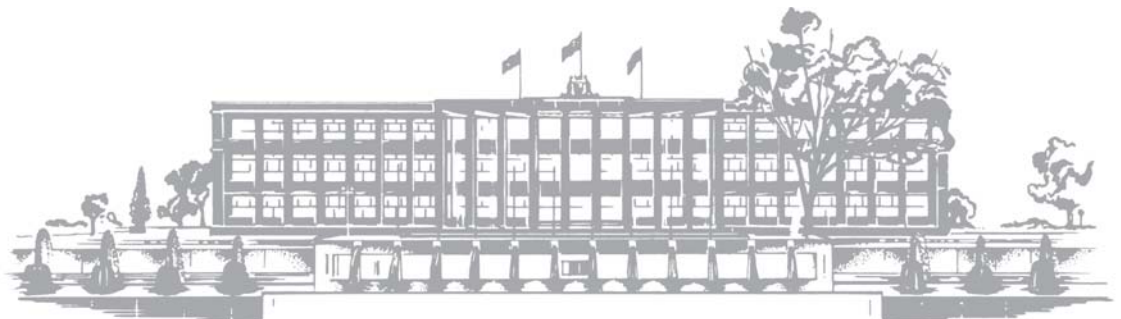




2004 - 05

GOVERNMENT MID-YEAR FINANCIAL
PROJECTIONS STATEMENT

DECEMBER 2004



2004–05 Government Mid-Year Financial Projections Statement
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**GOVERNMENT MID-YEAR FINANCIAL
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Foreword

This *Government Mid-year Financial Projections Statement* (mid-year review) outlines developments in the State's financial position and outlook since the 2004-05 State Budget, which was brought down on 6 May 2004. It was prepared under my instruction, and is based upon Government decisions I was aware of or that were made available to me by the Treasurer by the mid-year review cut-off date of 6 December 2004.

The financial projections are influenced by the economic assumptions outlined in Chapter 3: *The Western Australian Economy*, which were finalised on 6 December 2004.

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

Financial data for 2003-04 included in this publication (for comparative purposes) are consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released on 2 November 2004.



David Smith
ACTING UNDER TREASURER

December 2004

CHAPTER 1

Financial Projections

Overview

Since the 2004-05 Budget was delivered on 6 May 2004, there have been a number of factors impacting the outlook for the State's finances. Chief among these are:

- a steep rise in the world oil price, substantially boosting petroleum royalties in 2004-05 (with smaller increases projected in the outyears, reflecting an expectation that the oil price will gradually return to levels more consistent with the long-run average);
- stronger than expected activity in the property market in the first half of 2004-05, which has resulted in a significant upward revision to the conveyance duty estimate for the current financial year;
- the sale of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in October 2004, which generated stamp duty revenue of \$88 million¹;

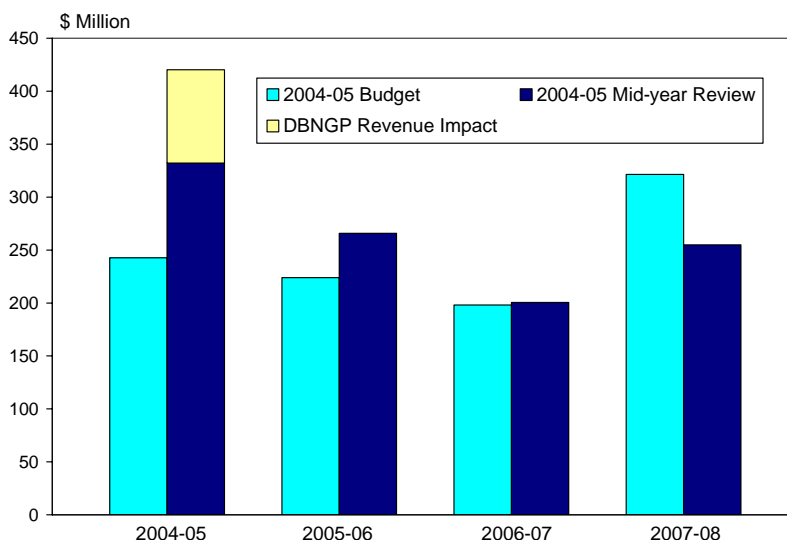
¹ In providing financial assistance to an equivalent amount, the Government secured a guarantee from the new owner for timely expansion of the pipeline. This assistance was provided in the form of a long-term loan which will convert to a non-repayable grant when certain commitments are satisfied. This conversion to a grant is expected to occur in 2007-08, resulting in the recognition of an \$88 million expense in that year.

- revised Commonwealth estimates of national GST revenue, which have increased Western Australia's forecast GST revenue grants by \$143 million in 2004-05 and similar amounts across the outyears;
- the Government's tax relief package announced on 27 and 28 October 2004, which is estimated to cost \$121 million in 2004-05 (part-year impact) and around \$220-\$250 million per year across the forward estimates period; and
- increased spending on essential infrastructure such as roads, electricity and the State's water supply, and in key service delivery areas such as health, education and training, and law and order.

The overall impact of these factors on the general government sector net operating balance is an improved outlook for 2004-05, with a surplus of \$420 million now expected (up from \$243 million at budget-time), while the projected surpluses across the outyears are broadly consistent with the 2004-05 Budget forecasts (see following chart). As well as the revenue and expense impacts of the DBNGP sale, this pattern reflects the largely one-off nature of other factors impacting 2004-05, such as the current spike in the oil price.

Figure 1

NET OPERATING BALANCE General Government



The surpluses projected in this mid-year review provide an important source of non-debt funding for the Government's record infrastructure investment program, thereby limiting the growth in net debt across the forward estimates to sustainable and affordable levels.

In this regard, total public sector net debt at 30 June 2005 is currently estimated at \$5.4 billion, down \$560 million from the \$5.9 billion estimate contained in the 2004-05 Budget. This reflects the improved general government operating surplus now expected for 2004-05, as well as the flow-on impact of the record low net debt outcome at 30 June 2004 (as reported in the 2003-04 *Government Financial Results Report*, released on 10 September 2004).

As a result of the lower net debt level and improved revenue performance in 2004-05, the net debt to revenue ratio for the total non-financial public sector – a key ratio for the State's credit rating – is now estimated at 34.2% in 2004-05, down from the 39.6% projected at budget-time. As indicated in the following table, the ratio is projected to rise over the forward estimates period (reflecting the full-year impact of the tax relief package and commencement of new spending initiatives), but is still expected to remain comfortably below the Government's 47% target limit.

