- a decision taken by the Government prior to the dissolution of the Legislative Assembly on 7 August 2008 to impose a one-off efficiency dividend of 3% on appropriation-supported agencies with effect from 1 January 2009.

These factors have been partly offset by downward revisions over the next four years to transfer duty revenue (\$600 million) and GST revenue grants from the Commonwealth (\$400 million).

Relative to the budget projections, stronger general government operating surpluses are in prospect, with surpluses between \$995 million and \$2,163 million forecast across the forward estimates period. In total, since budget-time, \$2,026 million has been added to the surpluses over the next four years.

This has directly reduced the projected increase in the State's borrowing over this period. Total public sector net debt has been revised down from a budget-time projection of \$11.4 billion by the end of the forward estimates period, to \$9.1 billion. At the same time, the net debt to revenue ratio has been revised down from a budget forecast of 43.9% in 2011-12, to 35.4%.

The Capital Works Program is projected to be \$26.7 billion over the four years from 2008-09 to 2011-12, up \$543 million on the \$26.1 billion estimate at the time of the budget.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2007-08 PFPS Revision	2008-09 Budget Estimate	2008-09 PFPS Revision	2009-10 PFPS Revision	2010-11 PFPS Revision	2011-12 PFPS Revision
<b>GENERAL GOVERNMENT</b>						
Net Operating Balance (\$m)	2,310	1,855	1,930	2,163	1,738	995
Revenue (\$m)	19,035	19,872	19,903	20,860	21,162	21,349
Revenue Growth (%)	8.3	5.5	4.6	4.8	1.4	0.9
Expenses (\$m)	16,725	18,017	17,972	18,697	19,424	20,355
Expense Growth (%)	9.2	7.7	7.5	4.0	3.9	4.8
Net Lending (\$m)	1,130	125	188	906	690	-551
<b>TOTAL NON-FINANCIAL PUBLIC SECTOR</b>						
Net Debt to Revenue Ratio (%)	20.7	34.8	30.6	32.5	32.3	35.4
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	3,931	7,911	6,826	7,761	7,936	9,091
Capital Works Program (\$m)	5,928	7,643	7,867	6,812	5,872	6,133

The major factors affecting the State's finances since the 2008-09 Budget are discussed in more detail below. The financial projections contained in this PFPS are examined in the context of the current whole-of-government financial targets<sup>1</sup> in Chapter 2: *Fiscal Strategy*.

## General Government Sector

### Operating Statement

A general government sector operating surplus of \$1,930 million is forecast for 2008-09, up \$75 million on the 2008-09 Budget projection. This is the result of a:

- \$31 million increase in revenue, with higher commodity prices (particularly iron ore and oil) offsetting lower transfer duty revenue and the impact of a higher average \$A/\$US exchange rate; and
- \$45 million decrease in expenses, with the part-year impact of a 3% efficiency dividend offsetting higher Enterprise Bargaining Agreement (EBA) offers to teachers and public servants, and other post-budget decisions.

<sup>1</sup> The whole-of-government financial targets in this PFPS are those presented to Parliament on 8 May 2008 as part of the 2008-09 Budget.



Across the outyears, the general government operating surplus has been revised up by between \$494 million and \$791 million per year. The above-mentioned efficiency dividend reduces full-year expenses by between \$400 million and \$440 million per annum, while the move to higher royalty rates applying to new iron ore production that is subject to State Agreement Acts adds a total \$539 million to revenue over the forward estimates.

At the same time, taxation revenue has been revised down by almost \$600 million over the forward estimates period, while GST revenue grants from the Commonwealth are also lower (by \$400 million).

Table 2

**GENERAL GOVERNMENT**  
Operating Statement

	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
<b>2008-09 PFPS</b>					
Revenue	19,035	19,903	20,860	21,162	21,349
Expenses	16,725	17,972	18,697	19,424	20,355
<b>Net Operating Balance</b>	<b>2,310</b>	<b>1,930</b>	<b>2,163</b>	<b>1,738</b>	<b>995</b>
<b>2008-09 BUDGET</b>					
Revenue	18,829	19,872	20,600	20,687	20,694
Expenses	16,736	18,017	18,930	19,614	20,491
<b>Net Operating Balance</b>	<b>2,093</b>	<b>1,855</b>	<b>1,670</b>	<b>1,073</b>	<b>203</b>
<b>VARIANCE</b>					
Revenue	206	31	261	475	655
Expenses	-11	-45	-233	-190	-136
<b>Net Operating Balance</b>	<b>217</b>	<b>75</b>	<b>494</b>	<b>665</b>	<b>791</b>

Note: Columns may not add due to rounding

The major changes impacting the general government operating surplus since the 2008-09 Budget, including the distinction between policy decisions and parameter<sup>2</sup> changes, are shown in the following table. Further information on post-budget policy decisions is contained in Appendix 3: *Post-Budget Policy Decisions Affecting Spending*.

<sup>2</sup> Parameter changes include movements due to issues not subject to policy decisions, such as higher Commonwealth grants, cost escalation, and movements in interest and depreciation costs.

Table 3

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2008-09 BUDGET**

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
<b>2008-09 Budget – Net Operating Balance</b>	<b>2,093</b>	<b>1,855</b>	<b>1,670</b>	<b>1,073</b>	<b>203</b>	
<b>Revenue</b>						
<i>Policy Decisions</i>						
Busselton Jetty - Asset Transfer from Local Government	-	1.3	-	-	-	1.3
Standardisation of Loan Guarantee Fees for Public Corporations	-	3.2	3.7	4.1	4.7	15.7
State Agreement Acts – iron ore royalties	-	-	36.0	122.0	381.0	539.0
<i>Total Policy</i>	-	4.5	39.7	126.1	385.7	556.0
<i>Parameter</i>						
<i>Taxation</i>						
- Transfer Duty	-28.7	-279.0	-110.0	-93.0	-134.0	-644.7
- Insurance Duty	-10.5	-20.0	-22.0	-22.0	-20.0	-94.5
- Vehicle Licence Duty	-2.8	30.0	27.0	24.0	23.0	101.2
- Payroll Tax	-22.9	-17.0	8.0	17.0	37.0	22.1
- All other taxes	-11.7	-2.8	14.8	8.8	7.4	16.6
<i>Sub Total</i>	-76.7	-288.8	-82.2	-65.2	-86.6	-599.4
<i>Commonwealth grants</i>						
- North West Shelf (NWS) petroleum royalties	15.5	258.8	264.2	254.1	239.6	1,032.2
- GST revenue grants	-56.0	-39.0	15.6	-101.4	-219.7	-400.5
- Compensation for condensate excise	71.1	8.9	-	-	-	80.0
- SPPs 'through' the State	65.6	2.2	3.6	5.3	7.0	83.7
- SPPs 'to' the State	174.7	9.9	-111.1	0.1	-0.1	73.5
<i>Sub Total</i>	270.9	238.6	172.3	158.1	26.8	866.7
<i>Mining royalties</i>						
- Iron Ore Royalties	5.8	159.8	175.1	168.6	127.9	637.2
- Nickel Royalties	-13.1	-77.8	-63.7	-25.9	6.8	-173.7
- Petroleum (excluding NWS)	-3.7	12.2	21.7	19.3	17.7	67.2
- All other royalties	-22.5	-25.1	-21.7	15.1	22.7	-31.5
<i>Sub Total</i>	-33.5	69.1	111.4	177.1	175.1	499.2
Interest Income	45.2	-13.9	19.6	79.2	154.6	284.7
Other	-	21.2	-0.2	-0.3	-0.3	20.4
<i>Total Parameter</i>	206.0	26.1	220.9	348.9	269.6	1,071.5
<b>TOTAL REVENUE</b>	<b>206.0</b>	<b>30.6</b>	<b>260.6</b>	<b>475.0</b>	<b>655.3</b>	<b>1,627.5</b>
<b>Expenses</b>						
<i>Policy Decisions</i> <sup>(a)</sup>	2.1	-147.7	-376.5	-402.6	-422.0	-1,346.6
<i>Parameter</i>						
Updated EBA Offers	-39.3	32.7	52.3	95.1	93.0	233.7
Oil Price impacts	-	44.3	49.7	51.7	53.2	198.8
Other	25.8	26.0	41.3	65.7	139.8	298.7
<i>Total Parameter</i>	-13.5	103.0	143.2	212.5	286.0	731.2
<b>TOTAL EXPENSES</b>	<b>-11.4</b>	<b>-44.7</b>	<b>-233.2</b>	<b>-190.1</b>	<b>-136.0</b>	<b>-615.4</b>
<b>TOTAL VARIANCE</b>	<b>217.4</b>	<b>75.3</b>	<b>493.8</b>	<b>665.1</b>	<b>791.3</b>	<b>2,242.9</b>
<b>2008-09 PFPS - Net Operating Balance</b>	<b>2,310</b>	<b>1,930</b>	<b>2,163</b>	<b>1,738</b>	<b>995</b>	

(a) An agency breakdown is provided in Appendix 3.

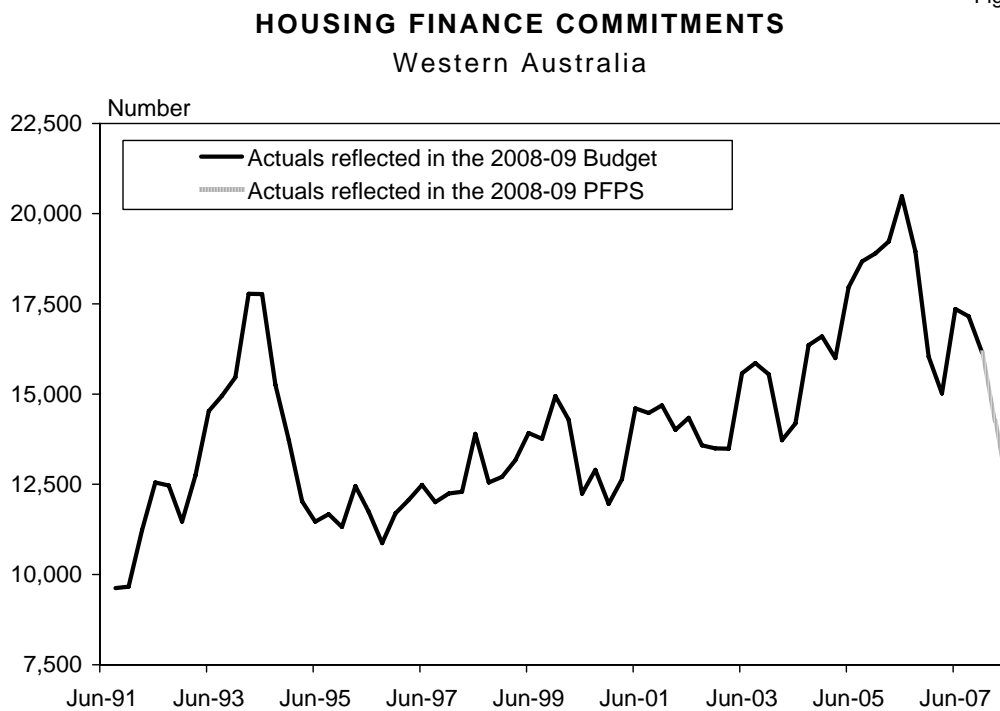
Note: Columns may not add due to rounding.

## Revenue

General government revenue in 2008-09 has been revised up by \$31 million to \$19,903 million. This represents growth of 4.6% on the estimated outturn for 2007-08. This revision is due largely to:

- a \$328 million increase in mining revenue (including North West Shelf petroleum royalties), mainly reflecting:
  - the finalisation of iron ore price negotiations for the 2008-09 Japanese fiscal year (effective from 1 April 2008), with an average increase of 85% across lump and fine ore products, up from a 67% assumption in the 2008-09 Budget (adding \$221 million to the estimates in 2008-09);
  - higher than expected international oil prices, with oil expected to trade at an average \$US134.3 per barrel in 2008-09, compared to the budget-time forecast of \$US95.9 per barrel. Higher oil prices are impacting the forecasts for both crude oil and LNG royalty collections, with higher LNG contract prices negotiated between producers and customers in recent months. Higher oil and LNG prices add \$305 million to the 2008-09 revenue forecast;
  - a US3.0 cent appreciation in the \$A/\$US exchange rate, with the six week average exchange rate up from US92.5 cents at budget-time to US95.5 cents at the PFPS cut-off date (reducing revenue by \$106 million in 2008-09); and
  - lower nickel prices, reflecting softer conditions for base metals in global markets (reducing projected royalty collections by \$71 million); and
- lower taxation revenue (down \$289 million), due mainly to a \$279 million downward revision to transfer duty revenue. Since the 2008-09 Budget revenue estimates were finalised on 7 April 2008, activity in the residential property market has declined sharply (see Figure 1 below). While this decline in the volume of transactions is the major factor impacting transfer duty collections, the median house price has also weakened. Both prices and the volume of transactions are expected to return to trend growth beyond 2008-09.

Figure 1



Across the outyears, revenue has been revised up by between \$261 million and \$655 million per year. This includes a \$539 million aggregate impact (mostly in 2010-11 and 2011-12) following agreement with the major iron ore producers to remove the concession on royalties payable on new projects/production subject to State Agreement Acts. This will see the royalty rate for fine iron ore increasing from 3.75% to 5.625% on new projects and/or production that exceeds specified caps.

Other factors driving the upward revisions to revenue across the outyears include:

- the flow-through of higher iron ore prices negotiated for 2008-09 (assumptions of flat prices in 2009-10 and 2010-11 before a 25% reduction in 2011-12 remain unchanged since budget-time, although these assumptions are now off a higher base price in 2008-09);
- expectations of higher oil prices across the forward estimates period (based on futures market expectations, the oil price has been revised up by around \$US40 per barrel in the outyears relative to budget-time); and
- higher interest revenue as a result of the stronger forecast operating surpluses.

Partially offsetting these revenue gains are:

- the impact on royalty revenue of a higher average \$A/\$US exchange rate (revised up from US92.5 cents at budget-time to US95.5 cents, based on the six week average exchange rate at the PFPS cut-off date). The period since the cut-off date has been a volatile one for the exchange rate, which at the time of going to print sits at around US87 cents. The sensitivity of the State's revenue to the exchange rate is currently around a \$38 million loss (gain) for every 1 cent increase (decrease) over a full year; and
- a further projected decline in Western Australia's share of national GST revenue, due to the stronger own-source revenue outlook (particularly for iron ore and petroleum royalties). The State's share of GST revenue is projected to decline to just 5.7% by the end of the forward estimates period (compared to 6.2% at budget-time).

### **Expenses**

General government expenses are projected to be \$17,972 million in 2008-09, down \$45 million on the budget estimate. This largely reflects the net impact of:

- higher EBA offers to teachers and general public servants as part of ongoing wage negotiations, and a new offer to dental support staff (\$33 million);
- higher oil prices on contract costs for Main Roads and the cost of operating the Public Transport Authority's bus fleet (\$44 million);
- a range of post-budget decisions which have increased expenses in 2008-09 by \$43 million (these are detailed in Appendix 3: *Post-Budget Policy Decisions Affecting Spending*); and
- application of a one-off efficiency dividend of 3% with effect from 1 January 2009, which is estimated to reduce expenses in 2008-09 by \$191 million.

The efficiency dividend is to be applied to appropriation-funded agencies and to all categories of expense other than grants and (non-cash) depreciation costs. Across the forward estimates period, this measure is expected to reduce expenses by a total of \$1,449 million. Consistent with the Government's decision prior to 7 August 2008, the dividend is reflected as an adjustment to the overall expense aggregates of the State in these PFPS estimates, and would normally be allocated to individual agencies as part of the 2008-09 mid-year review process.

Similar factors to those outlined above are reflected in the outyears, with the efficiency dividend projected to more than offset all other post-budget increases in spending.

Abstracting from the impact of the efficiency dividend, salaries (which represent the single largest cost for the general government sector) are expected to grow at an average 6.5% per annum across the outyears, reflecting both wage growth and higher staffing levels in key services.

The following table summarises the impact of new and revised EBA offers added to the projections since budget-time. The enhanced offers to teachers and public servants include an initial reduction to funding due to revised dates for wage increases, with the enhanced offers assumed to take effect from early 2008-09. A residual amount of \$1 million remaining against 2007-08 for the offer for the teachers' EBA reflects adjustments for graduate teachers.

Table 4

**POST-BUDGET EBA OFFERS**

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	Total \$m
<b>2008-09 BUDGET</b>						
Offers to:						
- Teachers	29	92	134	173	211	<b>639</b>
- General public servants	11	52	76	90	93	<b>323</b>
Dental workers	-	-	-	-	-	-
<b>TOTAL OF ABOVE</b>	<b>41</b>	<b>144</b>	<b>210</b>	<b>264</b>	<b>304</b>	<b>962</b>
<b>2008-09 PFPS</b>						
Enhanced offers to:						
- Teachers	-28	-6	27	63	60	<b>116</b>
- General public servants	-11	33	22	29	30	<b>103</b>
Dental workers	-	5	3	3	3	<b>15</b>
<b>TOTAL OF ABOVE</b>	<b>-39</b>	<b>33</b>	<b>52</b>	<b>95</b>	<b>93</b>	<b>234</b>
<b>REVISED/NEW OFFERS</b>						
- Teachers	1	86	161	236	271	<b>755</b>
- General public servants	-	85	98	119	123	<b>426</b>
Dental workers	-	5	3	3	3	<b>15</b>
<b>TOTAL OF ABOVE</b>	<b>1</b>	<b>177</b>	<b>262</b>	<b>359</b>	<b>397</b>	<b>1,196</b>

Note: Columns may not add due to rounding.

**General Government Capital Investment**

At \$2,721 million, general government infrastructure spending in 2008-09 is expected to be up \$13 million (or 0.5%) on the budget-time projection. Across the forward estimates period, capital spending has been revised up by \$191 million. This includes \$117 million for new or enhanced projects including:

- the Albany Regional Resource Centre/Hospital (up \$43 million over the period to 2011-12); and
- the development of the Reid Highway-Alexander Drive Interchange (\$72 million).

Further detail on these projects is available in Appendix 3: *Post-Budget Policy Decisions Affecting Spending*.

Cost escalation and/or timing changes have added a further \$77 million to general government capital spending across the forward estimates period, including the Albany Entertainment Centre (\$23 million), the Midland Saleyard Relocation (\$20 million), and the Perth Police Complex (\$18 million).