Table 1

KEY BUDGET AGGREGATES
Western Australia

	2003-04 Actual ^(a)	2004-05 Budget Estimate	2004-05 Mid-Year Revision	2005-06 Forward Estimate	2006-07 Forward Estimate	2007-08 Forward Estimate
GENERAL GOVERNMENT						
Revenue (\$m)	12,753	12,719	13,467	13,471	13,874	14,463
Expenses (\$m)	11,954	12,477	13,047	13,205	13,673	14,208
Net Operating Balance (\$m)	799	243	420	266	201	255
TOTAL NON-FINANCIAL PUBLIC SECTOR						
Net Debt to Revenue Ratio (%)	28.4	39.6	34.2	40.3	42.5	41.7
TOTAL PUBLIC SECTOR						
Net Debt at 30 June (\$m)	4,194	5,930	5,371	6,418	6,987	7,097

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

The financial projections contained in this mid-year review are also consistent with the Government's other financial targets, with the exception that growth in general government expenses in 2004-05 and 2007-08 is expected to exceed real per capita growth (see Chapter 2: *Financial Strategy* for further detail).

The major factors affecting the general government sector operating balance since the 2004-05 Budget are summarised in the following table and discussed in more detail in the remainder of this chapter. Government policy decisions taken since the 2004-05 Budget that impact general government expenses are outlined in Appendix 3: *Post-Budget Policy Decisions Affecting Expenses*.

Table 2

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE
VARIATIONS SINCE THE 2004-05 BUDGET**

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
2004-05 BUDGET NET OPERATING BALANCE	243	224	198	321
Revenue				
<i>Policy Decisions</i>				
Taxation relief package	-121.1	-224.2	-247.9	-252.2
<i>comprising:</i>				
- Reduction in payroll tax	-57.4	-106.1	-122.5	-119.0
- Reduction in conveyance duty	-63.7	-99.5	-105.5	-111.9
- Reduction in land tax	-	-18.6	-19.9	-21.3
All other revenue ^(a)	-0.8	-1.7	1.2	1.6
<i>Total Policy</i>	<i>-121.9</i>	<i>-225.9</i>	<i>-246.7</i>	<i>-250.6</i>
<i>Parameter</i>				
Taxation	274.1	211.0	220.6	229.6
<i>comprising:</i>				
- Payroll tax	39.0	57.0	56.8	56.3
- Conveyance duty ^(b)	184.1	113.5	124.6	136.6
- Land tax	8.7	9.5	9.5	10.2
- All other taxes	42.3	31.0	29.6	26.6
Commonwealth grants:				
- North West Shelf petroleum royalties	165.5	149.3	105.5	56.5
- GST revenue grants	142.5	145.8	128.8	119.1
- AHCA and other health grants	69.4	46.5	43.9	46.8
- Schools and ANTA grants	16.6	12.4	21.3	35.7
- Road grants	3.9	9.8	26.3	40.3
- All other Commonwealth grants	13.6	47.3	34.6	28.8
Mining royalties	53.0	7.7	26.1	34.1
Agency sales of goods and services	23.4	37.2	57.3	71.2
Revenue from public corporations	39.3	-24.3	-20.9	-14.0
Other	68.5	-1.1	-4.5	23.1
<i>Total Parameter</i>	<i>869.8</i>	<i>641.5</i>	<i>639.1</i>	<i>671.1</i>
TOTAL REVENUE	747.8	415.6	392.4	420.5
Expenses				
<i>Policy Decisions</i> ^(c) – see Appendix 3 for further detail	<i>383.0</i>	<i>211.4</i>	<i>206.3</i>	<i>298.3</i>
<i>Parameter</i>				
Salaries (excluding policy decisions)	99.1	91.8	65.1	69.2
Superannuation (excluding policy decisions)	28.5	29.0	27.2	28.0
Interest expenses	-25.3	-57.9	-57.9	-46.5
Schools expenses funded by school fees and				
Commonwealth grants	34.6	42.2	50.7	65.8
Commonwealth/industry funded Agriculture projects	31.3	33.6	36.7	27.3
Other	19.1	23.6	61.8	45.1
<i>Total Parameter</i>	<i>187.2</i>	<i>162.4</i>	<i>183.7</i>	<i>188.7</i>
TOTAL EXPENSES	570.2	373.8	389.9	487.1
TOTAL VARIANCE	177.6	41.8	2.4	-66.6
2004-05 MID-YEAR REVIEW NET OPERATING BALANCE	420	266	201	255

(a) Includes reductions to fees for VacSwim classes and new fees for criminal record screenings.

(b) The 2004-05 figure includes \$80 million from the sale of the DBNGP (the sale also resulted in \$8 million in mortgage duty revenue).

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

Note: Columns may not add due to rounding.

General Government Sector

Operating Statement

General government revenue and expenses have both been revised up significantly since the 2004-05 Budget. In 2004-05, the increase in estimated revenue (\$748 million) exceeds the increase in estimated expenses (\$570 million), resulting in an estimated operating surplus of \$420 million, up from the \$243 million surplus forecast at budget-time. Across the outyears, the revenue and expense revisions largely offset one another, with broadly similar surpluses expected to those projected at the time of the 2004-05 Budget (see following table).

Table 3

GENERAL GOVERNMENT Operating Statement

	2003-04	2004-05	2005-06	2006-07	2007-08
	Actual	Estimate	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate
			\$m	\$m	\$m
<i>MID-YEAR REVIEW ^(a)</i>					
Revenue	12,753	13,467	13,471	13,874	14,463
Expenses	11,954	13,047	13,205	13,673	14,208
Net Operating Balance	799	420	266	201	255
<i>2004-05 BUDGET</i>					
Revenue	12,266	12,719	13,056	13,481	14,042
Expenses	12,060	12,477	12,832	13,283	13,721
Net Operating Balance	207	243	224	198	321
<i>VARIANCE</i>					
Revenue	487	748	416	392	421
Expenses	-106	570	374	390	487
Net Operating Balance	592	178	42	2	-67

(a) 2003-04 figures are consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding

Revenue

General government operating revenue is estimated to rise to \$13,467 million in 2004-05, \$748 million or 5.9% higher than estimated at the time of the 2004-05 Budget. The higher than budgeted revenue estimate incorporates the higher than expected base year outcomes in 2003-04, and is mainly due to an increase in estimated petroleum royalties (reflecting the high oil price), increased State tax revenues (partly attributable to one-off stamp duty on the sale of the DBNGP, but also to the continued strength of the property market), and an increase in the Commonwealth's estimates of GST revenue collections. These increases are partly offset by the October tax relief package, which is estimated to cost \$121 million in 2004-05.

Movements in the key revenue aggregates in 2004-05 (relative to budget) are described below (further detail is provided in Appendix 2: *General Government Operating Revenue*).

- Grants and subsidies revenue from the Commonwealth has been revised up by \$411 million, mainly due to:
 - an increase of \$166 million in estimated North West Shelf petroleum royalties², due to higher oil prices (the oil price has averaged \$US46 per barrel over the year-to-date compared to the budget assumption of an average price of \$US27 over 2004-05, and is currently assumed to average around \$US45 over the remainder of 2004-05)³, and increases in the planned production volumes of major producers;
 - higher general purpose grants, up \$143 million as a result of higher GST revenue projected in the Commonwealth's 2004-05 Budget and *Pre-election Economic and Fiscal Outlook* released in September 2004;
 - an increase in health-related grants of \$69 million, reflecting an increase of \$21 million in grants under the Australian Health Care Agreement (following Commonwealth approval of the State's expenditure plans under the Pathways Home program), and a \$48 million increase in other health grants (largely due to higher veterans' related payments); and

² These are shared between the State and the Commonwealth, with the State's component collected by the Commonwealth and passed on to the State as a grant.

³ Recent observed increases in LNG prices have been much less than the increase in oil prices. Accordingly, high oil prices in the year-to-date have not had as large an impact on total North West Shelf petroleum royalties as would normally have been expected (LNG accounts for approximately one third of these royalties). The outyear estimates assume lower oil prices and are not affected by this apparent 'disconnect' between LNG and oil prices when oil prices are high.

- an increase of \$33 million in all other Commonwealth grants, including vocational training-related grants, funding for salinity prevention and treatment programs and the Renewable Remote Power Generation Program.
- Taxation revenue has been revised up by \$153 million (net of the part-year impact of the October tax relief package) compared to budget. The net revisions to the estimates include:
 - an upward revision of \$121 million to stamp duty on conveyances, reflecting stronger than expected property market activity since budget (\$105 million) and the sale of the DBNGP (\$80 million)⁴. These increases are partly offset by the 10% cut to conveyance duty rates and the increases to the thresholds for the first home buyer stamp duty concession announced on 28 October 2004 (estimated to cost around \$64 million in 2004-05);
 - payroll tax, down \$19 million, due to the reduction in the payroll tax rate from 1 January 2005 and the new payment arrangements for smaller businesses (estimated to cost a total of \$57 million in 2004-05), partly offset by higher than anticipated growth in taxable wages since budget (\$38 million);
 - revenue from 'other' taxes on insurance, up \$15 million, due to a reclassification of insurance company contributions to WorkCover (previously classified as revenue from the sale of goods and services);
 - stamp duty on mortgages, up \$14 million, due to the duty paid on the sale of the DBNGP (\$8 million) and stronger than anticipated residential property market activity since budget (\$6 million);
 - land tax and metropolitan region improvement tax, up \$11 million, mainly reflecting an increase in land holdings by new investors in the property market;
 - stamp duty on motor vehicle licence transfers, up \$10 million, reflecting a higher than anticipated level of motor vehicle transfers;
 - motor vehicle registrations, down \$7 million, mainly due to a reclassification of motor vehicle inspections revenue (\$20 million, now allocated to revenue from the sale of goods and services), partly offset by an upward revision to forecast revenue in 2004-05; and

⁴ Total stamp duty revenue from the DBNGP sale was \$88 million, comprising \$80 million in conveyance duty and \$8 million in mortgage duty.

- 'other' stamp duties, up \$4 million, due to a large, one-off assessment of stamp duty on unlisted marketable securities on a transaction effected prior to the abolition of this tax on 1 January 2004.
- Higher royalty income (excluding North West Shelf petroleum royalties which, as noted earlier, are classified as a Commonwealth grant), up \$53 million due to a more positive outlook for growth in both commodity prices and volumes for key mineral products such as iron ore (driven particularly by the high levels of economic growth in China).
- Higher revenue from public corporations, up \$39 million, reflecting increased dividend revenue (\$15 million) and Tax Equivalent Regime payments (\$24 million). In particular, estimates for the Water Corporation have been revised up as greater than expected land development activity is resulting in higher than forecast developers' contributions.
- Higher interest income, up \$28 million, reflecting higher cash balances and interest bearing investments, as well as changes in the expected timing of drawdowns on these assets.
- Higher revenue from the sale of goods and services, up \$23 million, with increases (net of the reclassifications noted earlier) across a number of agencies such as the Departments of Education and Training, Health and Land Information.

Across the forward estimates, the net increases in general government operating revenue compared to the budget estimates are \$416 million in 2005-06, \$392 million in 2006-07, and \$421 million in 2007-08. These increases are mainly attributable to the flow-through of higher than expected State tax and GST revenue in 2004-05 reflecting current strong economic growth, and upward revisions to forecast growth in economic parameters such as wages and State final demand. In addition, oil prices are projected to remain at a higher level than was expected at the time of the 2004-05 Budget, providing a boost to petroleum royalties.

These factors are partly offset by the full-year impact of the October tax relief package, downward revisions to dividend and income tax equivalent revenue from Western Power (incorporating the impact of increased competition on electricity sales and the impact of a decision to fully depreciate a major power station over 2006-07 and 2007-08), and a delayed reduction in Western Australia's share of GST revenues (as a result of the higher petroleum royalties and the Commonwealth Grants Commission process).

Expenses

General government expenses for 2004-05 are projected to be \$13,047 million, an increase of \$570 million (or 4.6%) on the 2004-05 Budget estimates. Post-budget policy decisions account for \$383 million of the increase (details of these decisions are contained in Appendix 3: *Post-Budget Policy Decisions Affecting Expenses*), with the remainder due to various parameter-driven factors, such as a carryover of deferred expenses from 2003-04 and the on-passing of higher than expected specific purpose payments from the Commonwealth.