## Balance Sheet

General government net worth is expected to increase from an estimated \$80.5 billion at 30 June 2008 to \$96.7 billion by 30 June 2012. This is \$1.8 billion higher than the budget-time forecast for 30 June 2012, and largely reflects the expectation of higher general government operating surpluses outlined earlier in this chapter.

Table 5

### GENERAL GOVERNMENT Balance Sheet at 30 June

	2008	2009	2010	2011	2012
	\$m	\$m	\$m	\$m	\$m
<b>2008-09 PFPS</b>					
Assets	90,722	94,657	99,284	103,389	106,935
Liabilities	10,263	10,204	10,291	10,288	10,283
<b>Net Worth</b>	<b>80,459</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<i>Net Debt</i>	-3,082	-3,042	-3,829	-4,520	-4,043
<b>2008-09 BUDGET</b>					
Assets	90,535	94,358	98,572	102,234	105,067
Liabilities	10,272	10,180	10,097	10,123	10,225
<b>Net Worth</b>	<b>80,262</b>	<b>84,178</b>	<b>88,475</b>	<b>92,110</b>	<b>94,842</b>
<i>Net Debt</i>	-2,968	-2,747	-3,183	-3,339	-2,041
<b>VARIANCE</b>					
Assets	187	299	713	1,155	1,868
Liabilities	-9	23	194	165	59
<b>Net Worth</b>	<b>196</b>	<b>275</b>	<b>518</b>	<b>991</b>	<b>1,809</b>
<i>Net Debt</i>	-114	-295	-646	-1,181	-2,002

Note: Columns may not add due to rounding

The increase in the value of the sector's balance sheet is reflected in changes in the value of assets, including:

- investments, loans and placements (a component of net debt), which are expected to be \$2.0 billion higher by 30 June 2012, reflecting the direct impact of the higher general government operating surpluses discussed above;
- higher fixed asset holdings (mainly property, plant and equipment, including buildings), up \$176 million by 30 June 2012, reflecting the changes to infrastructure spending noted earlier; and
- partially offsetting these increases, a reduction in the value of the public corporations sectors, down \$525 million, due mainly to lower projected surpluses in the public non-financial corporations sector (see *Total Public Sector* later in this chapter).

Liabilities are expected to increase by a net \$59 million (0.6%) by the end of the forward estimates period, largely reflecting the impact of higher salary costs on unfunded superannuation liabilities and other employee entitlements (i.e. annual and long service leave).

## Cash Flow Statement

Consistent with budget-time expectations, a cash surplus is expected in 2008-09 and in each year of the forward estimates period, except 2011-12. Across the entire period, the general government sector cash surplus has been revised up by an aggregate \$1,928 million relative to budget, with higher operating surpluses more than offsetting higher infrastructure spending.

## Total Public Sector<sup>3,4</sup>

### Operating Statement

The total public sector is expected to remain in surplus for each year of the forward estimates period. The upward movement in the general government sector operating surplus (discussed earlier) more than offsets some downward revisions to the projected performance of the public corporations.

It should be noted that the recent disruption to gas supplies, and the impact of this on the State's electricity utilities, is not yet reflected in the forecasts. The financial impact of this event is still being determined by those agencies. Accordingly, this issue remains a risk to the projections presented in this PFPS.

A total public sector operating surplus of \$1,788 million is forecast for 2008-09, up \$84 million on the budget-time projection. This includes the \$75 million higher operating surplus for the general government sector outlined above, and a \$9 million reduction in the public non-financial corporations (PNC) sector's projected deficit. Total public sector operating surpluses between \$1,538 million and \$2,402 million are expected over the remainder of the projection period, representing an upward revision of between \$280 million and \$724 million relative to budget.

The key changes underlying the movement in the outlook for the PNC sector since budget include:

- adjustment to the expected returns to Verve Energy under the Vesting Contract (\$46 million in 2008-09 and a total of \$302 million across the forward estimates)<sup>5</sup>;

---

<sup>3</sup> The total public sector consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State's ports, and the electricity and water utilities), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

<sup>4</sup> The net worth of the general government sector includes the net worth of the public corporations as an equity asset. As a result, total public sector net worth is identical to that of the general government sector (discussed earlier).

<sup>5</sup> This adjustment corrects an inconsistency in pricing assumptions under the Vesting Contract evident in the 2008-09 Budget estimates.



- the impact of higher oil prices on fuel costs for the Public Transport Authority (PTA), estimated at \$22 million in 2008-09 and \$91 million across the forward estimates (funded by higher appropriation revenue from the general government sector); and
- the projected impact of the Government's efficiency dividend on public corporations, like the PTA, that are funded from appropriations (\$12 million in 2008-09 and \$81 million across the four years to 2011-12)<sup>6</sup>.

Operating surpluses between \$30 million and \$50 million are projected across the forward estimates period for the public financial corporations sector. This is unchanged from budget-time.

## Total Public Sector Capital Investment

Relative to the 2008-09 Budget, total public sector infrastructure spending is projected to be \$14 million lower in 2008-09 but an aggregate \$279 million higher over the period to 2011-12<sup>7</sup>. In addition to the post-budget changes impacting the general government sector discussed earlier in this chapter, the PNC sector is projected to spend \$27 million less in 2008-09, reflecting the net impact of:

- a bring forward of \$50 million of housing assistance under the First Start shared equity scheme from 2009-10 to 2008-09, reflecting higher demand for assistance under this scheme; and
- the deferral of \$75 million in works on the Utah Point development by Port Hedland Port Authority, mainly due to delays in finalising agreements for the developers' contributions.

New works by the PNC sector over the forward estimates period total \$70 million for the Busselton Jetty refurbishment and development of the surrounding foreshore (\$58 million), and additions to development in Halls Creek (\$12 million). Further detail is available in Appendix 3: *Post-Budget Policy Decisions Affecting Spending*. All other changes in PNC infrastructure spending since the time of the budget reflect timing changes, mainly associated with the Australian Marine Complex.

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<sup>6</sup> As noted earlier, the impact of the efficiency dividend is yet to be allocated to specific agencies and is written in as a global adjustment to the State's financial aggregates in these estimates.

<sup>7</sup> Across the forward estimates, the Capital Works Program is expected to be \$543 million higher than at budget-time (see Table 1). Of this amount, \$279 million is spent directly on infrastructure by State agencies (discussed in this section), while the remainder is in the form of expensed works such as grants and maintenance (up \$45 million) and Keystart home lending (up \$219 million).

Net Debt<sup>8</sup>

Net debt is projected to increase from an estimated \$3.9 billion at 30 June 2008 to \$9.1 billion by 30 June 2012. This increase is \$2.4 billion lower than projected at the time of the 2008-09 Budget, and mainly reflects:

- the higher general government operating surplus projections discussed earlier in this chapter; and
- the impact of a lower than expected net debt outcome for 2007-08 (down \$780 million). This is mainly due to lower than expected capital spending, with preliminary results for 2007-08 suggesting an underspend in the order of \$700 million is likely to be shown in the final outcome for the year (relative to the estimated outturn contained in the 2008-09 Budget). Pending further analysis of individual agencies' results and subsequent advice to Government, this PFPS includes the expected underspend as a global adjustment to the State's financial aggregates.

The following table provides further detail on movements in net debt since the 2008-09 Budget.

Table 6

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

	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m
<b>2008-09 Budget – Total Public Sector Net Debt</b>	<b>4,711</b>	<b>7,911</b>	<b>9,028</b>	<b>9,489</b>	<b>11,443</b>
<i>Less change in net cash flows from operating activities</i>					
- general government	105.6	198.7	503.8	638.8	776.4
- public non-financial corporations	-75.9	62.2	-220.9	-183.0	-50.7
- public financial corporations	-	2.4	-	-	-
<i>Total public sector</i>	<i>29.7</i>	<i>263.3</i>	<i>282.9</i>	<i>455.8</i>	<i>725.7</i>
<i>Plus purchases of non-financial assets</i>					
<i>Policy decisions<sup>(a)</sup></i>	<i>1.5</i>	<i>1.2</i>	<i>48.4</i>	<i>98.8</i>	<i>36.9</i>
<i>Parameter movements:</i>					
Lower than expected capital spending	-700.0	-	-	-	-
All Other	-28.0	-15.5	116.6	53.1	-61.0
<i>Total parameter</i>	<i>-728.0</i>	<i>-15.5</i>	<i>116.6</i>	<i>53.1</i>	<i>-61.0</i>
<i>Total purchase of non-financial assets</i>	<i>-726.5</i>	<i>-14.2</i>	<i>165.0</i>	<i>151.9</i>	<i>-24.1</i>
<i>Less proceeds from sale of non-financial assets</i>	<i>59.5</i>	<i>-</i>	<i>-5.9</i>	<i>-13.2</i>	<i>19.2</i>
<i>Plus all other financing</i>	<i>35.5</i>	<i>-27.4</i>	<i>-69.7</i>	<i>5.0</i>	<i>-30.4</i>
<i>Cumulative impact on net debt at 30 June</i>	<i>-780.2</i>	<i>-1,085.1</i>	<i>-1,266.9</i>	<i>-1,552.5</i>	<i>-2,352.0</i>
<b>2008-09 PFPS – Total Public Sector Net Debt</b>	<b>3,931</b>	<b>6,826</b>	<b>7,761</b>	<b>7,936</b>	<b>9,091</b>

(a) Further information on policy decisions impacting fixed asset spending is provided in Appendix 3: *Post-Budget Policy Decisions Affecting Spending*.

Note: Columns may not add due to rounding.

<sup>8</sup> Net debt is a balance sheet indicator based on Government Finance Statistics concepts. It is calculated as the difference between liquid financial assets (such as loans and placements by governments) and financial liabilities. Net debt is an indicator of the strength of the public sector's financial position and the sustainability of the future call on public sector cash.

Reflecting these lower projected net debt levels, the net debt to revenue ratio for the total non-financial public sector is forecast to reach a maximum of 35.4% in 2011-12, down from 43.9% at budget-time. Further detail on this financial target ratio is provided in Chapter 2: *Fiscal Strategy*.

## Statement of Risks

This section updates the risks to the estimates detailed in Chapter 2: *Fiscal Strategy and Financial Projections* of the 2008-09 Budget Paper 3: *Economic and Fiscal Outlook* (pp.48-53). To the extent these risks materialise, they have the potential to impact the financial projections contained in this PFPS.

## Estimating Assumptions

The major economic parameters underlying the PFPS projections are detailed in the following table.

<b>MAJOR ECONOMIC PARAMETERS</b>					
Western Australia					
	2007-08 PFPS Revision %	2008-09 PFPS Revision %	2009-10 PFPS Revision %	2010-11 PFPS Revision <sup>(e)</sup> %	2011-12 PFPS Revision <sup>(e)</sup> %
Real Gross State Product Growth <sup>(a)</sup>	7.0	6.25	6.25	4.5	4.5
Real State Final Demand Growth <sup>(a)</sup>	7.25	3.75	4.0	5.25	5.25
Employment Growth <sup>(b)</sup>	3.6	2.5	2.25	2.5	2.5
Unemployment Rate <sup>(b)</sup>	3.3	3.25	3.5	4.25	4.25
Wage Price Index Growth <sup>(c)</sup>	5.75	5.25	4.5	3.5	3.5
Average Weekly Earnings Growth <sup>(c)</sup>	9.5	6.25	5.5	4.75	4.75
Consumer Price Index Growth <sup>(b)</sup>	3.6	3.75	3.5	3.0	2.75
Public Consumption Deflator	2.25	2.5	2.25	3.25	3.25
Oil Price (\$US per barrel) <sup>(b)</sup>	97.0	134.3	133.7	132.4	131.5
\$A/\$US (cents) <sup>(b)</sup>	89.7	95.5	95.5	95.5	95.5
Population Growth <sup>(d)</sup>	2.3	2.3	1.6	1.6	1.6

(a) In real (chain volume) terms, which abstract from price effects.  
 (b) Actual figure for 2007-08.  
 (c) The Wage Price Index is a better measure of underlying wages growth than Average Weekly Earnings, as it is designed to measure wage changes rather than levels, and is not influenced by changes in the composition of the workforce (unlike Average Weekly Earnings).  
 (d) Growth in mean resident population over the year. Estimates for 2007-08 and 2008-09 are based on the Commonwealth Treasury's 2008-09 Budget "GST payment pool" population projections for Western Australia, while for 2009-10 and beyond, the long-term historical growth rate has been used.  
 (e) Beyond 2009-10, forward estimates are not forecasts, but are generally projections based on long-term averages (usually 10 years). The only exception is the unemployment rate, which is based on a shorter period (the past four years).

Reduced domestic gas supplies following the explosion at the Varanus Island processing plant in June 2008 are expected to have reduced the level of economic activity in 2007-08 and into 2008-09. However, the outlook for the Western Australian economy over the next few years remains favourable, despite the risks noted at the time of the 2008-09 Budget in relation to the global economy.

## Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, including the \$A/\$US exchange rate, benchmark prices for iron ore and the price of crude oil. Approximate annual impacts of these changes are outlined in the following table<sup>9</sup>.

<b>APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES</b>		
	Variability (\$m)	Detail
Total mining revenue <sup>(a)</sup>	+/-38	For each US1.0 cent decrease/increase in the \$A/\$US exchange rate
Petroleum royalties <sup>(b)</sup>	+/-5	For each \$US1 increase/decrease in the price of a barrel of oil
Iron ore royalties	+/-21	For each percentage point change in the growth rate of the price of a dry metric tonne of iron ore
Duty on transfers	+/-28	For each percentage point change in the growth rate of average property prices

(a) Includes North West Shelf petroleum royalties.  
 (b) The petroleum sensitivity varies according to the strength of the relationship between crude oil prices and the price of LNG.

In addition to the above sensitivities, specific factors that are considered to represent a potential risk to the revenue estimates are discussed below.

### State Taxes

The forecasts for transfer duty are based on assuming a small decline in average property prices and a decrease in the number of transactions in 2008-09.

To the extent that weakness in the property market is more severe than currently anticipated, there is a risk that the forecasts for transfer duty may not be fully realised. As indicated in the table above, a one percentage point forecasting error in the growth rate of property prices would result in a change of approximately \$28 million in annual transfer duty revenue.

### Mining Revenue

The mining revenue estimates are particularly sensitive to movements in the \$A/\$US exchange rate, contract prices for iron ore, and oil price fluctuations (see Table 8).

The exchange rate and oil price assumptions underlying these PFPS estimates are based on the six week average up to 10 August 2008. Both the exchange rate and oil price are inherently volatile, for example:

- the \$A/\$US exchange rate ranged from US91.1 cents to US97.9 cents between finalisation of the 2008-09 Budget estimates and these PFPS estimates (and has since fallen to around US87 cents in recent days); and
- the oil price (West Texas Intermediate crude) ranged from a low of \$US105 per barrel to around \$US146 per barrel over the same period.

<sup>9</sup> These impacts are not mutually exclusive and vary over time in accordance with movements in the underlying *level* of each variable.

The impact of oil price movements on petroleum royalties is also influenced by the extent of flow-through to the price of LNG exports. While the extent of the flow-through is not clear, as contractual arrangements for LNG prices are kept commercial-in-confidence, recent evidence suggests that this relationship has strengthened over the past year.

## **2007-08 Outturn**

As noted in the Foreword to this PFPS, the final audited outcome for 2007-08 will not be available until the release of the *2007-08 Annual Report on State Finances*, due by 28 September 2008.

The 2007-08 data presented in this PFPS are based on the estimated outturn presented in the 2008-09 Budget, adjusted for material events known to have impacted the budget-time estimates.

Finalisation of the 2007-08 results may impact the projections contained in this report, particularly balance sheet aggregates such as the value of net debt and holdings of physical assets such as land and buildings.

Pre-election Financial Projections Statement

# Fiscal Strategy

## Overview

The State's fiscal strategy, detailed in the 2008-09 Budget presented to Parliament on 8 May 2008, is centred around delivering a Capital Works Program that meets the need for essential social and economic infrastructure, while containing net debt to affordable and sustainable levels by achieving general government operating surpluses.

## Financial Targets

This strategy is framed around a series of financial targets, which are to:

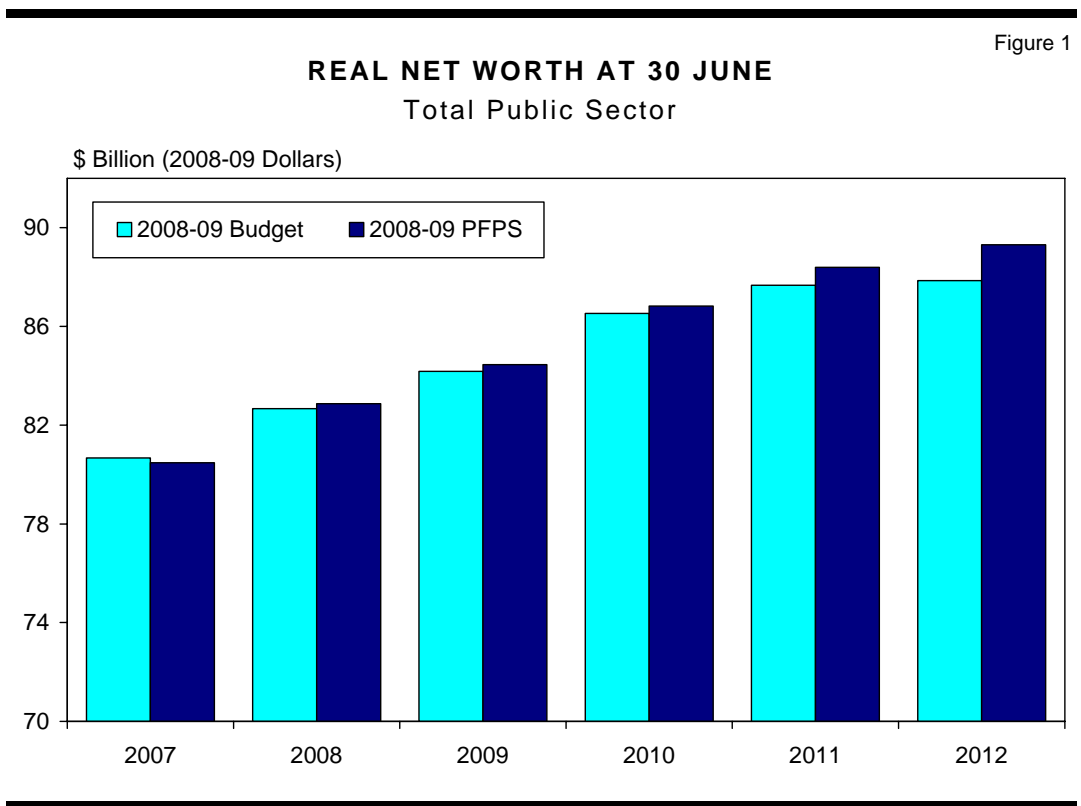
- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- retain the State's triple-A credit rating, represented by the following specific targets:
  - maintain the net debt to revenue ratio for the total non-financial public sector at or below 47%; and
  - ensure that real per capita own-purpose expenses for the general government sector do not increase; and
- maintain Western Australia's tax competitiveness, as measured by maintaining tax revenue as a share of Gross State Product (GSP) below the average of the other States.

The outlook for each of the targets, based on these PFPS projections, is outlined below.

**Net Worth: Maintain Or Increase Real Net Worth Of The Total Public Sector**

This target is expected to be achieved across the forward estimates period, with total public sector net worth increasing each year, from \$80.5 billion at 30 June 2008 to \$96.7 billion by 30 June 2012 (in nominal terms).

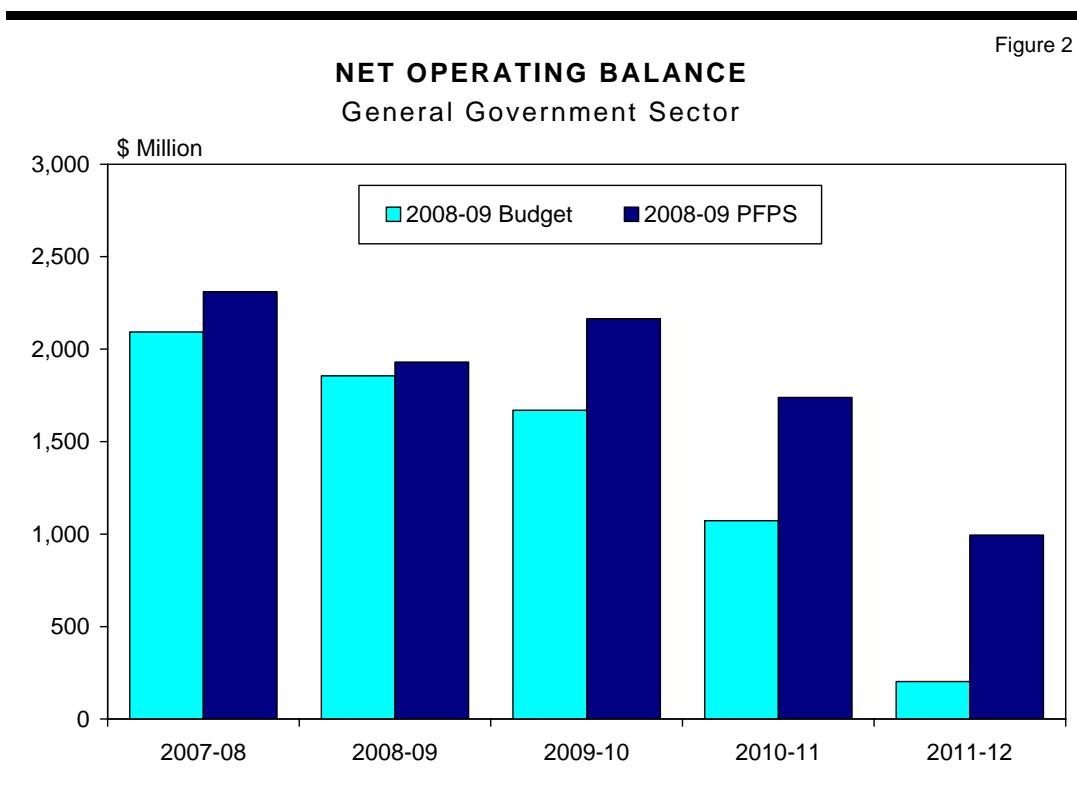
As shown in the following chart, net worth is projected to be higher by the end of the forward estimates period relative to budget expectations. This mainly reflects the higher general government operating surpluses now in prospect, as noted in Chapter 1: *Financial Projections*.





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

This target is expected to be met in each year of the forward estimates period.



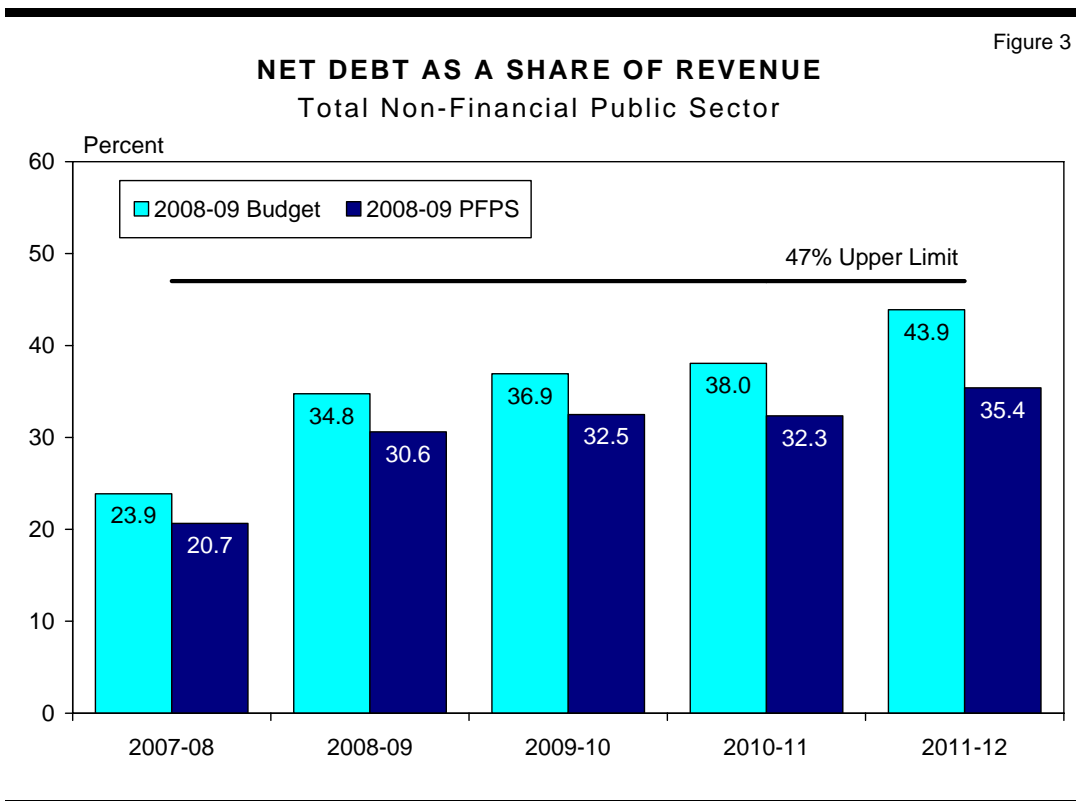
Relative to the 2008-09 Budget, the higher operating surplus outlook for the general government sector largely reflects:

- higher oil and LNG prices;
- finalisation of iron ore price negotiations for the 2008-09 Japanese fiscal year;
- agreement to remove concessional iron ore royalty rates on new projects/production subject to State Agreement Acts; and
- the decision to apply a one-off efficiency dividend of 3% to appropriation-supported agencies with effect from 1 January 2009.

**Retain Triple-A Credit Rating – Maintain Net Debt To Revenue For The Total Non-Financial Public Sector At Or Below 47%**

This target is expected to be met in each year of the forward estimates period.

The net debt to revenue ratio is expected to be 30.6% in 2008-09 and to rise to 35.4% by 2011-12. These are lower ratios than projected at budget-time, and reflect the impact of higher operating surplus projections on net debt (the numerator of the ratio), as well as upward revisions to revenue (the denominator), as detailed in Chapter 1: *Financial Projections*.

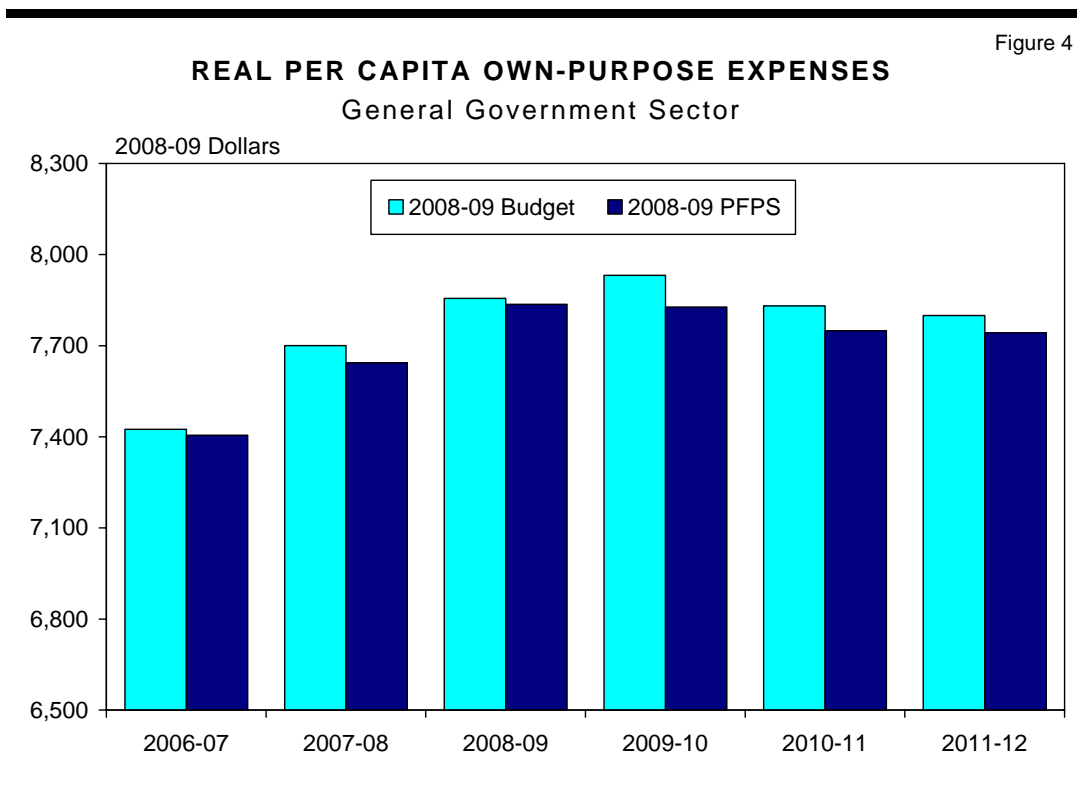


**Retain Triple-A Credit Rating – Ensure That Real Per Capita Own-Purpose Expenses For The General Government Sector Do Not Increase**

Consistent with budget-time estimates, this target is not expected to be met in 2008-09, with forecast expense growth of 7.5% exceeding target growth of 5.1%.

However, the target is now expected to be met in 2009-10, compared with the budget-time forecast of above-target expense growth in that year. This largely reflects the application of the 3% efficiency dividend to appropriation-funded agencies with effect from 1 January 2009, with the first full-year impact in 2009-10 (\$400 million).

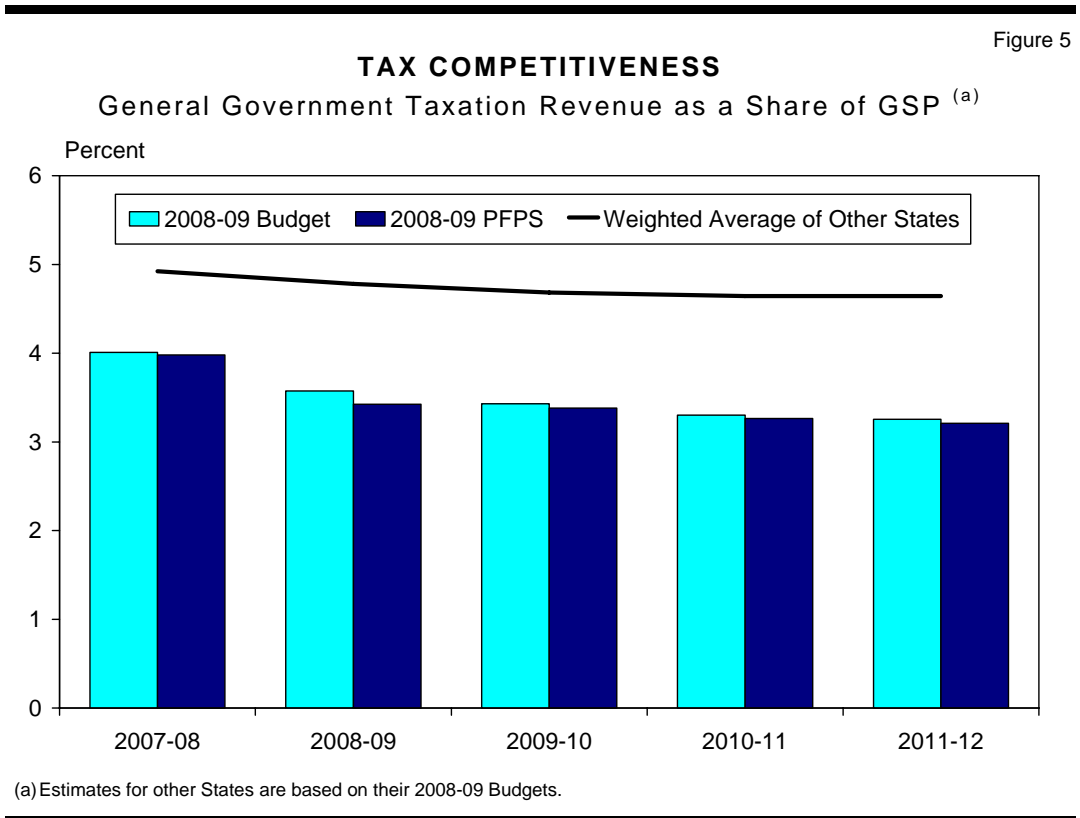
The target is forecast to be met in the remaining outyears, as shown in the following chart.



Chapter 1: *Financial Projections* and Appendix 3: *Post-Budget Policy Decisions Affecting Spending* provide further detail of the factors that have impacted general government expenses since the 2008-09 Budget.

**Tax Competitiveness: Maintain Western Australia’s Tax Competitiveness, As Measured By Maintaining Tax Revenue As A Share Of Gross State Product Below The Other States’ Average**

Based on current forecasts for Western Australia and the latest budget data from the other States, this target is expected to be met in each year of the forward estimates period, consistent with budget-time expectations.



# The Western Australian Economy

## Overview

Growth in the Western Australian economy is expected to remain broadly in line with expectations reflected in the 2008-09 Budget, despite the emergence of several of the risks identified at that time<sup>1</sup>.

Higher than anticipated borrowing costs, flowing from the US credit crunch and rises in official interest rates by the Reserve Bank of Australia (RBA), have crimped consumer spending and housing activity. However, demand from Western Australia's export markets has not been greatly affected by the credit crunch-driven slowdown in the US economy. Accordingly, exports and business investment in export-focussed projects should remain strong.

The June 2008 disruption in gas supplies, following an explosion at a processing plant on Varanus Island, is expected to cost the Western Australian economy around \$2 billion in Gross State Product (GSP) terms<sup>2</sup>, with roughly half of this impact in each of the June and September quarters of 2008. This translates to approximately a 0.5 percentage point reduction in estimated GSP growth in 2007-08, from 7.5% at budget-time to 7.0%.

Forecast growth in GSP in 2008-09 remains unchanged at 6.25%, although this growth will occur off a lower base as a result of the gas supply disruption (the *level* of economic activity for 2008-09 will be 0.2% lower than forecast at budget-time). Importantly, the impact of the disruption is expected to be temporary, evidenced by the recent return of a third of the lost production, with forecast growth in 2009-10 revised upwards to 6.25% (from 5.75% at budget-time) to account for the expected rebound from the domestic gas supply disruption.

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<sup>1</sup> See 2008-09 Budget Paper 3: *Economic and Fiscal Outlook*.

<sup>2</sup> Department of Treasury and Finance estimate.

Other revisions to the components of GSP have been made to the forecasts from budget-time. However, these mostly balance each other out.

The State's labour market is also expected to remain broadly consistent with budget-time expectations, with a low but slightly rising unemployment rate expected over the forward estimates period. Wages growth is expected to be strong in the short term, but should moderate with an expected slowing in employment-intensive retail and dwelling construction sectors.

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Table 1

**MAJOR ECONOMIC AGGREGATES**  
Western Australia

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	2007-08 PFPS Revision %	2008-09 PFPS Revision %	2009-10 PFPS Revision %	2010-11 PFPS Revision <sup>(d)</sup> %	2011-12 PFPS Revision <sup>(d)</sup> %
Real Gross State Product Growth <sup>(a)</sup>	7.0	6.25	6.25	4.5	4.5
Real State Final Demand Growth <sup>(a)</sup>	7.25	3.75	4.0	5.25	5.25
Employment Growth <sup>(b)</sup>	3.6	2.5	2.25	2.5	2.5
Unemployment Rate <sup>(b)</sup>	3.3	3.25	3.5	4.25	4.25
Wage Price Index Growth <sup>(c)</sup>	5.75	5.25	4.5	3.5	3.5
Average Weekly Earnings Growth <sup>(c)</sup>	9.5	6.25	5.5	4.75	4.75
Consumer Price Index Growth <sup>(b)</sup>	3.6	3.75	3.5	3.0	2.75

(a) In real (chain volume) terms, which abstract from price effects.

(b) Actual figure for 2007-08.

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

(d) Beyond 2009-10, forward estimates are not forecasts, but are generally projections based on long-term averages (usually 10 years). The only exception is the unemployment rate, which is based on a shorter period (the past four years).

Other forecasting notes: Currency exchange rates and interest rates are assumed to be constant over the forecast period, and are based on actual data prior to the forecasting cut-off date.

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## Gross State Product

The Western Australian economy is forecast to continue growing strongly over the next few years. The RBA has noted that higher interest rates, supplemented by the higher interest rate margins resulting from the global credit crunch, are likely to reduce national economic growth in the period ahead<sup>3</sup>. However, Western Australia's commodity export focus should see the State fare much better than the externally-competing manufacturing industries on the east coast.