Relative to the 2004-05 Budget estimates, the increase in expenses in 2004-05 reflects:

- higher current transfers (up \$182 million), with increased grants for various initiatives such as clearing the backlog of regional road projects, natural resource management and landcare grants (funded from industry and Commonwealth contributions), and extinguishment of the Western Australian Football Commission's debt. Decisions to provide grants for assistance to egg producers, the extension of waterwise rebate arrangements, and increased grants to the Public Transport Authority for bus and train operational costs (e.g. higher fuel prices), together with the impact of grants deferred from 2003-04, also contribute to the increase;
- higher 'other' gross operating expenses (up \$167 million), reflecting a combination of policy decisions (in areas such as schools maintenance, mental health services and additional prison capacity) and parameter-driven increases in agencies such as Education and Training and Health (matched by Commonwealth grants revenue);
- increased salaries (up \$159 million), mainly due to policy initiatives in relation to hospital services (including initiatives to provide additional beds and reduce elective surgery and dental waiting lists), mental health services, prisons and police, as well as cost and demand driven increases in the health sector (supported by increased Commonwealth grants). Pay increases for school support staff, miscellaneous workers and TAFE lecturers also contribute to the increase;
- increased capital transfers (up \$99 million), mainly due to a grant payment to Edith Cowan University for the purchase of Crown land at its Churchlands campus (\$58 million) and the decision to provide \$25 million for investment in an appropriate facility to assist Rugby WA's successful bid to have a Super 14 Rugby side based in Perth;

- lower depreciation expenses (down \$43 million), largely due to a change in accounting treatment resulting in the non-depreciation of road earthworks;
- an increase in superannuation-related expenses (up \$32 million), mainly reflecting the flow-on impact from the higher salaries discussed above; and
- lower interest expenses (down \$25 million), reflecting the retirement of \$481 million in Consolidated Fund debt in August 2004 and the retention of rail freight debt by the Public Transport Authority (this was expected to be transferred to the general government sector in the 2004-05 Budget).

Expenses across the outyears have been revised up by \$374-\$487 million per annum, primarily reflecting policy decisions taken after the 2004-05 Budget cut-off date (see Appendix 3: *Post-Budget Policy Decisions Affecting Expenses*). In addition to the forward year impact of the decisions discussed above, these include:

- the Government's recent decision to provide additional police numbers (costing nearly \$150 million over the next four years);
- the provision of \$50 million for the construction of a multi-purpose indoor entertainment and sports stadium;
- the establishment of a \$40 million Integrated Native Title and Land Access Strategy for native title claim settlements; and
- the expensing in 2007-08 of the Government's financial assistance to the purchasers of the DBNGP⁵.

Balance Sheet

The balance sheet projections for the general government sector indicate that the State's finances remain in a sound position. As illustrated in the following table, the general government sector's net worth (i.e. assets less liabilities) is expected to rise in each year to reach an estimated \$49.6 billion by 30 June 2008.

⁵ As noted earlier, the assistance was provided in October 2004 in the form of a long-term loan which will convert to a non-repayable grant when certain commitments are satisfied. This conversion to a grant is expected to occur in 2007-08, resulting in the recognition of an \$88 million expense in that year.

Table 4

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2004	2005	2006	2007	2008
	Actual	Estimate	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate
			\$m	\$m	\$m
<i>MID-YEAR REVIEW</i> ^(a)					
Assets	53,871	55,324	56,996	58,416	59,751
Liabilities	10,117	9,633	9,810	10,039	10,121
Net Worth	43,754	45,691	47,185	48,377	49,630
Net Debt	-291	-89	10	168	212
<i>2004-05 BUDGET</i>					
Assets	49,905	51,151	52,551	53,784	55,039
Liabilities	10,147	10,119	10,244	10,334	10,253
Net Worth	39,758	41,032	42,307	43,451	44,786
Net Debt	583	762	793	759	522
<i>VARIANCE</i>					
Assets	3,966	4,173	4,444	4,632	4,712
Liabilities	-29	-486	-434	-295	-132
Net Worth	3,996	4,659	4,878	4,926	4,844
Net Debt	-875	-851	-783	-591	-310

(a) 2004 figures are consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding

The general government sector's net worth is expected to be \$45.7 billion at 30 June 2005. This is up \$4.7 billion from budget-time, primarily reflecting:

- a \$2.7 billion increase in the estimated value of land and fixed asset holdings, due to the base effect of a revaluation of these assets at 30 June 2004⁶;
- a \$1.1 billion increase in equity assets, reflecting higher general government ownership interests in public corporations such as the Water Corporation and Western Power; and
- a \$697 million reduction in borrowings, reflecting the retirement of \$481 million of general government debt in August 2004 and the expected improvement in the operating surplus in 2004-05 (which reduces the need for new borrowings).

Net debt of the general government sector is discussed later in this chapter.

⁶ See 2003-04 *Government Financial Results Report* for further detail.

Cash Flow Statement

The general government sector is estimated to record a \$73 million cash deficit in 2004-05, virtually unchanged from the deficit forecast in the 2004-05 Budget (\$71 million). Across the outyears, the cash surpluses forecast at budget-time have been revised down by around \$50-\$200 million per year, mainly reflecting the impact of post-budget capital expenditure decisions (discussed further below).

Estimated net cash flows from operating activities (i.e. day-to-day operations of general government agencies) remain at \$893 million in 2004-05, with increases in cash receipts since budget (largely taxes and Commonwealth grants) offset by increases in payments (due mainly to post-budget policy decisions in areas such as hospital beds and waiting lists, schools maintenance, and various law and order initiatives). Across the outyears, net cash flows from operating activities are forecast to average around \$950 million per annum, broadly similar to budget-time projections.

Capital expenditure on non-financial assets is estimated to be \$1.3 billion in 2004-05, up \$116 million since the 2004-05 Budget. Across the outyears, capital expenditure is forecast to average around \$1.1 billion, resulting in a cumulative four year addition to capital spending of \$544 million since budget-time.

The additional capital spending largely reflects post-budget policy decisions in key areas such as:

- the construction of new roads across the State, including: various roads under the Safer Roads initiative (\$80 million over four years, of which \$60 million is in the current forward estimates period); the extension of the Kwinana Freeway/Peel Deviation (\$45 million); the Karratha to Tom Price Link Road (\$44 million); and the Bunbury Port Access Road (up to \$20 million, of which \$12 million is in the current forward estimates period);
- enhanced school infrastructure (\$90 million);
- the purchase of new medical equipment and other health-related infrastructure (\$45 million);
- additional spending to complete the CBD courts project (\$45 million); and
- the construction of new prison facilities (\$28 million).

Total Public Sector

Summary

The total public sector⁷ is projecting operating surpluses across the entire forward estimates period, consistent with the expectation at budget-time.

The State's balance sheet is expected to remain in a favourable position over the period, with borrowing requirements for infrastructure investment remaining at affordable and sustainable levels.

Net Operating Balance

The total public sector is expected to record a \$182 million higher operating surplus in 2004-05 than forecast at budget-time. Across the outyears, surpluses in the range of \$430-\$520 million are projected, broadly consistent with budget-time expectations.

In 2004-05, the general government sector results discussed above account for almost all of the improvement in the total public sector operating surplus.

Minor net movements in public corporations' activities since the budget are in prospect, with both the financial and non-financial corporations projecting surpluses of between \$100 million and \$180 million per year over the forward estimates period.

The impact on both revenue and expenses from changes to operating environments, such as higher gold prices affecting Gold Corporation projections and higher turnover and prize money projections for Racing and Wagering WA, are expected to largely offset each other in 2004-05. Marginally lower profit projections for Western Power in 2005-06 and beyond are reflected in lower surplus projections in the forward estimate years. The revised projections for 2006-07 and 2007-08 also include the operating impact of the Water Corporation's new desalination plant, expected to be operational during the summer of 2006-07.

⁷ The total public sector consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly commercial basis like Western Power and the Water Corporation), and the public financial corporations sector (which includes agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Cash Flow Statement

Relative to the 2004-05 Budget, the total public sector is expected to show an increase in cash financing requirements of \$364 million in 2004-05 and \$613 million in 2005-06, primarily reflecting the impact of additional capital works spending approved since the budget. A small cash surplus is expected to emerge by 2007-08, reflecting a projected return to more typical levels of capital expenditure.

In addition to the previously discussed general government capital works projects, significant revisions to public non-financial corporations' projections have been included in the mid-year review forward estimates, accommodating major new projects such as:

- a \$346 million water desalination plant to address shortages in the State's water resources;
- a \$104 million peak load electricity generator to assist in meeting demand for power in 2006-07 and beyond;
- port expansion projects at Fremantle, Broome, Esperance and Geraldton;
- land acquisition and development by the Western Australian Land Authority and the redevelopment authorities; and
- capital spending on water, power and accommodation projects to upgrade Rottnest Island.

The additional cash demands to meet these higher deficits is expected to be funded from a mix of available cash resources generated from operating activities, and new borrowings.

Net Debt

At \$5.4 billion, total public sector net debt at 30 June 2005 is projected to be \$560 million lower than estimated in the 2004-05 Budget. This reflects the impact of the \$892 million lower than expected net debt outcome at 30 June 2004 (as reported in the 2003-04 *Government Financial Results Report*) and the improved outlook for the general government sector net operating balance, partly offset by increases in capital works spending by both the general government and public non-financial corporations sectors.

Table 5

NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE

	2004	2005	2005	2006	2007	2008
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
GENERAL GOVERNMENT						
Gross Debt ^(a)	2,677	2,785	2,122	2,182	2,312	2,252
Cash, Deposits and Lending ^(b)	2,969	2,023	2,211	2,172	2,144	2,040
Net Debt	-291	762	-89	10	168	212
PUBLIC NON-FINANCIAL CORPORATIONS						
Gross Debt ^(a)	7,390	8,016	8,406	9,428	10,022	10,287
Cash, Deposits and Lending ^(b)	2,219	2,074	2,205	2,233	2,364	2,510
Net Debt	5,170	5,942	6,201	7,195	7,658	7,777
TOTAL NON-FINANCIAL PUBLIC SECTOR						
Gross Debt ^(a)	9,331	10,134	9,854	10,955	11,704	11,928
Cash, Deposits and Lending ^(b)	4,452	3,430	3,742	3,750	3,878	3,939
Net Debt	4,879	6,704	6,111	7,205	7,826	7,989
PUBLIC FINANCIAL CORPORATIONS						
Gross Debt ^(a)	13,491	14,871	14,164	14,986	15,647	15,929
Cash, Deposits and Lending ^(b)	14,175	15,645	14,905	15,772	16,486	16,821
Net Debt	-685	-774	-741	-786	-839	-892
TOTAL PUBLIC SECTOR ^(c)						
Gross Debt ^(a)	12,926	14,137	13,398	13,989	14,474	14,596
Cash, Deposits and Lending ^(b)	8,732	8,207	8,028	7,570	7,487	7,498
Net Debt	4,194	5,930	5,371	6,418	6,987	7,097

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

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

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

Note: Columns may not add due to rounding.

General government sector net debt at 30 June 2005 is projected to be a significant \$851 million lower than estimated in the 2004-05 Budget. This primarily reflects the flow-through impact of the lower than expected net debt outcome at 30 June 2004, with the improved general government operating surplus in 2004-05 largely offsetting the impact of higher capital spending.

Across the outyears, general government sector net debt is projected to rise to a moderate \$212 million by 30 June 2008. This is \$310 million lower than estimated in the 2004-05 Budget, with the flow-through impact of the lower than expected net debt outcome at 30 June 2004 partly offset by increased capital spending.

Net debt of the public non-financial corporations sector (which holds the vast majority of the State's debt) is expected to be \$259 million higher at 30 June 2005 compared to the 2004-05 Budget forecast. This reflects a \$341 million increase in estimated capital spending in 2004-05, with commencement of spending on significant new infrastructure projects such as the desalination plant. By 30 June 2008, net debt of the public non-financial corporations sector is projected to be \$989 million higher than the 2004-05 Budget forecast, primarily reflecting the cumulative impact of additional infrastructure investment.

Although the forward estimates of public non-financial corporations' net debt levels are higher than originally budgeted, these increases are serviced from revenue streams generated by the infrastructure assets constructed from this debt.

Underlying the affordability of these increases, the total non-financial public sector net debt to revenue ratio is projected to remain comfortably below the Government's 47% target level, peaking at an estimated 42.5% in 2006-07. This key ratio is discussed further in Chapter 2: *Financial Strategy*.

Statement of Risks

An update of the budget-time Statement of Risks⁸ is provided below. The risk factors outlined in this section have the potential to impact the financial projections contained in this publication should certain events or circumstances transpire.

Estimating Assumptions

The major economic parameters underlying the mid-year review projections are outlined in the following table.

MAJOR ECONOMIC PARAMETERS

Table 6

	2004-05 Budget Estimate	2004-05 Mid-Year Revision	2005-06 Forward Estimate	2006-07 Forward Estimate	2007-08 Forward Estimate
Real gross State product ^(a) (%)	4.5	5.0	4.75	4.5	4.5
Real State final demand ^(b) (%)	2.25	3.25	2.75	4.0	4.0
Consumer price index (%)	2.0	2.5	2.5	2.5	2.5
Wages growth ^(c) (%)	3.75	5.5	4.75	3.5	3.5
Employment growth (%)	2.25	2.5	2.25	2.0	2.0
\$/A/\$US	76.0	76.0 ^(d)	76.0	76.0	76.0
Oil price (\$US per barrel)	27.0	45.0 ^(d)	30.0	27.0	25.0

- (a) Gross State product (GSP) is the broadest measure of economic activity at the State level. It is measured as the sum of all final expenditures in an economy in a given period. GSP includes private and public sector consumption and investment and exports minus imports. Growth in GSP is used in analysing movements in major budget aggregates.
- (b) State final demand (SFD) measures total domestic spending within the State. Nominal SFD growth is used in forecasting a number of State taxes, including stamp duties.
- (c) This table shows average weekly earnings growth (which is used in forecasting payroll tax revenue) across the entire economy (i.e. both the private and public sectors), rather than the wage cost index (WCI) measure. As discussed in Chapter 3: *The Western Australian Economy*, the WCI is forecast to grow by 4.0% in 2004-05.
- (d) Forecast for remainder of 2004-05.