Nevertheless, consumer spending in Western Australia is expected to be weaker than anticipated at budget-time. This mainly reflects a reduction in discretionary income due to higher interest rates applied to high housing-related debt, high fuel prices, and a temporary reduction in incomes from the gas supply disruption in 2007-08 and 2008-09.

<sup>3</sup> Reserve Bank of Australia, *Statement on Monetary Policy*, 11 August 2008, pg. 4.

Weaker than previously forecast housing activity is a key revision to the outlook. Weaker than expected data for the first part of 2008, the continuing impact of high house prices on affordability, higher interest rates, and the reduced expectation of capital gains are behind the downward revision in forecast growth rates. Additionally, anecdotal evidence suggests an overhang from a substantial stock of empty investment-related dwellings constructed during the peak of the State's housing boom in 2006.

Nevertheless, population and income growth are expected to remain robust, so underlying demand for housing should remain healthy. This suggests that the downturn in this sector is modest, and the market should recover as affordability improves through flat or slightly declining prices and continued healthy growth in incomes.

Business investment is expected to grow at the same rates over the forward estimates period as forecast at budget-time, with demand for Western Australia's commodities remaining strong. Resource-related investment should flow through to other sectors of the economy, with commercial construction, including several large central business district projects, being particularly strong.

A key assumption behind this forecast is that the Chinese economy is not substantially affected by the US downturn and demand for Western Australia's commodity exports remains healthy. In this regard, while the prices of some commodities, notably oil and gold, have moderated from recent peaks, they remain at high levels and should still support the profitability of projects in Western Australia. The recent 85% increase in iron ore prices negotiated by Western Australia's iron ore producers is an encouraging sign of underlying commodity demand.

Consistent with robust international demand for the State's commodities and the recent and upcoming completion of several large resource projects, underlying<sup>4</sup> export growth is forecast to be slightly higher than budget expectations. However, the gas supply disruption is estimated to have reduced export growth in 2007-08 to 7.5%, down from 8.25% at budget-time<sup>5</sup>.

As forecast at the time of the budget, import growth is expected to moderate over the forward estimates period in line with the expected easing in consumer spending growth.

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<sup>4</sup> Abstracting from the gas supply disruption.

<sup>5</sup> The gas supply disruption is equivalent to \$0.7 billion and \$0.8 billion in lower projected exports (in chain volume terms) in 2007-08 and 2008-09 respectively.

Table 2

**COMPONENTS OF GROSS STATE PRODUCT**  
Western Australia

	2007-08		2008-09		2009-10	
	Budget <sup>(a)</sup> Estimate %	PFPS Revision %	Budget <sup>(a)</sup> Estimate %	PFPS Revision %	Budget <sup>(a)</sup> Estimate %	PFPS Revision %
<b>ANNUAL AVERAGE GROWTH</b>						
Private						
Household Consumption	5.5	4.75	4.0	4.0	3.75	4.0
Business Investment	16.5	16.5	5.25	5.25	5.0	5.0
Dwelling Investment <sup>(b)</sup>	4.75	2.0	0.25	-1.75	2.0	0.25
Public						
Consumption	2.0	2.0	2.5	2.75	2.5	2.5
Investment	2.75	2.75	9.5	9.5	7.0	7.5
<b>State Final Demand</b>	<b>7.5</b>	<b>7.25</b>	<b>4.0</b>	<b>3.75</b>	<b>4.0</b>	<b>4.0</b>
External Sector <sup>(c)</sup>						
Exports	8.25	7.5	10.75	11.0	8.75	9.75
Imports	9.75	8.75	6.25	6.0	4.0	4.25
Net Exports	7.25	6.75	13.75	14.5	11.75	13.25
Balancing Item <sup>(d)</sup>	7.5	7.0	6.25	6.25	5.75	5.75
<b>Gross State Product</b>	<b>7.5</b>	<b>7.0</b>	<b>6.25</b>	<b>6.25</b>	<b>5.75</b>	<b>6.25</b>
<b>CONTRIBUTIONS TO GROWTH <sup>(e)</sup></b>						
Private						
Household Consumption	2.4	2.0	1.7	1.7	1.6	1.7
Business Investment	3.8	3.8	1.3	1.3	1.2	1.3
Dwelling Investment	0.3	0.2	0.0	-0.1	0.2	0.0
Public						
Consumption	0.2	0.2	0.3	0.3	0.3	0.3
Investment	0.1	0.1	0.3	0.3	0.3	0.3
<b>State Final Demand</b>	<b>6.9</b>	<b>6.6</b>	<b>3.7</b>	<b>3.4</b>	<b>3.5</b>	<b>3.6</b>
External Sector						
Exports	3.5	3.5	4.6	5.1	3.9	4.7
Imports	1.6	1.8	1.1	1.2	0.7	0.9
Net Exports	1.9	1.7	3.6	3.7	3.3	3.7
Balancing Item <sup>(d)</sup>	-1.3	-1.2	-1.1	-1.1	-1.0	-1.0
<b>Gross State Product</b>	<b>7.5</b>	<b>7.0</b>	<b>6.25</b>	<b>6.25</b>	<b>5.75</b>	<b>6.25</b>

(a) 2008-09 Budget forecasts.

(b) Dwelling investment includes ownership transfer costs.

(c) International trade in merchandise exports and imports only. Excludes services.

(d) The balancing item includes international services trade, interstate trade, changes in stocks and a statistical discrepancy. Given the balancing item's significant size (over the past few years it has fluctuated between 15% and 17% of GSP), the forecasts above include an estimation of the balancing item. However, given the difficulty of forecasting individual components of the balancing item, for any given forecast year the estimation is based on a fixed ratio of GSP (based on the balancing item's proportion of the domestic economy and net exports from the previous year). The estimation of the impact of the gas supply disruption used a different methodology to the remainder of the forecasts, and so the balancing item and GSP diverge in 2009-10.

(e) The contribution to growth for the statistical discrepancy item of the State Accounts is not reported.

Note: Columns may not add due to rounding.



## Labour Market

### Employment

The State's labour market appeared to weaken during early 2008, but has strengthened more recently. Over 2007-08, actual employment growth was 3.6%, a little below the budget estimate of 3.75%. Although there are some signs that labour demand has peaked, supply shortages are still the main issue around employment growth.

The impact of the gas supply disruption on employment is difficult to estimate, as rather than lay workers off, many employers chose to reduce shifts or overtime, or brought forward annual leave. Employers have been reluctant to reduce employment, as the current availability of job opportunities meant they might not have been able to replace these workers later in the year. At this stage, the best estimate is that the disruption has not affected aggregate employment in Western Australia in either 2007-08 or 2008-09, and the employment growth forecasts for 2008-09 and 2009-10 are unchanged from budget-time.

### Unemployment

The unemployment rate in Western Australia has trended up since budget, and was 3.3% in 2007-08<sup>6</sup>, above the budget forecast of 3.0%. However, labour market conditions in the State remain tight, which means that the unemployment rate is unlikely to rise materially. The 2008-09 forecast is unchanged since budget (at 3.25%), while the forecast unemployment rate for 2009-10 has been revised up to 3.5%, in line with a higher than previously forecast participation rate.

## Prices

### Wages

Forecasts of growth in Western Australia's Wage Price Index remain unchanged. Although there has been weaker than expected data since budget, tight conditions in Western Australia's labour market are expected to continue in 2008-09. Wage pressures are expected to ease over the forward estimates period as economic growth moderates and the unemployment rate edges up.

### Consumer Price Index

The Perth Consumer Price Index (CPI) grew by 3.6% in 2007-08, above the budget-time forecast of 3.25%. Strong national CPI growth throughout 2007-08 led the RBA to increase interest rates in August and November 2007, and again in February and March 2008.

It is expected that the RBA's efforts to reign in inflation will be successful and year-on-year growth in the national CPI should decline to within the target band of 2% to 3%, although the Perth CPI is forecast to remain above the RBA's band until 2010-11.

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<sup>6</sup> Source: ABS Catalogue Number 6202.0.

Pre-election Financial Projections Statement

## APPENDIX 1

# Detailed Financial Projections

This appendix contains detailed financial projections for the Western Australian public sector and its sub-sectors. The tables in this section satisfy Uniform Presentation Framework (UPF) requirements, and are consistent with Australian Accounting Standards and the presentation of whole-of-government financial projections contained in the 2008-09 Budget.

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Table 1.1

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Revenue</i>							
Taxation		6,442	6,576	6,287	6,890	7,282	7,840
Current grants and subsidies		7,587	7,526	7,751	7,768	7,448	7,199
Capital grants		550	433	446	366	485	519
Sales of goods and services		1,272	1,329	1,330	1,389	1,452	1,517
Interest Income		301	252	241	281	356	396
Revenue from public corporations							
Dividends		491	476	476	536	543	574
Tax equivalent payments		332	334	355	367	363	404
Royalty income		1,714	2,646	2,715	2,965	2,936	2,604
Other		345	300	302	297	298	298
<b>Total revenue</b>	<b>3</b>	<b>19,035</b>	<b>19,872</b>	<b>19,903</b>	<b>20,860</b>	<b>21,162</b>	<b>21,349</b>
<i>Expenses</i>							
Salaries		6,776	7,278	7,224	7,584	8,077	8,603
Superannuation							
Concurrent costs		657	713	697	728	772	819
Superannuation interest cost		316	309	312	300	295	288
Other employee costs		271	283	280	283	291	299
Depreciation and amortisation		741	775	776	819	858	883
Services and contracts		1,976	2,207	2,195	2,320	2,346	2,426
Other gross operating expenses		1,666	1,843	1,819	1,720	1,800	1,935
Other interest		108	121	121	118	117	117
Other property expenses		-	-	-	-	-	-
Current transfers	4	3,758	4,026	4,066	4,437	4,503	4,622
Capital transfers	4	456	462	482	387	363	364
<b>Total expenses</b>	<b>5</b>	<b>16,725</b>	<b>18,017</b>	<b>17,972</b>	<b>18,697</b>	<b>19,424</b>	<b>20,355</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>2,310</b>	<b>1,855</b>	<b>1,930</b>	<b>2,163</b>	<b>1,738</b>	<b>995</b>
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		142	183	183	172	68	-6
Net actuarial gains		-	-	-	-	-	-
Provision for doubtful debts		-29	-	-	-	-1	-
All other		-5	-	-3	-33	18	89
<b>Total other economic flows</b>		<b>108</b>	<b>182</b>	<b>179</b>	<b>139</b>	<b>86</b>	<b>83</b>
<b>OPERATING RESULT</b>		<b>2,418</b>	<b>2,038</b>	<b>2,110</b>	<b>2,303</b>	<b>1,824</b>	<b>1,078</b>
<i>All other movements in equity</i>							
Revaluations		990	1,011	1,004	1,098	1,248	1,209
Gains recognised directly in equity		8	-1	-1	-1	-1	-1
Changes in accounting policy/correction of prior period errors		-	-	-	-	-	-
Change in net worth of the public corporations sectors		1,187	867	881	1,140	1,036	1,264
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>2,185</b>	<b>1,878</b>	<b>1,885</b>	<b>2,237</b>	<b>2,284</b>	<b>2,473</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,603</b>	<b>3,916</b>	<b>3,995</b>	<b>4,540</b>	<b>4,108</b>	<b>3,550</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>2,310</b>	<b>1,855</b>	<b>1,930</b>	<b>2,163</b>	<b>1,738</b>	<b>995</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,028	2,707	2,721	2,274	2,175	2,536
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		164	-38	-37	-	-	1
<i>less:</i>							
Sales of non-financial assets		271	164	165	198	268	109
Depreciation		741	775	776	819	858	883
<b>Total net acquisition of non-financial assets</b>		<b>1,180</b>	<b>1,730</b>	<b>1,742</b>	<b>1,257</b>	<b>1,049</b>	<b>1,546</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>1,130</b>	<b>125</b>	<b>188</b>	<b>906</b>	<b>690</b>	<b>-551</b>

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	Note	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		412	401	398	392	392	394
Advances paid		741	730	730	716	703	693
Investments, loans and placements		3,711	3,417	3,583	4,321	4,982	4,501
Receivables		1,781	1,592	1,736	1,789	1,758	1,658
Investment property		12	12	12	12	12	12
Equity							
Investments in other public sector entities - equity method		27,284	28,204	28,165	29,305	30,340	31,604
Investments in other public sector entities - direct injections		2,948	3,244	3,232	3,401	3,540	3,616
Investments in external entities - shareholdings		-	-	-	-	-	-
Other financial assets		11	5	5	2	2	2
<b>Total financial assets</b>		<b>36,900</b>	<b>37,605</b>	<b>37,860</b>	<b>39,939</b>	<b>41,729</b>	<b>42,480</b>
<i>Non-financial assets</i>							
Land		29,131	29,736	29,769	30,422	31,123	31,858
Property, plant and equipment		24,302	26,640	26,649	28,601	30,252	32,334
Biological assets		2	2	2	2	2	2
Inventories							
Land inventories		61	44	44	43	41	40
Other inventories		56	56	56	56	56	56
Intangibles		226	197	199	186	150	129
Non-current assets held for sale		44	78	76	35	35	35
<b>Total non-financial assets</b>		<b>53,822</b>	<b>56,754</b>	<b>56,797</b>	<b>59,346</b>	<b>61,660</b>	<b>64,454</b>
<b>TOTAL ASSETS</b>		<b>90,722</b>	<b>94,358</b>	<b>94,657</b>	<b>99,284</b>	<b>103,389</b>	<b>106,935</b>
<b>LIABILITIES</b>							
Deposits held		209	248	248	216	213	219
Advances received		510	496	496	483	469	456
Borrowings		1,151	1,143	1,012	990	962	958
Unfunded superannuation		5,429	5,170	5,224	5,132	5,009	4,886
Other employee benefits		1,757	1,830	1,850	1,942	2,025	2,106
Payables		302	303	303	307	300	301
Other liabilities		905	989	1,069	1,221	1,310	1,357
<b>TOTAL LIABILITIES</b>		<b>10,263</b>	<b>10,180</b>	<b>10,204</b>	<b>10,291</b>	<b>10,288</b>	<b>10,283</b>
<b>NET ASSETS</b>		<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		9,015	10,817	11,125	13,427	15,251	16,329
Other reserves		71,444	73,361	73,329	75,566	77,850	80,322
<b>NET WORTH</b>	6	<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		26,637	27,425	27,656	29,648	31,441	32,197
<i>Net financial liabilities</i>		3,595	4,024	3,740	3,058	2,439	3,024
<i>Net debt</i>							
Gross debt liabilities		1,870	1,888	1,757	1,689	1,644	1,633
less: liquid financial assets		4,864	4,547	4,711	5,429	6,076	5,588
less: convergence differences impacting net debt		88	88	88	88	88	88
<b>Net debt</b>		<b>-3,082</b>	<b>-2,747</b>	<b>-3,042</b>	<b>-3,829</b>	<b>-4,520</b>	<b>-4,043</b>

Note: Columns may not add due to rounding.

Table 1.3

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Taxes received		6,292	6,431	6,305	6,733	7,123	7,671
Grants and subsidies received		8,151	7,943	8,179	8,141	7,932	7,724
Receipts from sales of goods and services		1,265	1,477	1,471	1,561	1,625	1,709
Interest receipts		301	245	248	279	356	403
Dividends and tax equivalents		781	848	851	915	906	924
Other receipts		2,673	3,866	3,887	4,189	4,228	4,063
<i>Total receipts from operating activities</i>		<b>19,465</b>	<b>20,811</b>	<b>20,942</b>	<b>21,819</b>	<b>22,169</b>	<b>22,495</b>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-7,653	-7,109	-8,292	-8,563	-9,133	-9,697
Payments for goods and services		-3,948	-5,595	-4,307	-4,350	-4,494	-4,702
Interest paid		-111	-120	-120	-119	-120	-119
Grants and subsidies paid		-3,908	-4,086	-4,123	-4,445	-4,493	-4,605
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,055	-1,207	-1,208	-1,254	-1,229	-1,291
<i>Total payments for operating activities</i>		<b>-16,675</b>	<b>-18,118</b>	<b>-18,049</b>	<b>-18,730</b>	<b>-19,469</b>	<b>-20,415</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,790</b>	<b>2,694</b>	<b>2,892</b>	<b>3,089</b>	<b>2,700</b>	<b>2,080</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,028	-2,707	-2,721	-2,274	-2,175	-2,536
Sales of non-financial assets		271	164	165	198	268	109
<i>Total cash flows from investments in non-financial assets</i>		<b>-1,757</b>	<b>-2,544</b>	<b>-2,555</b>	<b>-2,076</b>	<b>-1,907</b>	<b>-2,427</b>
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-	-	-	-	-	-
<i>Payments for investing activities:</i>							
For policy purposes		-366	-283	-283	-170	-138	-77
For liquidity purposes		-8	-10	-10	-1	-	-2
<i>Total cash flows from investments in financial assets</i>		<b>-373</b>	<b>-293</b>	<b>-293</b>	<b>-171</b>	<b>-138</b>	<b>-78</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-2,130</b>	<b>-2,837</b>	<b>-2,849</b>	<b>-2,246</b>	<b>-2,045</b>	<b>-2,505</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received		-	1	1	1	1	1
Borrowings		60	58	58	40	36	49
Deposits received		-	-	-	-	-	-
Other financing receipts		33	27	27	27	26	24
<i>Total receipts from financing activities</i>		<b>93</b>	<b>85</b>	<b>85</b>	<b>67</b>	<b>63</b>	<b>73</b>
<i>Payments for financing activities</i>							
Advances paid		-3	-	-	-	-	-
Borrowings repaid		-122	-177	-177	-44	-46	-54
Deposits paid		-	-	-	-	-	-
Other financing payments		-50	-107	-107	-61	-62	-61
<i>Total payments for financing activities</i>		<b>-175</b>	<b>-284</b>	<b>-284</b>	<b>-105</b>	<b>-107</b>	<b>-115</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-83</b>	<b>-199</b>	<b>-199</b>	<b>-38</b>	<b>-45</b>	<b>-42</b>
<b>Net increase in cash and cash equivalents</b>		<b>577</b>	<b>-342</b>	<b>-155</b>	<b>804</b>	<b>610</b>	<b>-468</b>
Opening balance		3,346	3,876	3,923	3,768	4,571	5,182
Closing balance		3,923	3,534	3,768	4,571	5,182	4,714
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,790	2,694	2,892	3,089	2,700	2,080
Net cash flows from investing in non-financial assets		-1,757	-2,544	-2,555	-2,076	-1,907	-2,427
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>1,033</b>	<b>150</b>	<b>337</b>	<b>1,013</b>	<b>793</b>	<b>-347</b>

Note: Columns may not add due to rounding.

Table 1.4

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Revenue</i>							
Current grants and subsidies		1,280	1,436	1,447	1,739	1,784	1,714
Capital grants		122	92	98	93	91	88
Sales of goods and services		6,917	7,497	7,516	8,254	8,848	9,578
Interest Income		137	146	146	147	156	158
Other		364	386	456	384	382	578
<i>Total revenue</i>		<b>8,820</b>	<b>9,557</b>	<b>9,663</b>	<b>10,618</b>	<b>11,261</b>	<b>12,116</b>
<i>Expenses</i>							
Salaries		752	805	793	814	842	872
Superannuation							
Concurrent costs		73	75	77	78	81	83
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		20	21	20	19	20	20
Depreciation and amortisation		851	937	937	1,009	1,083	1,132
Services and contracts		243	253	259	264	268	288
Other gross operating expenses		4,869	5,302	5,379	5,637	5,945	6,340
Other interest		643	791	785	901	1,005	1,148
Dividend and tax equivalents		798	785	806	886	889	961
Current transfers		665	782	793	797	801	750
Capital transfers		61	6	6	7	7	8
<i>Total expenses</i>		<b>8,974</b>	<b>9,757</b>	<b>9,855</b>	<b>10,412</b>	<b>10,941</b>	<b>11,603</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>-154</b>	<b>-200</b>	<b>-192</b>	<b>206</b>	<b>321</b>	<b>513</b>
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		292	322	322	395	392	384
Net actuarial gains		-	-	-	-	-	-
Provision for doubtful debts		-8	-8	-8	-9	-9	-9
All other		-	-	3	2	2	1
<i>Total other economic flows</i>		<b>284</b>	<b>314</b>	<b>317</b>	<b>389</b>	<b>386</b>	<b>376</b>
<b>OPERATING RESULT</b>		<b>130</b>	<b>114</b>	<b>125</b>	<b>595</b>	<b>706</b>	<b>890</b>
<i>All other movements in equity</i>							
Revaluations		988	757	757	565	323	389
Gains recognised directly in equity		-21	-46	-46	-46	-32	-50
Changes in accounting policy/correction of prior period errors		-	-	-	-	-	-
Capital injections from general government		499	283	283	170	138	77
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<b>1,467</b>	<b>995</b>	<b>995</b>	<b>689</b>	<b>430</b>	<b>416</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>1,596</b>	<b>1,108</b>	<b>1,120</b>	<b>1,285</b>	<b>1,136</b>	<b>1,305</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>-154</b>	<b>-200</b>	<b>-192</b>	<b>206</b>	<b>321</b>	<b>513</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,625	3,847	3,820	3,547	2,732	2,622
Changes in inventories		218	-17	-16	-	-8	-2
Other movement in non-financial assets		94	413	413	-13	-3	-
<i>less:</i>							
Sales of non-financial assets		935	951	951	1,135	1,093	1,027
Depreciation		851	937	937	1,009	1,083	1,132
<i>Total net acquisition of non-financial assets</i>		<b>1,151</b>	<b>2,354</b>	<b>2,328</b>	<b>1,390</b>	<b>545</b>	<b>460</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-1,306</b>	<b>-2,554</b>	<b>-2,520</b>	<b>-1,184</b>	<b>-225</b>	<b>53</b>

Note: Columns may not add due to rounding.



Table 1.5

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

	Note	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		461	424	448	488	489	529
Advances paid		-	-	-	-	-	-
Investments, loans and placements		2,458	1,932	2,964	3,062	3,144	3,275
Receivables		1,282	1,320	1,249	1,304	1,360	1,431
Investment property		-	-	-	-	-	-
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		39	28	27	28	29	-
Other financial assets		469	626	638	769	907	1,046
<b>Total financial assets</b>		<b>4,708</b>	<b>4,330</b>	<b>5,326</b>	<b>5,651</b>	<b>5,929</b>	<b>6,282</b>
<i>Non-financial assets</i>							
Land		9,363	9,841	9,841	10,333	10,849	11,391
Property, plant and equipment		26,902	30,922	30,190	32,556	33,854	34,999
Biological assets		351	353	353	355	358	360
Inventories							
Land inventories		1,315	1,465	1,458	1,495	1,564	1,668
Other inventories		846	813	830	831	822	820
Intangibles		96	118	118	124	120	118
Non-current assets held for sale		10	11	11	11	11	11
<b>Total non-financial assets</b>		<b>38,884</b>	<b>43,523</b>	<b>42,802</b>	<b>45,704</b>	<b>47,577</b>	<b>49,366</b>
<b>TOTAL ASSETS</b>		<b>43,592</b>	<b>47,853</b>	<b>48,129</b>	<b>51,355</b>	<b>53,505</b>	<b>55,648</b>
<b>LIABILITIES</b>							
Deposits held		1	1	1	1	1	1
Advances received		510	496	496	483	469	456
Borrowings		10,696	13,843	14,113	16,048	17,085	18,023
Unfunded superannuation		150	144	147	144	141	138
Other employee benefits		246	252	250	254	257	260
Payables		1,820	1,823	1,850	1,879	1,848	1,909
Other liabilities		1,294	1,243	1,275	1,265	1,287	1,138
<b>TOTAL LIABILITIES</b>		<b>14,716</b>	<b>17,803</b>	<b>18,133</b>	<b>20,074</b>	<b>21,089</b>	<b>21,926</b>
<b>NET ASSETS</b>		<b>28,876</b>	<b>30,050</b>	<b>29,996</b>	<b>31,281</b>	<b>32,417</b>	<b>33,722</b>
<i>Of which:</i>							
Contributed equity		2,948	3,244	3,232	3,401	3,540	3,616
Accumulated surplus		18,283	18,450	18,408	19,004	19,710	20,600
Other reserves		7,645	8,356	8,356	8,876	9,167	9,506
<b>NET WORTH</b>	6	<b>28,876</b>	<b>30,050</b>	<b>29,996</b>	<b>31,281</b>	<b>32,417</b>	<b>33,722</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-38,884	-43,523	-42,802	-45,704	-47,577	-49,366
<i>Net debt</i>							
Gross debt liabilities		11,207	14,341	14,610	16,532	17,555	18,480
less: liquid financial assets		2,919	2,356	3,412	3,551	3,633	3,805
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>8,288</b>	<b>11,985</b>	<b>11,198</b>	<b>12,982</b>	<b>13,923</b>	<b>14,676</b>

Note: Columns may not add due to rounding.

Table 1.6

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Grants and subsidies received		1,300	1,405	1,416	1,665	1,734	1,662
Receipts from sales of goods and services		6,902	7,449	7,584	8,041	8,542	9,223
Interest receipts		142	145	144	146	155	158
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		602	644	649	669	730	708
<b>Total receipts from operating activities</b>		<b>8,946</b>	<b>9,644</b>	<b>9,794</b>	<b>10,523</b>	<b>11,161</b>	<b>11,751</b>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-868	-849	-917	-950	-979	-1,013
Payments for goods and services		-5,097	-5,545	-5,549	-5,645	-5,908	-6,253
Interest paid		-643	-793	-788	-937	-1,040	-1,145
Grants and subsidies paid		-647	-719	-727	-725	-725	-669
Dividends and tax equivalents		-778	-831	-834	-895	-894	-912
Other payments		-891	-934	-946	-961	-982	-1,024
<b>Total payments for operating activities</b>		<b>-8,925</b>	<b>-9,671</b>	<b>-9,761</b>	<b>-10,114</b>	<b>-10,527</b>	<b>-11,016</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>21</b>	<b>-27</b>	<b>33</b>	<b>409</b>	<b>634</b>	<b>734</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,625	-3,847	-3,820	-3,547	-2,732	-2,622
Sales of non-financial assets		935	951	951	1,135	1,093	1,027
<b>Total cash flows from investments in non-financial assets</b>		<b>-1,690</b>	<b>-2,895</b>	<b>-2,868</b>	<b>-2,412</b>	<b>-1,639</b>	<b>-1,595</b>
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		345	165	165	44	345	285
<i>Payments for investing activities:</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-224	-187	-187	-57	-157	-214
<b>Total cash flows from investments in financial assets</b>		<b>122</b>	<b>-22</b>	<b>-22</b>	<b>-13</b>	<b>187</b>	<b>71</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-1,568</b>	<b>-2,918</b>	<b>-2,891</b>	<b>-2,425</b>	<b>-1,452</b>	<b>-1,524</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received		-	-	-	-	-	-
Borrowings		7,280	7,755	8,084	8,428	7,089	7,408
Deposits received		-	-	-	-	-	-
Other financing receipts		366	284	284	170	138	77
<b>Total receipts from financing activities</b>		<b>7,646</b>	<b>8,039</b>	<b>8,368</b>	<b>8,597</b>	<b>7,227</b>	<b>7,485</b>
<i>Payments for financing activities</i>							
Advances paid		-13	-13	-13	-13	-14	-14
Borrowings repaid		-5,531	-5,139	-5,515	-6,503	-6,309	-6,581
Deposits paid		-	-	-	-	-	-
Other financing payments		-8	-1	-1	-1	-2	-2
<b>Total payments for financing activities</b>		<b>-5,552</b>	<b>-5,154</b>	<b>-5,530</b>	<b>-6,518</b>	<b>-6,324</b>	<b>-6,596</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,094</b>	<b>2,885</b>	<b>2,838</b>	<b>2,079</b>	<b>903</b>	<b>889</b>
<b>Net increase in cash and cash equivalents</b>		<b>547</b>	<b>-60</b>	<b>-20</b>	<b>63</b>	<b>85</b>	<b>99</b>
Opening balance		880	852	1,427	1,407	1,470	1,555
Closing balance		1,427	792	1,407	1,470	1,555	1,654
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		21	-27	33	409	634	734
Net cash flows from investing in non-financial assets		-1,690	-2,895	-2,868	-2,412	-1,639	-1,595
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-1,669</b>	<b>-2,922</b>	<b>-2,835</b>	<b>-2,004</b>	<b>-1,005</b>	<b>-861</b>

Note: Columns may not add due to rounding.

Table 1.7

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Revenue</i>							
Taxation		6,231	6,359	6,067	6,659	7,043	7,590
Current grants and subsidies		7,587	7,526	7,751	7,768	7,448	7,199
Capital grants		550	433	446	366	485	519
Sales of goods and services		7,949	8,547	8,546	9,336	9,995	10,716
Interest Income		410	365	354	396	482	525
Royalty income		1,714	2,646	2,715	2,965	2,936	2,604
Other		700	699	770	686	683	877
<i>Total revenue</i>		25,141	26,575	26,650	28,175	29,071	30,029
<i>Expenses</i>							
Salaries		7,528	8,083	8,018	8,398	8,919	9,475
Superannuation							
Concurrent costs		729	787	773	806	853	902
Superannuation interest cost		316	309	312	300	295	288
Other employee costs		196	199	195	194	198	202
Depreciation and amortisation		1,591	1,713	1,713	1,828	1,941	2,014
Services and contracts		2,219	2,459	2,453	2,583	2,614	2,714
Other gross operating expenses		6,268	6,847	6,879	7,030	7,420	7,875
Other interest		723	879	873	987	1,093	1,236
Other property expenses		-	-	-	-	-	-
Current transfers		3,029	3,266	3,303	3,378	3,399	3,530
Capital transfers		385	377	390	301	280	284
<i>Total expenses</i>		22,985	24,920	24,911	25,805	27,012	28,521
<b>NET OPERATING BALANCE</b>	6	<b>2,156</b>	<b>1,655</b>	<b>1,739</b>	<b>2,370</b>	<b>2,059</b>	<b>1,508</b>
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		433	505	505	567	461	378
Net actuarial gains		-	-	-	-	-	-
Provision for doubtful debts		-37	-9	-9	-9	-10	-10
All other		-4	-	-	-30	20	90
<i>Total other economic flows</i>		392	496	496	528	471	459
<b>OPERATING RESULT</b>		<b>2,548</b>	<b>2,151</b>	<b>2,235</b>	<b>2,898</b>	<b>2,530</b>	<b>1,967</b>
<i>All other movements in equity</i>							
Revaluations		1,978	1,768	1,762	1,663	1,572	1,598
Gains recognised directly in equity		-13	-46	-46	-46	-32	-51
Changes in accounting policy/correction of prior period errors		-	-	-	-	-	-
Change in net worth of the PFC sector		90	42	44	25	38	35
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		2,055	1,764	1,760	1,642	1,577	1,583
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,603</b>	<b>3,916</b>	<b>3,995</b>	<b>4,540</b>	<b>4,108</b>	<b>3,550</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>2,156</b>	<b>1,655</b>	<b>1,739</b>	<b>2,370</b>	<b>2,059</b>	<b>1,508</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,569	6,481	6,467	5,768	4,847	5,158
Changes in inventories		218	-17	-16	-	-8	-2
Other movement in non-financial assets		257	375	376	-13	-3	1
<i>less:</i>							
Sales of non-financial assets		1,122	1,043	1,043	1,280	1,300	1,136
Depreciation		1,591	1,713	1,713	1,828	1,941	2,014
<i>Total net acquisition of non-financial assets</i>		2,331	4,084	4,071	2,648	1,594	2,006
<b>NET LENDING/-BORROWING</b>	6	<b>-175</b>	<b>-2,429</b>	<b>-2,332</b>	<b>-278</b>	<b>465</b>	<b>-498</b>

Note: Columns may not add due to rounding.

Table 1.8

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

	Note	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		791	708	729	796	800	836
Advances paid		231	234	234	233	234	237
Investments, loans and placements		6,172	5,338	6,536	7,373	8,115	7,766
Receivables		2,920	2,808	2,869	2,978	3,010	2,928
Investment property		12	12	12	12	12	12
Equity							
Investments in other public sector entities - equity method		1,356	1,398	1,400	1,425	1,463	1,499
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		39	28	28	27	28	29
Other financial assets		48	73	73	61	59	49
<b>Total financial assets</b>		<b>11,569</b>	<b>10,599</b>	<b>11,883</b>	<b>12,906</b>	<b>13,721</b>	<b>13,357</b>
<i>Non-financial assets</i>							
Land		38,494	39,576	39,610	40,755	41,972	43,249
Property, plant and equipment		51,562	57,638	57,231	61,548	64,491	67,806
Biological assets		353	356	356	358	360	362
Inventories							
Land inventories		1,018	1,435	1,111	1,146	1,219	1,234
Other inventories		902	869	886	887	878	876
Intangibles		322	315	317	310	271	247
Non-current assets held for sale		54	89	87	46	46	46
<b>Total non-financial assets</b>		<b>92,706</b>	<b>100,277</b>	<b>99,599</b>	<b>105,049</b>	<b>109,237</b>	<b>113,820</b>
<b>TOTAL ASSETS</b>		<b>104,275</b>	<b>110,876</b>	<b>111,482</b>	<b>117,955</b>	<b>122,958</b>	<b>127,177</b>
<b>LIABILITIES</b>							
Deposits held		118	122	122	123	123	122
Advances received		510	496	496	483	469	456
Borrowings		11,847	14,987	15,125	17,038	18,047	18,981
Unfunded superannuation		5,579	5,314	5,371	5,276	5,150	5,024
Other employee benefits		2,002	2,083	2,101	2,196	2,282	2,366
Payables		1,988	1,035	2,040	2,070	2,042	2,048
Other liabilities		1,773	2,661	1,773	1,777	1,743	1,529
<b>TOTAL LIABILITIES</b>		<b>23,817</b>	<b>26,698</b>	<b>27,029</b>	<b>28,962</b>	<b>29,857</b>	<b>30,526</b>
<b>NET ASSETS</b>		<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,298	29,267	29,533	32,431	34,961	36,928
Other reserves		53,160	54,911	54,920	56,562	58,140	59,723
<b>NET WORTH</b>	6	<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-12,248	-16,099	-15,146	-16,056	-16,136	-17,169
<i>Net financial liabilities</i>		13,642	17,525	16,574	17,509	17,627	18,698
<i>Net debt</i>							
Gross debt liabilities		12,475	15,605	15,744	17,643	18,639	19,560
less: liquid financial assets		7,194	6,280	7,499	8,402	9,148	8,838
less: convergence differences impacting net debt		88	88	88	88	88	88
<b>Net debt</b>		<b>5,193</b>	<b>9,238</b>	<b>8,156</b>	<b>9,153</b>	<b>9,403</b>	<b>10,633</b>

Note: Columns may not add due to rounding.