⁸ See 2004-05 Budget Paper No. 3: *Economic and Fiscal Outlook*, pp. 34-40.

Revenue Estimates

The revenue estimates are sensitive to changes in key economic parameters, particularly variations in wages and employment growth, the \$A/\$US exchange rate and the price of oil. Approximate impacts of these changes are provided in the following table⁹.

Table 7

PARAMETER SENSITIVITY OF REVENUE ESTIMATES

	Variability (\$m)	Detail
Payroll tax	12.0	For each 1.0 pp variation in wages and/or employment growth
Total mining revenue ^(a)	16.5	For each 1.0 cent variation in the \$A/\$US exchange rate
Petroleum royalties ^{(a), (b)}	up to 15.5	For each \$US1 variation in the price of a barrel of oil

(a) Includes North West Shelf petroleum royalties.

(b) In practice, not all of the increases in the oil price since the 2004-05 Budget appear to have been reflected in higher contracted LNG prices and therefore petroleum royalties.

In addition to the above parameter sensitivities, the following specific factors represent a potential risk to the revenue estimates.

Revenue from the Commonwealth

The upward revisions to GST revenue grants since the 2004-05 Budget are based on Commonwealth estimates of national GST collections outlined in its *Pre-election Economic and Fiscal Outlook* publication. However, collections may vary significantly depending on the performance of the national economy. The Commonwealth may well include revised GST revenue estimates in its own mid-year budget review, after the cut-off date for the estimates included in this publication.

For 2005-06 onwards, there is also uncertainty in the distribution of GST revenue between the States, which depends on the Commonwealth Grants Commission's annual updates of data used to determine these shares.

⁹ These impacts are not mutually exclusive and can vary over time. For example, variations in the value of the \$A will impact on the sensitivity of revenue to variations in the oil price.

As in past years, competition payments for 2004-05 are subject to the Federal Treasurer's decision after he considers the National Competition Council's annual report on States' performance. It is expected that reform progress could see an increase in the State's competition payments in 2004-05 and 2005-06, although this will be at least partly offset by reduced payments for lack of progress in introducing competition into the State's electricity market.

The forward estimates continue to contain competition payments beyond 2005-06, consistent with the NCP Agreement. However, recent statements by the Commonwealth that competition payments will be redirected to projects under the National Water Initiative means that there is considerable uncertainty regarding the longer-term future of these payments. The Prime Minister wrote to all State and Territory leaders on 27 October 2004 indicating, inter alia, that the future of competition payments would be considered in the context of a further reform agenda.

State Taxes

The forward estimates of taxation revenue are based on projected growth in key economic parameters such as employment, wages and State final demand. Risk factors in these assessments include international conditions, the lumpy and volatile nature of business investment and movements in interest rates.

Stamp duties are difficult to forecast due to the volatility of property markets. Conveyance duty revenue is still forecast to fall in 2004-05 from the high levels recorded in 2003-04 as a result of an anticipated easing in housing market activity. However, while conveyance duty revenue has shown signs of weakening over recent months, the extent and timing of the slowdown in activity remains difficult to forecast.

Under the terms of the Intergovernmental Agreement on Reform of Commonwealth-State Financial Relations, the need to retain a number of State taxes is to be reviewed by 1 July 2005. As part of the package of reforms resulting from the Review of State Business Taxes, the Government has already abolished several of these taxes (stamp duties on leases, unlisted marketable securities and cheques). The other taxes that will be subject to review include stamp duty on conveyances of non-residential property, mortgage duty and rental duty. These taxes are estimated to raise around \$570 million in 2004-05.

Revenue from Public Corporations

A future risk to Western Power is the impact of competition on profitability and revenue. While Western Power's forecasts already incorporate lower operating profits as a result of competition impacting on market shares and prices, there is a risk that the impact of competition from independent power producers could be greater than anticipated. In the absence of other changes, such as efficiency improvements by Western Power responding to competition, this could result in Western Power's tax equivalent and dividend revenue being lower than forecast.

For the Water Corporation, the mid-year review projections assume that current sprinkler restrictions remain in place through the 2004-05 financial year. Restrictions are to be reviewed at the end of next winter, which could affect forecast revenue from the Water Corporation across the outyears.

Expenses

The following factors represent a potential risk to the expense forward estimates.

Specific Purpose Payments and Matching Requirements

There is a general risk to the expense estimates due to the conditions imposed by the Commonwealth on specific purpose payments (SPPs) to the State (particularly for those SPPs that are due to be renegotiated during the forward estimates period). These payments often have a matching State-based component associated with them. Matching requirements may change due to Commonwealth policy changes and/or parameter changes.

Health Expense Pressures

The growth in demand for health services represents a constant budget pressure. The current expectation is that sufficient funding has been provided to deal with increases in cost and demand pressures. As an important step to managing any identified risks in the Department of Health budget, the demand and cost pressures are being closely monitored. Should any identified risks fail to be fully mitigated, they will be managed in conjunction with the Government's financial priorities and objectives.

Wages

Provision has been made in the forward estimates for all enterprise bargaining agreements that have been agreed and finalised. Beyond those agreements provision has been made for public sector wage increases of up to 3% per year, with appropriation-supported agencies required to fund one-third of the cost from their base allocations (apart from some exceptions related to specialist groups). Where wage outcomes are higher than these provisions, expenses will generally be higher. For instance, a 1% increase in wages in 2004-05 amounts to around \$50 million across the general government sector.

The Government's exposure to wage growth risk has, however, moderated in recent times as a result of the finalisation of agreements with significant groups such as police officers and teachers.

Capital Works

The Commonwealth's requirement that SPP funded capital expenditures conform to its National Code of Practice for the Construction Industry and the Australian Government Implementation Guidelines for the Code (which contain provisions contrary to State policy) places Commonwealth funding for some significant projects at risk.

The recent significant upward trend in building cost escalation will create pressure on the allowances made in major building project budgets to cover rise and fall provisions. This risk is mitigated to the extent that some projects are wholly or partly based on fixed prices (e.g. CBD Courts and a number of contracts in the New MetroRail project). However, the magnitude of recent building cost escalation rate increases will create a future funding pressure on major construction project budgets.

Contingent Liabilities

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

Details of the quantified contingent liabilities of the Treasurer as at 30 June 2004 are provided in the 2003-04 *Treasurer's Annual Statements*, released on 19 November 2004.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) will be adopted in the forthcoming budget (2005-06). This may lead to changes in the magnitude of some financial aggregates across the forward estimates, reflecting slight differences in the accounting treatment of some items under IFRS.

CHAPTER 2

Financial Strategy

Overview

The Government's financial strategy is underpinned by a series of medium-term financial targets. As outlined in the 2004-05 Budget, these targets are to:

- maintain or increase the net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- retain Western Australia's triple-A credit rating, represented by two 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 expenses for the general government sector do not increase; and
- maintain Western Australia's tax competitiveness.

This chapter assesses the financial projections contained in this mid-year review against these financial targets.

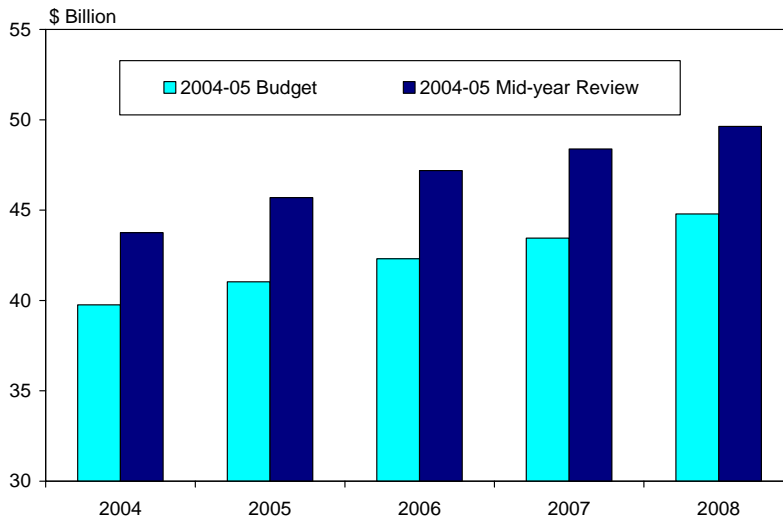
Financial Targets

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

This target is expected to be achieved in each year of the forward estimates period, with total public sector net worth projected to steadily rise from \$43.8 billion at 30 June 2004 to an estimated \$49.6 billion by 30 June 2008. As indicated in the following chart, these figures are significantly higher than forecast in the 2004-05 Budget, primarily reflecting the impact of better than expected operating outcomes and asset revaluations in 2003-04 (particularly land assets), which provides a higher base for each subsequent year¹⁰.

Figure 1

NET WORTH AT 30 JUNE
Total Public Sector



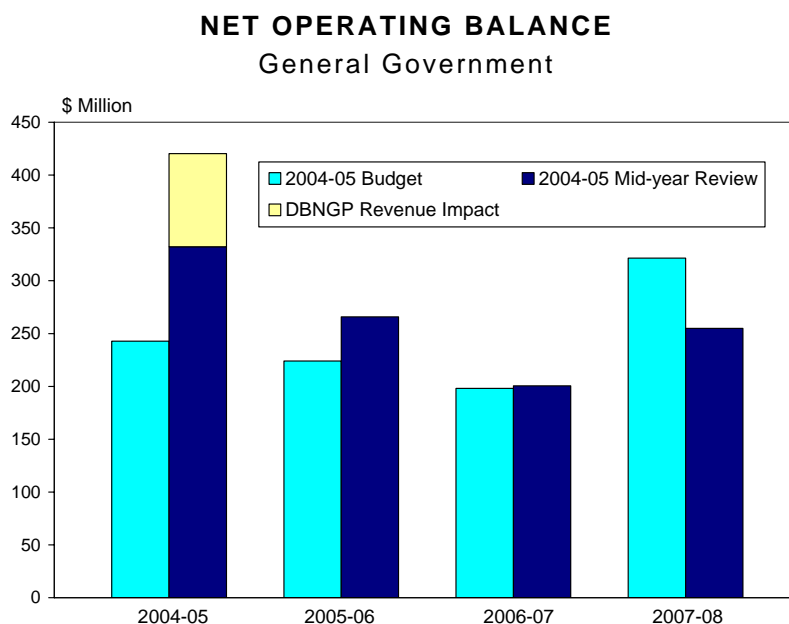
¹⁰ See the 2003-04 *Government Financial Results Report* for further detail.

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

Maintaining operating surpluses is an essential component of the Government's strategy to fund the State's large infrastructure requirements within debt levels that remain consistent with the State's triple-A credit rating.

This target is projected to be achieved across the entire forward estimates period, with a forecast operating surplus of \$420 million in 2004-05, followed by surpluses in the range of \$200-\$270 million in each of the outyears.

Figure 2



The estimated surplus for 2004-05 has been revised up significantly since budget-time, while the forecast surpluses across the outyears are broadly consistent with the 2004-05 Budget forecasts. This reflects some boosts to revenue in the current financial year of a largely one-off nature, including the current spike in the oil price (resulting in higher petroleum royalties) and \$88 million in stamp duty revenue from the sale in October 2004 of the Dampier to Bunbury Natural Gas Pipeline (DBNGP).

The major revenue and expense variations since the 2004-05 Budget are discussed in detail in Chapter 1: *Financial Projections*.

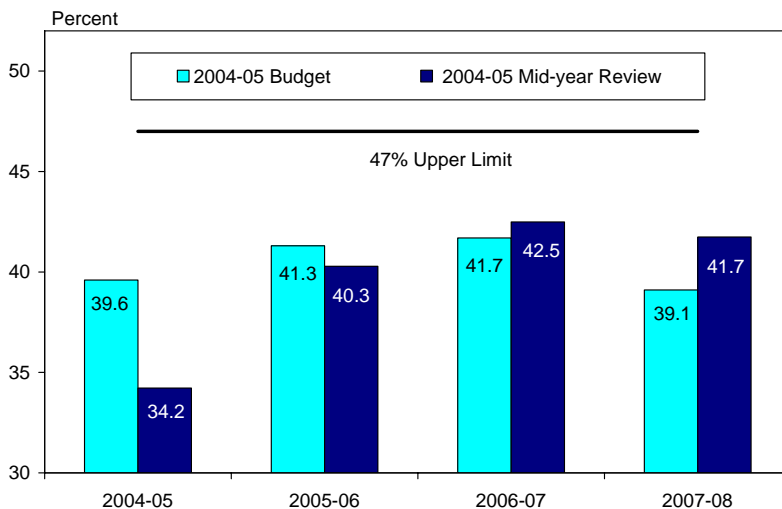
Maintain the net debt to revenue ratio for the total non-financial public sector at or below 47%

The net debt to revenue ratio is estimated to be a low 34.2% in 2004-05 and peak at 42.5% in 2006-07, remaining comfortably below the Government's 47% upper limit in each year.