Table 1.9

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Taxes received		6,082	6,217	6,087	6,504	6,885	7,423
Grants and subsidies received		8,151	7,943	8,179	8,141	7,932	7,724
Receipts from sales of goods and services		7,931	8,649	8,760	9,298	9,864	10,560
Interest receipts		402	332	335	365	452	503
Dividends and tax equivalents		8	22	22	25	17	17
Other receipts		3,240	4,495	4,523	4,845	4,943	4,755
<i>Total receipts from operating activities</i>		<b>25,813</b>	<b>27,658</b>	<b>27,907</b>	<b>29,178</b>	<b>30,092</b>	<b>30,983</b>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-8,521	-7,958	-9,209	-9,513	-10,112	-10,710
Payments for goods and services		-8,808	-10,862	-9,560	-9,690	-10,099	-10,583
Interest paid		-713	-855	-850	-995	-1,101	-1,206
Grants and subsidies paid		-3,200	-3,369	-3,403	-3,473	-3,449	-3,577
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,760	-2,001	-1,958	-2,009	-1,997	-2,092
<i>Total payments for operating activities</i>		<b>-23,002</b>	<b>-25,046</b>	<b>-24,981</b>	<b>-25,680</b>	<b>-26,758</b>	<b>-28,169</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,811</b>	<b>2,613</b>	<b>2,926</b>	<b>3,497</b>	<b>3,334</b>	<b>2,814</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,569	-6,481	-6,467	-5,768	-4,847	-5,158
Sales of non-financial assets		1,122	1,043	1,043	1,280	1,300	1,136
<i>Total cash flows from investments in non-financial assets</i>		<b>-3,447</b>	<b>-5,439</b>	<b>-5,424</b>	<b>-4,488</b>	<b>-3,546</b>	<b>-4,021</b>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		346	165	165	44	345	285
Payments for investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-231	-197	-197	-58	-157	-215
<i>Total cash flows from investments in financial assets</i>		<b>114</b>	<b>-33</b>	<b>-33</b>	<b>-14</b>	<b>187</b>	<b>69</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,332</b>	<b>-5,471</b>	<b>-5,456</b>	<b>-4,502</b>	<b>-3,359</b>	<b>-3,952</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received		-	1	1	1	1	1
Borrowings		7,340	7,813	8,142	8,467	7,124	7,457
Deposits received		-	-	-	-	-	-
Other financing receipts		26	27	27	27	26	24
<i>Total receipts from financing activities</i>		<b>7,367</b>	<b>7,840</b>	<b>8,169</b>	<b>8,495</b>	<b>7,151</b>	<b>7,481</b>
<i>Payments for financing activities</i>							
Advances paid		-16	-13	-13	-13	-14	-14
Borrowings repaid		-5,653	-5,317	-5,693	-6,547	-6,354	-6,635
Deposits paid		-	-	-	-	-	-
Other financing payments		-52	-107	-107	-63	-63	-63
<i>Total payments for financing activities</i>		<b>-5,721</b>	<b>-5,437</b>	<b>-5,813</b>	<b>-6,623</b>	<b>-6,431</b>	<b>-6,712</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,646</b>	<b>2,403</b>	<b>2,356</b>	<b>1,871</b>	<b>720</b>	<b>770</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,124</b>	<b>-456</b>	<b>-175</b>	<b>867</b>	<b>695</b>	<b>-369</b>
Opening balance		4,226	4,678	5,351	5,176	6,042	6,738
Closing balance		5,351	4,222	5,176	6,042	6,738	6,369
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,811	2,613	2,926	3,497	3,334	2,814
Net cash flows from investing in non-financial assets		-3,447	-5,439	-5,424	-4,488	-3,546	-4,021
<b>Cash surplus/-deficit</b>	6	<b>-636</b>	<b>-2,826</b>	<b>-2,498</b>	<b>-991</b>	<b>-212</b>	<b>-1,207</b>

Note: Columns may not add due to rounding.

Table 1.10

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Revenue</i>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		715	736	739	787	840	894
Interest Income		1,000	1,107	1,150	1,140	1,188	1,222
Other		-	-	-	-	-	-
<b>Total revenue</b>		<b>1,715</b>	<b>1,843</b>	<b>1,890</b>	<b>1,927</b>	<b>2,028</b>	<b>2,116</b>
<i>Expenses</i>							
Salaries		29	32	33	34	35	37
Superannuation							
Concurrent costs		3	3	3	3	3	3
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		1	2	2	2	2	2
Depreciation and amortisation		13	13	13	12	12	12
Services and contracts		9	8	8	8	6	5
Other gross operating expenses		664	691	697	769	825	885
Other interest		913	1,016	1,056	1,046	1,092	1,123
Dividend and tax equivalents		24	25	25	17	17	16
Current transfers		2	3	3	3	2	3
Capital transfers		1	1	2	1	1	1
<b>Total expenses</b>		<b>1,660</b>	<b>1,793</b>	<b>1,840</b>	<b>1,895</b>	<b>1,996</b>	<b>2,087</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>32</b>	<b>33</b>	<b>30</b>
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		-	-	-	-	-	-
Net actuarial gains		-	-	-	-	-	-
Provision for doubtful debts		-	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other economic flows</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>55</b>	<b>50</b>	<b>50</b>	<b>32</b>	<b>32</b>	<b>30</b>
<i>All other movements in equity</i>							
Revaluations		35	-7	-5	-7	6	6
Gains recognised directly in equity		-	-	-	-	-	-
Changes in accounting policy/correction of prior period errors		-	-	-	-	-	-
Capital injections from general government		-	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>35</b>	<b>-7</b>	<b>-5</b>	<b>-7</b>	<b>6</b>	<b>6</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>90</b>	<b>42</b>	<b>44</b>	<b>25</b>	<b>38</b>	<b>35</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>32</b>	<b>33</b>	<b>30</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		7	4	5	4	4	3
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		13	13	13	12	12	12
<b>Total net acquisition of non-financial assets</b>		<b>-5</b>	<b>-9</b>	<b>-8</b>	<b>-8</b>	<b>-9</b>	<b>-9</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>60</b>	<b>58</b>	<b>58</b>	<b>40</b>	<b>41</b>	<b>39</b>

Note: Columns may not add due to rounding.

Table 1.11

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

	Note	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		24	23	28	27	27	27
Advances paid		1,434	1,542	1,908	1,936	1,964	1,992
Investments, loans and placements		15,600	16,950	16,950	17,853	18,470	18,530
Receivables		399	399	399	399	404	406
Investment property		388	416	416	444	475	507
Equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in external entities - shareholdings		1,401	1,506	1,506	1,612	1,728	1,847
Other financial assets		54	49	50	45	42	39
<b>Total financial assets</b>		<b>19,301</b>	<b>20,885</b>	<b>21,257</b>	<b>22,316</b>	<b>23,110</b>	<b>23,348</b>
<i>Non-financial assets</i>							
Land		17	18	18	18	19	20
Property, plant and equipment		228	225	229	228	228	228
Biological assets		8	7	7	7	6	5
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	7	7	7	6	5
Non-current assets held for sale		-	-	-	-	-	-
<b>Total non-financial assets</b>		<b>261</b>	<b>258</b>	<b>261</b>	<b>262</b>	<b>260</b>	<b>258</b>
<b>TOTAL ASSETS</b>		<b>19,562</b>	<b>21,143</b>	<b>21,518</b>	<b>22,578</b>	<b>23,370</b>	<b>23,606</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		15,793	17,186	17,553	18,420	18,992	19,004
Unfunded superannuation		12	12	12	12	13	13
Other employee benefits		6	6	6	6	6	6
Payables		254	270	272	278	292	307
Other liabilities		2,138	2,267	2,273	2,434	2,601	2,774
<b>TOTAL LIABILITIES</b>		<b>18,206</b>	<b>19,745</b>	<b>20,118</b>	<b>21,153</b>	<b>21,907</b>	<b>22,107</b>
<b>NET ASSETS</b>		<b>1,356</b>	<b>1,398</b>	<b>1,400</b>	<b>1,425</b>	<b>1,463</b>	<b>1,499</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		1,233	1,282	1,282	1,315	1,347	1,377
Other reserves		123	116	118	111	116	122
<b>NET WORTH</b>	6	<b>1,356</b>	<b>1,398</b>	<b>1,400</b>	<b>1,425</b>	<b>1,463</b>	<b>1,499</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-261	-258	-261	-262	-260	-258
<i>Net debt</i>							
Gross debt liabilities		15,797	17,189	17,556	18,423	18,995	19,007
less: liquid financial assets		17,058	18,516	18,887	19,815	20,461	20,549
less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-1,262</b>	<b>-1,327</b>	<b>-1,330</b>	<b>-1,392</b>	<b>-1,466</b>	<b>-1,542</b>

Note: Columns may not add due to rounding.

Table 1.12

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Grants and subsidies received		-	-	-	-	-	-
Receipts from sales of goods and services		637	691	694	739	801	852
Interest receipts		1,000	1,107	1,150	1,140	1,189	1,222
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		58	72	72	75	76	80
<b>Total receipts from operating activities</b>		<b>1,695</b>	<b>1,870</b>	<b>1,916</b>	<b>1,954</b>	<b>2,065</b>	<b>2,154</b>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-32	-32	-35	-37	-38	-40
Payments for goods and services		-554	-561	-563	-604	-652	-704
Interest paid		-913	-1,014	-1,048	-1,046	-1,092	-1,123
Grants and subsidies paid		-1	-1	-1	-	-	-
Dividends and tax equivalents		-8	-22	-22	-25	-17	-17
Other payments		-111	-121	-126	-129	-140	-148
<b>Total payments for operating activities</b>		<b>-1,618</b>	<b>-1,752</b>	<b>-1,796</b>	<b>-1,841</b>	<b>-1,940</b>	<b>-2,032</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>77</b>	<b>118</b>	<b>120</b>	<b>113</b>	<b>126</b>	<b>122</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-7	-4	-5	-4	-4	-3
Sales of non-financial assets		-	-	-	-	-	-
<b>Total cash flows from investments in non-financial assets</b>		<b>-7</b>	<b>-4</b>	<b>-5</b>	<b>-4</b>	<b>-4</b>	<b>-3</b>
<i>Cash flows from investments in financial assets</i>							
<i>Receipts from investing activities:</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		1,281	1,227	1,227	1,281	1,317	1,355
<i>Payments for investing activities:</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-1,536	-1,448	-1,666	-1,421	-1,467	-1,503
<b>Total cash flows from investments in financial assets</b>		<b>-255</b>	<b>-221</b>	<b>-440</b>	<b>-140</b>	<b>-150</b>	<b>-148</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-262</b>	<b>-225</b>	<b>-444</b>	<b>-144</b>	<b>-154</b>	<b>-151</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received		-	-	-	-	-	-
Borrowings		24,115	23,645	24,012	23,694	23,421	22,875
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<b>Total receipts from financing activities</b>		<b>24,115</b>	<b>23,645</b>	<b>24,012</b>	<b>23,694</b>	<b>23,421</b>	<b>22,875</b>
<i>Payments for financing activities</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-23,930	-23,537	-23,537	-23,663	-23,389	-22,842
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
<b>Total payments for financing activities</b>		<b>-23,930</b>	<b>-23,537</b>	<b>-23,537</b>	<b>-23,663</b>	<b>-23,389</b>	<b>-22,842</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>185</b>	<b>108</b>	<b>475</b>	<b>31</b>	<b>32</b>	<b>32</b>
<b>Net increase in cash and cash equivalents</b>		<b>-</b>	<b>1</b>	<b>151</b>	<b>-</b>	<b>4</b>	<b>4</b>
Opening balance		2,073	2,073	2,073	2,224	2,224	2,228
Closing balance		2,073	2,074	2,224	2,224	2,228	2,232
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		77	118	120	113	126	122
Net cash flows from investing in non-financial assets		-7	-4	-5	-4	-4	-3
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>70</b>	<b>114</b>	<b>116</b>	<b>109</b>	<b>122</b>	<b>119</b>

Note: Columns may not add due to rounding.



Table 1.13

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Revenue</i>							
Taxation		6,229	6,357	6,065	6,657	7,040	7,588
Current grants and subsidies		7,587	7,526	7,751	7,768	7,448	7,199
Capital grants		550	433	446	366	485	519
Sales of goods and services		8,481	9,104	9,105	9,934	10,637	11,404
Interest income		700	639	678	608	634	563
Royalty income		1,714	2,646	2,715	2,965	2,936	2,604
Other		675	674	745	668	666	861
<i>Total revenue</i>		25,936	27,378	27,505	28,967	29,846	30,736
<i>Expenses</i>							
Salaries		7,557	8,116	8,050	8,432	8,954	9,512
Superannuation							
Concurrent costs		732	790	776	809	856	906
Superannuation interest cost		316	309	312	300	295	288
Other employee costs		197	201	197	196	200	203
Depreciation and amortisation		1,604	1,725	1,726	1,840	1,953	2,026
Services and contracts		2,227	2,467	2,461	2,591	2,620	2,719
Other gross operating expenses		6,749	7,359	7,396	7,611	8,048	8,554
Other interest		926	1,062	1,102	1,106	1,149	1,176
Other property expenses		-	-	-	-	-	-
Current transfers		3,029	3,266	3,303	3,379	3,399	3,530
Capital transfers		385	378	392	301	280	284
<i>Total expenses</i>		23,725	25,673	25,717	26,565	27,754	29,199
<b>NET OPERATING BALANCE</b>	6	<b>2,211</b>	<b>1,704</b>	<b>1,788</b>	<b>2,402</b>	<b>2,091</b>	<b>1,538</b>
<i>Other economic flows</i>							
Net gains on sale of non-financial assets		433	505	505	567	461	378
Net actuarial gains		-	-	-	-	-	-
Provision for doubtful debts		-37	-9	-9	-9	-10	-10
All other		-4	-	-	-30	20	90
<i>Total other economic flows</i>		392	496	496	528	471	459
<b>OPERATING RESULT</b>		<b>2,603</b>	<b>2,201</b>	<b>2,284</b>	<b>2,930</b>	<b>2,563</b>	<b>1,997</b>
<i>All other movements in equity</i>							
Revaluations		2,013	1,761	1,757	1,656	1,577	1,604
Gains recognised directly in equity		-13	-46	-46	-46	-32	-51
Changes in accounting policy/correction of prior period errors		-	-	-	-	-	-
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		2,000	1,715	1,710	1,610	1,545	1,553
<b>TOTAL CHANGE IN NET WORTH</b>		<b>4,603</b>	<b>3,916</b>	<b>3,995</b>	<b>4,540</b>	<b>4,108</b>	<b>3,550</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>2,211</b>	<b>1,704</b>	<b>1,788</b>	<b>2,402</b>	<b>2,091</b>	<b>1,538</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		4,576	6,481	6,471	5,772	4,850	5,161
Changes in inventories		218	-17	-16	-	-8	-2
Other movement in non-financial assets		257	375	376	-13	-3	1
<i>less:</i>							
Sales of non-financial assets		1,122	1,043	1,043	1,280	1,300	1,136
Depreciation		1,604	1,713	1,726	1,840	1,953	2,026
<i>Total net acquisition of non-financial assets</i>		2,326	4,084	4,062	2,640	1,585	1,997
<b>NET LENDING/-BORROWING</b>	6	<b>-115</b>	<b>-2,429</b>	<b>-2,274</b>	<b>-238</b>	<b>506</b>	<b>-460</b>

Note: Columns may not add due to rounding.

Table 1.14

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

	Note	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		815	730	757	822	826	863
Advances paid		1,662	1,773	2,139	2,166	2,194	2,226
Investments, loans and placements		9,255	6,910	7,611	7,380	7,670	6,398
Receivables		2,970	2,807	2,866	2,955	2,962	2,856
Investment property		400	428	428	457	488	519
Equity - investments in external entities - shareholdings		1,440	1,534	1,534	1,640	1,756	1,877
Other financial assets		55	83	83	72	72	63
<i>Total financial assets</i>		<b>16,598</b>	<b>14,266</b>	<b>15,419</b>	<b>15,491</b>	<b>15,968</b>	<b>14,802</b>
<i>Non-financial assets</i>							
Land		38,511	39,593	39,628	40,774	41,991	43,269
Property, plant and equipment		51,440	57,796	57,076	61,392	64,340	67,565
Biological assets		353	356	356	358	360	362
Inventories							
Land inventories		1,376	1,509	1,503	1,538	1,605	1,708
Other inventories		902	869	886	887	878	876
Intangibles		331	323	325	317	277	252
Non-current assets held for sale		54	89	87	46	46	46
<i>Total non-financial assets</i>		<b>92,967</b>	<b>100,534</b>	<b>99,860</b>	<b>105,311</b>	<b>109,497</b>	<b>114,078</b>
<b>TOTAL ASSETS</b>		<b>109,566</b>	<b>114,800</b>	<b>115,279</b>	<b>120,802</b>	<b>125,465</b>	<b>128,880</b>
<b>LIABILITIES</b>							
Deposits held		118	122	122	122	122	122
Advances received		510	496	496	483	469	456
Borrowings		15,124	16,794	16,803	17,612	18,123	18,088
Unfunded superannuation		5,591	5,326	5,383	5,289	5,163	5,037
Other employee benefits		2,008	2,088	2,106	2,202	2,288	2,372
Payables		2,206	2,268	2,273	2,318	2,306	2,329
Other liabilities		3,551	3,527	3,642	3,783	3,892	3,826
<b>TOTAL LIABILITIES</b>		<b>29,107</b>	<b>30,622</b>	<b>30,826</b>	<b>31,809</b>	<b>32,364</b>	<b>32,229</b>
<b>NET ASSETS</b>		<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		28,387	30,406	30,671	33,601	36,164	38,161
Other reserves		52,072	53,772	53,782	55,392	56,937	58,490
<b>NET WORTH</b>	6	<b>80,459</b>	<b>84,178</b>	<b>84,453</b>	<b>88,993</b>	<b>93,101</b>	<b>96,651</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-12,509	-16,356	-15,407	-16,318	-16,396	-17,427
<i>Net financial liabilities</i>		13,949	17,890	16,941	17,957	18,152	19,304
<i>Net debt</i>							
Gross debt liabilities		15,752	17,412	17,421	18,217	18,715	18,666
less: liquid financial assets		11,733	9,413	10,507	10,368	10,690	9,486
less: convergence differences impacting net debt		88	88	88	88	88	88
<i>Net debt</i>		<b>3,931</b>	<b>7,911</b>	<b>6,826</b>	<b>7,761</b>	<b>7,936</b>	<b>9,091</b>

Note: Columns may not add due to rounding.

Table 1.15

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

	Note	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>OPERATING ACTIVITIES</b>							
<i>Receipts from operating activities</i>							
Taxes received		6,043	6,175	6,046	6,460	6,837	7,372
Grants and subsidies received		8,151	7,943	8,179	8,141	7,932	7,724
Receipts from sales of goods and services		8,415	9,160	9,273	9,848	10,452	11,190
Interest receipts		682	588	640	513	542	519
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		3,291	4,557	4,585	4,910	5,009	4,825
<i>Total receipts from operating activities</i>		<b>26,584</b>	<b>28,424</b>	<b>28,724</b>	<b>29,871</b>	<b>30,772</b>	<b>31,629</b>
<i>Payments for operating activities</i>							
Wages, salaries and supplements, and superannuation		-8,553	-7,990	-9,245	-9,549	-10,150	-10,750
Payments for goods and services		-9,209	-11,244	-9,943	-10,105	-10,539	-11,064
Interest paid		-905	-1,018	-1,052	-1,049	-1,095	-1,123
Grants and subsidies paid		-3,201	-3,370	-3,404	-3,473	-3,449	-3,577
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,827	-2,020	-2,034	-2,085	-2,079	-2,180
<i>Total payments for operating activities</i>		<b>-23,696</b>	<b>-25,641</b>	<b>-25,678</b>	<b>-26,261</b>	<b>-27,312</b>	<b>-28,693</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,888</b>	<b>2,782</b>	<b>3,046</b>	<b>3,610</b>	<b>3,460</b>	<b>2,936</b>
<b>INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-4,576	-6,485	-6,471	-5,772	-4,850	-5,161
Sales of non-financial assets		1,122	1,043	1,043	1,280	1,300	1,136
<i>Total cash flows from investments in non-financial assets</i>		<b>-3,454</b>	<b>-5,443</b>	<b>-5,429</b>	<b>-4,492</b>	<b>-3,550</b>	<b>-4,024</b>
<i>Cash flows from investments in financial assets</i>							
Receipts from investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		1,627	1,391	1,246	1,325	1,662	1,640
Payments for investing activities:							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		-1,767	-1,645	-1,864	-1,479	-1,625	-1,719
<i>Total cash flows from investments in financial assets</i>		<b>-140</b>	<b>-253</b>	<b>-617</b>	<b>-153</b>	<b>37</b>	<b>-79</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,594</b>	<b>-5,696</b>	<b>-6,046</b>	<b>-4,646</b>	<b>-3,513</b>	<b>-4,103</b>
<b>FINANCING ACTIVITIES</b>							
<i>Receipts from financing activities</i>							
Advances received		-	1	1	1	1	1
Borrowings		18,463	18,329	18,320	17,148	17,068	16,242
Deposits received		-	-	-	-	-	-
Other financing receipts		26	27	27	27	26	24
<i>Total receipts from financing activities</i>		<b>18,489</b>	<b>18,356</b>	<b>18,347</b>	<b>17,175</b>	<b>17,095</b>	<b>16,266</b>
<i>Payments for financing activities</i>							
Advances paid		-16	-13	-13	-13	-14	-14
Borrowings repaid		-16,590	-15,725	-15,396	-15,197	-16,266	-15,387
Deposits paid		-	-	-	-	-	-
Other financing payments		-52	-107	-107	-63	-63	-63
<i>Total payments for financing activities</i>		<b>-16,659</b>	<b>-15,846</b>	<b>-15,517</b>	<b>-15,273</b>	<b>-16,343</b>	<b>-15,464</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,831</b>	<b>2,511</b>	<b>2,831</b>	<b>1,903</b>	<b>752</b>	<b>802</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,124</b>	<b>-403</b>	<b>-169</b>	<b>867</b>	<b>699</b>	<b>-365</b>
Opening balance		6,299	6,800	7,424	7,254	8,121	8,821
Closing balance		7,424	6,397	7,254	8,121	8,821	8,456
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,888	2,782	3,046	3,610	3,460	2,936
Net cash flows from investing in non-financial assets		-3,454	-5,443	-5,429	-4,492	-3,550	-4,024
<b>Cash surplus/-deficit</b>	6	<b>-566</b>	<b>-2,660</b>	<b>-2,383</b>	<b>-882</b>	<b>-90</b>	<b>-1,088</b>

Note: Columns may not add due to rounding.

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### NOTE 1: STATEMENT OF COMPLIANCE

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

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

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### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) *The reporting entity*

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

(b) *Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the *2006-07 Annual Report on State Finances (ARSF)*, which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 6 of the 2006-07 ARSF.

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

(c) *Unaudited data*

These financial projections are not subject to audit.

(d) *Comparative figures*

Comparative information for 2007-08 is based on the estimated outturn data presented in the 2008-09 Budget Papers, adjusted for material financial events known to have had an impact since the finalisation of those estimates. Final audited outcomes for 2007-08 will be available in the ARSF to be released by 28 September 2008.

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**NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE**


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A detailed dissection of general government revenue (which includes the Uniform Presentation Framework taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

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**NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES**


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

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

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


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	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>CURRENT TRANSFERS</b>						
Local Government	96	87	93	79	95	96
Local Government on-passing	122	128	130	136	143	149
Private and Not-for-profit sector	1,596	1,720	1,737	1,786	1,737	1,868
Private and Not-for-profit sector on-passing	603	588	588	632	680	730
Other sectors of Government	1,341	1,504	1,518	1,804	1,849	1,779
Other	-	-	-	-	-	-
<i>Total Current Transfers</i>	<i>3,758</i>	<i>4,026</i>	<i>4,066</i>	<i>4,437</i>	<i>4,503</i>	<i>4,622</i>
<b>CAPITAL TRANSFERS</b>						
Local Government	113	115	116	67	38	39
Local Government on-passing	83	86	87	91	95	99
Private and Not-for-profit sector	107	151	162	123	126	125
Private and Not-for-profit sector on-passing	31	18	18	13	13	13
Other sectors of Government	122	92	98	93	91	88
Other	-	-	-	-	-	-
<i>Total Capital Transfers</i>	<i>456</i>	<i>462</i>	<i>482</i>	<i>387</i>	<i>363</i>	<i>364</i>

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

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

	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>Expenses</i>						
General public services	288	766	614	568	751	1,085
Public order and safety	1,963	2,057	2,064	2,110	2,167	2,227
Education	4,399	4,560	4,554	4,748	4,967	5,172
Health	4,133	4,365	4,386	4,602	4,832	5,102
Social security and welfare	925	1,026	1,031	1,169	1,169	1,201
Housing and community amenities	1,355	1,451	1,449	1,427	1,399	1,368
Recreation and culture	552	571	574	560	566	571
Fuel and energy	87	115	116	399	426	361
Agriculture, forestry, fishing and hunting	433	404	404	352	352	359
Mining and mineral resources other than fuels; manufacturing; and construction	271	270	293	252	224	211
Transport and communications	1,524	1,624	1,669	1,723	1,789	1,918
Other economic affairs	369	378	384	370	370	374
Other purposes	425	430	433	419	412	405
<b>Total General Government Expenses</b>	<b>16,725</b>	<b>18,017</b>	<b>17,972</b>	<b>18,697</b>	<b>19,424</b>	<b>20,355</b>
<i>Purchases of new non-financial assets</i>						
General public services	208	234	234	219	204	190
Public order and safety	245	223	224	203	135	71
Education	371	344	344	299	271	226
Health	253	473	462	585	603	810
Social security and welfare	45	31	31	29	28	50
Housing and community amenities	238	375	375	235	119	113
Recreation and culture	109	178	178	62	64	303
Fuel and energy	2	1	1	6	1	1
Agriculture, forestry, fishing and hunting	26	16	16	37	94	74
Mining and mineral resources other than fuels; manufacturing; and construction	19	5	5	2	2	2
Transport and communications	771	770	770	535	581	520
Other economic affairs	39	57	80	42	28	16
Other purposes	-300	-	-	20	44	162
<b>Total Purchases of Non-financial Assets</b>	<b>2,028</b>	<b>2,707</b>	<b>2,721</b>	<b>2,274</b>	<b>2,175</b>	<b>2,536</b>

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

**NOTE 6: CONVERGENCE DIFFERENCES**

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

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

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Operating Balance

	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<u>General government</u>						
AASB1049 net operating balance	2,310	1,855	1,930	2,163	1,738	995
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	68	112	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	68	112	112	83	7	-
Total GFS adjustments to AASB 1049 net operating balance	68	112	112	83	7	-
<b>GFS net operating balance</b>	<b>2,378</b>	<b>1,967</b>	<b>2,043</b>	<b>2,247</b>	<b>1,745</b>	<b>995</b>
<u>Public non-financial corporations</u>						
AASB1049 net operating balance	-154	-200	-192	206	321	513
<i>Less GFS expense adjustments</i>						
Capitalised interest	-	5	5	13	3	-
Total GFS expense adjustments	-	5	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	-	-5	-5	-13	-3	-
<b>GFS net operating balance</b>	<b>-155</b>	<b>-206</b>	<b>-197</b>	<b>193</b>	<b>318</b>	<b>513</b>
<u>Total non-financial public sector</u>						
AASB1049 net operating balance	2,156	1,655	1,739	2,370	2,059	1,508
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	68	112	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	68	112	112	83	7	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	-	5	5	13	3	-
Total GFS expense adjustments	-	5	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	68	107	107	70	4	-
<b>GFS net operating balance</b>	<b>2,224</b>	<b>1,761</b>	<b>1,845</b>	<b>2,440</b>	<b>2,063</b>	<b>1,508</b>
<u>Public financial corporations</u>						
AASB1049 net operating balance	55	50	50	32	33	30
Total GFS adjustments to AASB 1049 net operating balance	-	-	-	-	-	-
<b>GFS net operating balance</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>32</b>	<b>33</b>	<b>30</b>
<u>Total public sector</u>						
AASB1049 net operating balance	2,211	1,704	1,788	2,402	2,091	1,538
<i>Plus GFS revenue adjustments</i>						
Capital grants - prepaid AusLink road grants	68	112	112	83	7	-
Goods and services revenue - intersector equity/asset transfers recorded as revenue	-	-	-	-	-	-
Total GFS revenue adjustments	68	112	112	83	7	-
<i>Less GFS expense adjustments</i>						
Capitalised interest	-	5	5	13	3	-
Total GFS expense adjustments	-	5	5	13	3	-
Total GFS adjustments to AASB 1049 net operating balance	68	107	107	70	4	-
<b>GFS net operating balance</b>	<b>2,279</b>	<b>1,811</b>	<b>1,895</b>	<b>2,472</b>	<b>2,095</b>	<b>1,537</b>

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**AASB 1049 TO GFS CONVERGENCE DIFFERENCES**
**Net Lending/-Borrowing**


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	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<i>General government</i>						
AASB1049 net lending/-borrowing	1,130	125	188	906	690	-551
Plus Net operating balance convergence differences (noted above)	68	112	112	83	7	-
<b>GFS net lending/-borrowing</b>	<b>1,198</b>	<b>237</b>	<b>300</b>	<b>990</b>	<b>696</b>	<b>-551</b>
<i>Public non-financial corporations</i>						
AASB1049 net lending/-borrowing	-1,306	-2,554	-2,520	-1,184	-225	53
Plus Net operating balance convergence differences (noted above)	-	-5	-5	-13	-3	-
<b>GFS net lending/-borrowing</b>	<b>-1,306</b>	<b>-2,559</b>	<b>-2,525</b>	<b>-1,197</b>	<b>-228</b>	<b>53</b>
<i>Total non-financial public sector</i>						
AASB1049 net lending/-borrowing	-175	-2,429	-2,332	-278	465	-498
Plus Net operating balance convergence differences (noted above)	68	107	107	70	4	-
<b>GFS net lending/-borrowing</b>	<b>-107</b>	<b>-2,322</b>	<b>-2,225</b>	<b>-208</b>	<b>469</b>	<b>-499</b>
<i>Public financial corporations</i>						
AASB1049 net lending/-borrowing	60	58	58	40	41	39
Plus Net operating balance convergence differences (noted above)	-	-	-	-	-	-
<b>GFS net lending/-borrowing</b>	<b>60</b>	<b>58</b>	<b>58</b>	<b>40</b>	<b>41</b>	<b>39</b>
<i>Total public sector</i>						
AASB1049 net lending/-borrowing	-115	-2,429	-2,274	-238	506	-460
Plus Net operating balance convergence differences (noted above)	68	107	107	70	4	-
<b>GFS net lending/-borrowing</b>	<b>-47</b>	<b>-2,322</b>	<b>-2,167</b>	<b>-167</b>	<b>510</b>	<b>-460</b>

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

### Net Worth at 30 June

	2008 PFPS Revision \$m	2009 Budget Estimate \$m	2009 PFPS Revision \$m	2010 PFPS Revision \$m	2011 PFPS Revision \$m	2012 PFPS Revision \$m
<u>General government</u>						
AASB1049 net worth	80,459	84,178	84,453	88,993	93,101	96,651
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
General government sector	138	138	138	139	139	139
Impact on public corporations net worth	12	12	12	12	12	12
Impact of AusLink Road grants prepayments	-202	90	-89	-6	-	-
Total GFS net worth adjustments	36	328	149	232	238	238
<b>GFS net worth</b>	<b>80,495</b>	<b>84,506</b>	<b>84,602</b>	<b>89,226</b>	<b>93,339</b>	<b>96,890</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	28,876	30,050	29,996	31,281	32,417	33,722
<i>Plus</i>						
Impact of general government equity injections	-2,948	-3,244	-3,232	-3,401	-3,540	-3,616
Provision for doubtful debts	12	12	12	12	12	12
Total GFS net worth adjustments	-2,937	-3,232	-3,220	-3,390	-3,528	-3,605
<b>GFS net worth</b>	<b>25,940</b>	<b>26,818</b>	<b>26,776</b>	<b>27,891</b>	<b>28,889</b>	<b>30,118</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	80,459	84,178	84,453	88,993	93,101	96,651
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts						
Total non-financial public sector	150	150	150	150	150	150
Impact on public corporations net worth	-	-	-	-	-	-
Impact of AusLink Road grants prepayments	-202	90	-89	-6	-	-
Total GFS net worth adjustments	36	328	149	232	238	238
<b>GFS net worth</b>	<b>80,495</b>	<b>84,506</b>	<b>84,602</b>	<b>89,226</b>	<b>93,339</b>	<b>96,890</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,356	1,398	1,400	1,425	1,463	1,499
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
<b>GFS net worth</b>	<b>1,356</b>	<b>1,398</b>	<b>1,400</b>	<b>1,425</b>	<b>1,463</b>	<b>1,499</b>
<u>Total public sector</u>						
AASB1049 net worth	80,459	84,178	84,453	88,993	93,101	96,651
<i>Plus</i>						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	88	88	88	88	88
Provision for doubtful debts	151	151	151	151	152	152
Impact of AusLink Road grants prepayments	-202	90	-89	-6	-	-
Total GFS net worth adjustments	37	329	150	233	240	240
<b>GFS net worth</b>	<b>80,495</b>	<b>84,507</b>	<b>84,603</b>	<b>89,227</b>	<b>93,340</b>	<b>96,891</b>

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


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	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<u>General government</u>						
AASB1049 cash surplus/-deficit	1,033	150	337	1,013	793	-347
Less Acquisitions under finance leases and similar arrangements	198	-	-	-	-	1
<b>GFS cash surplus/-deficit</b>	<b>836</b>	<b>150</b>	<b>337</b>	<b>1,013</b>	<b>793</b>	<b>-348</b>
<u>Public non-financial corporations</u>						
AASB1049 cash surplus/-deficit	-1,669	-2,922	-2,835	-2,004	-1,005	-861
Less Acquisitions under finance leases and similar arrangements	94	419	419	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-1,763</b>	<b>-3,341</b>	<b>-3,254</b>	<b>-2,004</b>	<b>-1,005</b>	<b>-861</b>
<u>Total non-financial public sector</u>						
AASB1049 cash surplus/-deficit	-636	-2,826	-2,498	-991	-212	-1,207
Less Acquisitions under finance leases and similar arrangements	292	419	419	-	-	2
<b>GFS cash surplus/-deficit</b>	<b>-928</b>	<b>-3,245</b>	<b>-2,917</b>	<b>-991</b>	<b>-212</b>	<b>-1,209</b>
<u>Public financial corporations</u>						
AASB1049 cash surplus/-deficit	70	114	116	109	122	119
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>70</b>	<b>114</b>	<b>116</b>	<b>109</b>	<b>122</b>	<b>119</b>
<u>Total public sector</u>						
AASB1049 cash surplus/-deficit	-566	-2,660	-2,383	-882	-90	-1,088
Less Acquisitions under finance leases and similar arrangements	292	419	419	-	-	2
<b>GFS cash surplus/-deficit</b>	<b>-858</b>	<b>-3,079</b>	<b>-2,801</b>	<b>-882</b>	<b>-90</b>	<b>-1,090</b>

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## APPENDIX 2

# General Government Operating Revenue

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

Table 2.1

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	1,940	2,129	2,112	2,275	2,481	2,708
Property taxes						
<i>Land tax</i>	421	563	563	615	678	744
Transfer Duty	2,265	1,948	1,669	1,915	1,903	2,006
Landholder Duty	-	144	138	158	161	170
<i>Total duty on transfers</i>	2,265	2,092	1,807	2,073	2,063	2,176
Mortgages	108	10	10	-	-	-
Other stamp duties	-	1	1	1	1	1
Metropolitan Region Improvement Tax	76	86	86	94	104	114
Emergency Services Levy	150	154	154	168	179	185
Loan guarantee fees	14	19	22	25	26	28
<i>Total other property taxes</i>	348	270	273	288	310	328
Taxes on provision of goods and services						
Lotteries Commission	119	114	114	117	121	124
Video lottery terminals	1	1	1	1	1	1
Casino Tax	78	81	81	84	87	90
TAB betting tax	32	35	35	37	40	43
<i>Total taxes on gambling</i>	229	230	230	239	248	258
Insurance Duty	342	388	368	405	448	497
Other	27	18	18	18	19	19
<i>Total taxes on insurance</i>	369	406	386	423	467	516
Taxes on use of goods and performance of activities						
Vehicle Licence Duty	393	376	406	442	474	523
Permits - Oversize Vehicles and Loads	4	4	4	4	4	4
Motor Vehicle recording fee	34	40	40	42	43	44
Motor Vehicle registrations	439	465	465	489	514	538
<i>Total motor vehicle taxes</i>	870	886	916	977	1,035	1,110
<b>Total Taxation</b>	<b>6,442</b>	<b>6,576</b>	<b>6,287</b>	<b>6,890</b>	<b>7,282</b>	<b>7,840</b>

Note: Columns may not add due to rounding.

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

Table 2.1 (cont.)

	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>CURRENT GRANTS AND SUBSIDIES</b>						
<i>General Purpose Grants</i>						
GST revenue grants	3,984	3,957	3,918	3,837	3,400	3,061
Competition reform	4	-	-	-	-	-
Compensation for Condensate Excise	71	-	9	-	-	-
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	970	972	972	1,029	1,088	1,151
Other health	339	322	322	312	323	340
Schools assistance – government schools	281	274	274	286	299	313
Vocational training	103	103	103	105	107	109
Roads	24	27	27	49	52	56
Other	245	316	312	270	266	265
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	603	588	588	632	680	730
Local government financial assistance grants	122	128	130	136	143	149
Local government roads	83	86	87	91	95	99
Other	-	33	31	33	33	33
<i>Other Grants</i>						
North West Shelf royalties	758	720	979	989	963	893
<b>Total Current Grants and Subsidies</b>	<b>7,587</b>	<b>7,526</b>	<b>7,751</b>	<b>7,768</b>	<b>7,448</b>	<b>7,199</b>
<b>CAPITAL GRANTS</b>						
<i>Specific Purpose Grants to the State</i>						
Roads	210	152	152	109	231	270
Schools assistance – government schools	32	33	33	33	33	33
Vocational training	19	17	17	16	16	16
Other	258	214	227	194	191	186
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	31	18	18	13	13	13
<b>Total Capital Grants</b>	<b>550</b>	<b>433</b>	<b>446</b>	<b>366</b>	<b>485</b>	<b>519</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

<b>OPERATING REVENUE</b>						
<b>General Government</b>						
	2007-08 PFPS Revision \$m	2008-09 Budget Estimate \$m	2008-09 PFPS Revision \$m	2009-10 PFPS Revision \$m	2010-11 PFPS Revision \$m	2011-12 PFPS Revision \$m
<b>SALES OF GOODS AND SERVICES</b>						
Department for Planning and Infrastructure	123	139	139	142	146	151
WA Health	290	282	282	288	295	303
Department of Education and Training	162	156	156	158	160	161
TAFE Colleges	85	87	87	93	96	99
Land Information Authority	93	96	96	102	112	111
Department of the Attorney General	56	57	58	58	60	61
Department of Corrective Services	12	16	16	17	18	18
Department of Environment and Conservation	65	68	68	70	70	74
Department of Consumer and Employment Protection	40	44	44	45	46	48
Department of Fisheries	24	24	24	25	26	27
Department of Culture and the Arts	19	19	19	19	19	20
Western Australia Police	23	22	22	21	22	22
All Others	280	320	319	351	381	422
<b>Total Sales of Goods and Services</b>	<b>1,272</b>	<b>1,329</b>	<b>1,330</b>	<b>1,389</b>	<b>1,452</b>	<b>1,517</b>
<b>INTEREST INCOME</b>	<b>301</b>	<b>252</b>	<b>241</b>	<b>281</b>	<b>356</b>	<b>396</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	491	476	476	536	543	574
Tax Equivalent Regime	332	334	355	367	363	404
<b>Total Revenue from Public Corporations</b>	<b>823</b>	<b>810</b>	<b>831</b>	<b>903</b>	<b>906</b>	<b>977</b>
<b>ROYALTY INCOME</b>	<b>1,714</b>	<b>2,646</b>	<b>2,715</b>	<b>2,965</b>	<b>2,936</b>	<b>2,604</b>
<b>OTHER</b>						
Lease rentals	60	58	58	56	53	50
Fines	114	125	125	126	127	126
Revenue not elsewhere counted	171	117	119	115	118	121
<b>Total Other</b>	<b>345</b>	<b>300</b>	<b>302</b>	<b>297</b>	<b>298</b>	<b>298</b>
<b>TOTAL REVENUE</b>	<b>19,035</b>	<b>19,872</b>	<b>19,903</b>	<b>20,860</b>	<b>21,162</b>	<b>21,349</b>

Note: Columns may not add due to rounding.

# Post-Budget Policy Decisions Affecting Spending

This appendix provides a breakdown of the variations in general government expenses and total public sector capital spending due to policy decisions made between the 7 April 2008 cut-off date for the 2008-09 Budget and the dissolution of the Legislative Assembly on 7 August 2008. Details of individual decisions by agency are provided below.

## SUMMARY OF SPENDING DECISIONS SINCE THE 2008-09 BUDGET

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>GENERAL GOVERNMENT SECTOR EXPENSES</b>					
Communities	-	0.9	-	-	-
Environment and Conservation	-	0.6	0.6	0.6	0.6
Housing Authority	-	0.8	2.4	5.7	11.9
Industry and Resources	-	18.9	-	-	-
Office of Energy	-	1.0	-	-	-
Premier and Cabinet	2.1	0.5	-	-	-
South West Development Commission	-	6.0	6.0	-	-
Sport and Recreation	-	0.8	-	-	-
WA Health	-	12.5	9.6	4.7	5.6
Western Australian Land Authority <sup>(a)</sup>	-	-	4.9	4.4	-
Western Australia Police	-	1.5	-	-	-
Global adjustment for 3% efficiency dividend	-	-191.0	-400.0	-418.0	-440.0
<b>TOTAL EXPENSES</b>	<b>2.1</b>	<b>-147.7</b>	<b>-376.5</b>	<b>-402.6</b>	<b>-422.0</b>
<b>TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS</b>					
Main Roads	-	0.5	35.9	35.6	-
WA Health	-	0.2	5.6	17.4	19.8
Western Australia Police	1.5	-	-	-	-
Western Australian Land Authority	-	0.5	6.8	45.8	17.1
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>1.5</b>	<b>1.2</b>	<b>48.4</b>	<b>98.8</b>	<b>36.9</b>

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

Note: Columns may not add due to rounding.

## Communities

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Integrated Services Centres – Parkwood and Koondoola	-	0.9	-	-	-
<b>Total expenses</b>	-	<b>0.9</b>	-	-	-

### Expenses

- Integrated Services Centres are proposed to be established at Parkwood and Koondoola Primary Schools and will provide a centralised and holistic program, offering specialist and culturally appropriate services to African and other humanitarian entrants.

## Environment and Conservation

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Fire Related Allowances	-	0.6	0.6	0.6	0.6
<b>Total expenses</b>	-	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

### Expenses

- A new fire line allowance to compensate conservation employees for conditions encountered during fire suppression work, is to be provided from 2008-09.

## Housing Authority

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
National Rental Affordability Scheme	-	0.8	2.4	5.7	11.9
<b>Total expenses</b>	-	<b>0.8</b>	<b>2.4</b>	<b>5.7</b>	<b>11.9</b>

### Expenses

- In July 2008, Cabinet approved Western Australia's contribution of \$2,000 per unit per year for ten years (including indexation) to support the establishment and operation of the first phase of the Commonwealth Government's National Rental Affordability Scheme.



## Industry and Resources

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Argyle Diamond Mine Variation Agreement – Royalty Concession	-	18.9	-	-	-
<b>Total expenses</b>	-	<b>18.9</b>	-	-	-

### Expenses

- In November 2005, Cabinet agreed in-principle to provide a royalty concession to Argyle Diamonds Limited as part of a Variation to the State Agreement. This was to be retrospectively applied from 1 January 2006 if and when underground mining operations commenced at the site. As underground mining operations are expected to commence in late 2008, a repayment of \$18.9 million of royalties collected at the higher royalty rate is expected to be provided to Argyle Diamonds Limited in 2008-09.

## Main Roads

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Purchase of non-financial assets</b>					
Reid Highway / Alexander Drive Interchange	-	0.5	35.9	35.6	-
<b>Total purchase of non-financial assets</b>	-	<b>0.5</b>	<b>35.9</b>	<b>35.6</b>	-

### Purchase of Non-Financial Assets

- Additional capital expenditure of \$72.0 million over three years has been approved to construct a grade-separated interchange at the intersection of Reid Highway and Alexander Drive, commencing in 2008-09. The Commonwealth is expected to contribute \$10 million to the cost of the project.

## Office of Energy

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Energy Shortage Campaign	-	1.0	-	-	-
<b>Total expenses</b>	-	<b>1.0</b>	-	-	-

### Expenses

- \$950,000 is expected to be spent on the Energy Shortage Campaign in 2008-09 to inform the community of the gas supply disruption and to encourage adoption of energy efficient actions to lessen the impact of reduced supplies.

## Premier and Cabinet

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Perth World Youth Day Donation	0.1	-	-	-	-
Burma Appeal Donation	1.0	-	-	-	-
China Earthquake Appeal Donation	1.0	-	-	-	-
Sir Charles Court Memorial Statue	-	0.5	-	-	-
<b>Total expenses</b>	<b>2.1</b>	<b>0.5</b>	-	-	-

### Expenses

- A \$100,000 contribution was provided to the Roman Catholic Archbishop of Perth for World Youth Day Perth.
- A \$1.0 million donation was made to the Australian Red Cross for the Myanmar (Burma) Cyclone Appeal.
- A \$1.0 million donation was provided to Australian Red Cross for the China Earthquake Appeal.
- The State is to provide a \$500,000 contribution for the commencement of the Sir Charles Court Memorial Statue project.

## South West Development Commission

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Busselton Jetty Refurbishment and Foreshore Revitalisation	-	6.0	6.0	-	-
<b>Total expenses</b>	-	<b>6.0</b>	<b>6.0</b>	-	-

### Expenses

- Grants totalling \$12 million are to be made to the Shire of Busselton to assist in the refurbishment and revitalisation of the Busselton Jetty and foreshore precinct. This \$95 million project also includes works by the local shire (\$13 million) and the Western Australian Land Authority (\$70 million, see below).

## Sport and Recreation

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Upgrade of the Tom Price Swimming Pool	-	0.8	-	-	-
<b>Total expenses</b>	-	<b>0.8</b>	-	-	-

### Expenses

- \$750,000 will be spent in 2008-09 to upgrade the Tom Price swimming pool.

## WA Health

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Royal Flying Doctors Service	-	12.5	9.6	4.7	5.6
<b>Total expenses</b>	-	<b>12.5</b>	<b>9.6</b>	<b>4.7</b>	<b>5.6</b>
<b>Purchase of non-financial assets</b>					
Albany Regional Resource Centre/Hospital	-	0.2	5.6	17.4	19.8
<b>Total purchase of non-financial assets</b>	-	<b>0.2</b>	<b>5.6</b>	<b>17.4</b>	<b>19.8</b>

### Expenses

- An amount of \$32.4 million has been allocated over four years from 2008-09 to provide financial assistance to the Royal Flying Doctors Service for three replacement and two additional aircraft, along with associated operational costs.

### Purchase of Non-Financial Assets

- Development of a new Albany Regional Resource Centre/Hospital has been approved, replacing previous refurbishment plans, and adding \$51 million to the existing cost allocation. \$43 million of the additional investment on the new centre will be spent in the forward estimates period to 2011-12.

## Western Australia Police

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Office of Crime Prevention – ‘Hoons’ and ‘One Punch’ Media Campaign	-	1.5	-	-	-
<b>Total expenses</b>	-	<b>1.5</b>	-	-	-
<b>Purchase of non-financial assets</b>					
Oombulgurri Interim Police Facility and Residential Accommodation	1.5	-	-	-	-
<b>Total purchase of non-financial assets</b>	<b>1.5</b>	<b>-</b>	-	-	-

### Expenses

- \$1.5 million is planned to be spent in 2008-09 on the ‘Hoon’ and ‘One Punch’ media advertising campaign.

### Purchase of Non-Financial Assets

- Expenditure of \$1.5 million was approved in 2007-08 to implement an interim accommodation strategy at Oombulgurri to provide a police post, cellblock and residential accommodation.

## Western Australian Land Authority

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Halls Creek Residential Land Requirements <sup>(a)</sup>	-	-	4.9	4.4	-
<b>Total expenses</b>	-	-	<b>4.9</b>	<b>4.4</b>	-
<b>Purchase of non-financial assets</b>					
Halls Creek Residential Land Requirements	-	-	6.1	6.4	-
Busselton Jetty Refurbishment and Foreshore Revitalisation	-	0.5	0.7	39.4	17.1
<b>Total purchase of non-financial assets</b>	-	<b>0.5</b>	<b>6.8</b>	<b>45.8</b>	<b>17.1</b>

(a) Represented as general government expenses by the Department of Treasury and Finance as grants and subsidies from the Consolidated Account.

### Expenses

- The Government has approved a Community Service Obligation (CSO) payment, totalling \$9.3 million over two years, to cover the development costs associated with the provision of additional residential land in Halls Creek.

### Purchase of Non-Financial Assets

- The development of residential land in Halls Creek will result in increased capital expenditure of \$12.5 million, funded partially by the CSO payment referred to above and \$3.2 million from land sales.

- Additional capital expenditure has been approved to support the refurbishment of the Busselton Jetty and foreshore revitalisation project, which includes a residential and commercial land development. The Authority will spend \$57.7 million (out of a total \$70 million) within the forward estimates period. This \$95 million project also includes works by the local shire (\$13 million) and the South West Development Commission (\$12 million, see above).

## Global Adjustment for 3% Efficiency Dividend

	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Expenses</b>					
Efficiency Dividend	-	-191.0	-400.0	-418.0	-440.0
<b>Total expenses</b>	-	<b>-191.0</b>	<b>-400.0</b>	<b>-418.0</b>	<b>-440.0</b>

### Expenses

- The Government has approved the imposition of a one-off 3% efficiency dividend across appropriation-funded agencies from 1 January 2009. The dividend is to apply to total expenses excluding grants and (non-cash) depreciation costs<sup>1</sup>. The dividend is reflected as a global adjustment to the State's finances in this PFPS, and is expected to be allocated to individual agencies as part of the normal process of finalising agency projections in the lead-up to the 2008-09 mid-year review.

<sup>1</sup> The calculation of this arrangement excludes those expenses that have a significant non-discretionary element. These include grants, including monies on-passed from the Commonwealth, and depreciation, which is a non-cash cost associated with the value of infrastructure carried on agency balance sheets.

Pre-election Financial Projections Statement

## The Treasurer's Advance

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

The aggregate amounts drawn against recoverable advances, excesses and new items must remain within the limit authorised by the FMA, unless the limit is adjusted by a *Treasurer's Advance Authorisation Act*.

The FMA-authorized limit for the Treasurer's Advance for 2008-09 is \$437 million. This follows the amended limit of \$750 million for 2007-08.

Table 4.1 shows the estimated impact on the Treasurer's Advance of known issues at the time of the PFPS cut-off date (10 August 2008).

<b>TREASURER'S ADVANCE</b>			Table 4.1
	2007-08 Actual <sup>(a)</sup> \$m	2008-09 Projection \$m	
<b>AUTHORISED LIMIT</b>	<b>750.0</b>	<b>437.0</b>	
<i>Total projected to be drawn against Treasurer's Advance authorisation</i>	611.6	158.5	
Comprising:			
Net recoverable advances as at 30 June	6.1	15.0	
Excesses and New Items			
- recurrent	443.2	135.9	
- capital	162.3	7.5	

(a) Detailed disclosure of the final audited outcome for 2007-08 will be available in the 2007-08 *Annual Report on State Finances*, to be released by 28 September 2008.

Note: Columns may not add due to rounding.

## Transfers, Excesses and New Items

Table 4.2 outlines excesses and/or new items that are projected to materialise during 2008-09 and the extent to which these are expected to impact the Treasurer's Advance under the authority of section 27 of the FMA.

It should be noted that the projections shown in Table 4.2 are subject to movements in agencies' appropriations through the remainder of 2008-09. Funding in excess of budget for appropriation items shown in the table will only occur if management responses do not achieve compensating shortfalls in other spending supported by these items prior to 30 June 2009<sup>1</sup>.

Section 25 of the FMA allows appropriations originally allocated in the 2008-09 Budget to be transferred to other agencies, for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance.

Only one section 25 transfer has occurred since the 2008-09 Budget. This was the transfer of \$5.0 million of appropriation funding from the Department of Corrective Services to the Western Australia Police for costs associated with operation of the Perth Watch House.

<b>TRANSFERS, EXCESSES AND NEW ITEMS</b>					Table 4.2
Item	Appropriation	Transfers <sup>(a)</sup> \$m	Treasurer's Advance		Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
			New Items \$m	Excesses \$m	
Recurrent Appropriations					
Department of the Premier and Cabinet					
5	Delivery of services	-	-	0.5	-
Department of Treasury and Finance					
28	Provision for the Outcome of CSA EBA Negotiations	-	-	33.4	-
<i>Department of Industry and Resources</i>					
44	Administered Grants, Subsidies and Other Transfer Payments	-	-	18.9	-
<i>Western Australia Police</i>					
56	Delivery of services	5.0	-	3.3	-
<i>Department of Sport and Recreation</i>					
60	Delivery of services	-	-	0.8	-
<i>Department of the Attorney General</i>					
63	Delivery of services	-	-	0.5	-
<i>Department of Health</i>					
71	Delivery of services	-	-	12.4	-
72	Contribution to Hospital Fund	-	-	10.2	-

(a) Authorised under section 25 of the FMA.  
(b) PFPS cut-off date, 10 August 2008.

Note: Columns may not add due to rounding.

<sup>1</sup> In this regard, a framework for better managing public sector cash holdings is being implemented from this year. The framework provides for closer management of agency cash reserves and the consequent requirements for higher appropriations through the year. Efficiencies to cash management are expected to also better direct financial resources to services through the year, improving the overall management of the sector's balance sheet.



Table 4.2 (cont.)

**TRANSFERS, EXCESSES AND NEW ITEMS**

Item	Appropriation	Treasurer's Advance			Draw on Treasurer's Advance to date <sup>(b)</sup> \$m
		Transfers <sup>(a)</sup> \$m	New Items \$m	Excesses \$m	
<i>Western Australian Electoral Commission</i>					
73	Delivery of services	-	-	4.4	-
<i>Housing Authority</i>					
75	Delivery of services	-	-	0.8	-
<i>Commissioner of Main Roads</i>					
82	Delivery of services	-	-	22.1	-
<i>Public Transport Authority of Western Australia</i>					
83	Delivery of services	-	-	21.4	-
<i>Disability Services Commission</i>					
85	Delivery of services	-	-	1.5	-
<i>South West Development Commission</i>					
97	Delivery of services	-	-	3.3	-
<i>Department of Fisheries</i>					
102	Delivery of services	-	-	0.2	-
<i>Kimberley Development Commission</i>					
103	Delivery of services	-	-	0.5	-
<i>Department of Corrective Services</i>					
106	Delivery of services	-5.0	-	-	-
<i>Department of Environment and Conservation</i>					
109	Delivery of services	-	-	0.9	-
<i>Department for Communities</i>					
116	Delivery of services	-	-	0.9	-
<b>Total Recurrent</b>		-	-	135.9	-
<b>Capital Appropriations</b>					
<i>Department of Treasury and Finance</i>					
123	WA Health	-	-	0.1	-
<i>Great Southern Development Commission</i>					
141	Capital Contribution	-	-	5.0	-
<i>WA Health</i>					
152	Capital Contribution	-	-	1.1	-
<i>Commissioner of Main Roads</i>					
158	Capital Contribution	-	-	0.5	-
<i>Public Transport Authority of Western Australia</i>					
159	Capital Contribution	-	-	0.9	-
<b>Total Capital</b>		-	-	7.5	-
<b>TOTAL</b>		-	-	143.5	-

(a) Authorised under section 25 of the FMA.

(b) PFPS cut-off date, 10 August 2008.

Note: Columns may not add due to rounding.