As indicated in the following chart, the forecast net debt to revenue ratio is significantly lower in 2004-05 than estimated at budget-time, reflecting the flow-on impact of better than expected financial results for 2003-04 and higher general government revenue in 2004-05 (as explained in Chapter 1: *Financial Projections*).

NET DEBT AS A SHARE OF REVENUE
Total Non-Financial Public Sector

Figure 3



The projected increase in the ratio in 2005-06 (compared to 2004-05) reflects the impact of post-budget expenditure decisions (such as the \$346 million desalination plant, Western Power's \$104 million 120MW Open Cycle Gas Turbine and additional road spending), as well as the first full-year impact of the Government's tax relief package announced on 27 and 28 October 2004.

Importantly, however, the 'buffer' between the projected peak in the net debt to revenue ratio and the 47% upper limit has remained broadly unchanged since the 2004-05 Budget, with parameter-driven increases in the revenue estimates largely offsetting the net debt impact of post-budget expenditure (and tax cut) decisions.

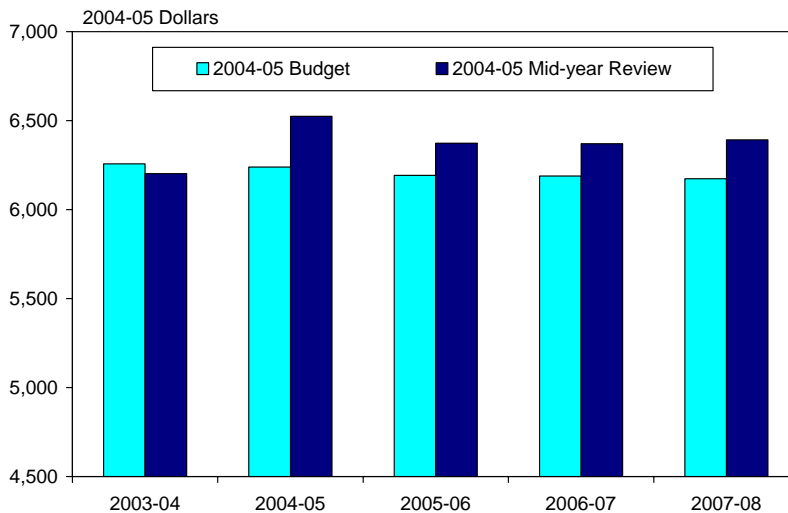
Real per capita expenses for the general government sector to not increase

This target is not expected to be met in 2004-05, reflecting the impact of sustained cost and demand pressures (particularly in the priority areas of health, education and training, and law and order) and post-budget policy initiatives¹¹.

Expense growth is also projected to exceed real per capita growth in 2007-08. However, this reflects a special one-off impact related to the Government’s financial assistance to the purchasers of the DBNGP¹². Abstracting from this, the expense growth target is projected to be met in all years except 2004-05.

REAL PER CAPITA OPERATING EXPENSES
General Government

Figure 4



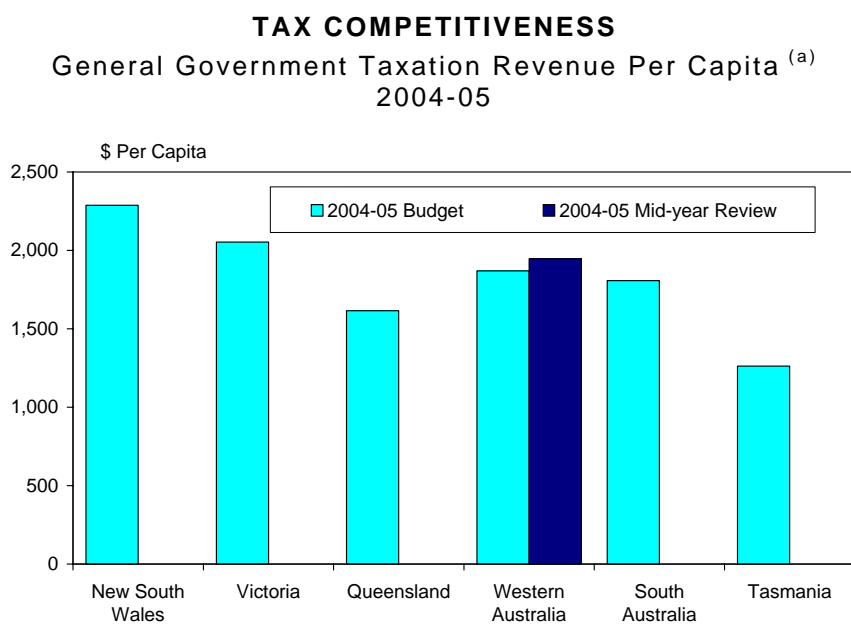
¹¹ See Appendix 3: *Post-Budget Policy Decisions Affecting Expenses* for further detail.

¹² As noted in Chapter 1: *Financial Projections*, the assistance was provided in October 2004 in the form of a long-term loan which will convert to a non-repayable grant when certain commitments are satisfied. This conversion to a grant is expected to occur in 2007-08, resulting in the recognition of an \$88 million expense in that year.

Tax Competitiveness: Maintain Western Australia's Tax Competitiveness

Reflecting the tax cuts announced in the 2004-05 Budget and the further tax relief package announced in October 2004, Western Australia's tax competitiveness ranking (as measured by taxation revenue per capita) is expected to improve relative to the outcome reported in the 2003-04 *Government Financial Results Report*. As indicated in the following chart, in 2004-05 Western Australia's taxation revenue per capita is expected to be below that of both New South Wales and Victoria.

Figure 5



(a) Mid-year review estimates for other jurisdictions were not available at the time of going to print.

The slight increase in Western Australia's taxation revenue per capita since the 2004-05 Budget mainly reflects the increase in estimated conveyance duty revenue due to stronger than expected property market activity in the first half of 2004-05 and the sale of the DBNGP.

CHAPTER 3

The Western Australian Economy

Overview

Western Australia's economy grew by a very robust 7.5% in 2003-04, slightly higher than the estimate of 6.75% in May 2004 at the time of the 2004-05 Budget. This is the strongest rate of growth over the period that the Australian Bureau of Statistics has published State Accounts estimates (i.e. since 1989-90). The stronger outcome was due to growth in domestic demand (driven principally by a strong surge in household consumption and business investment) and net exports being stronger than anticipated.

Gross State product (GSP) is expected to increase by 5.0% in 2004-05. This compares with the 2004-05 Budget forecast of 4.5%. The upward revision reflects the expectation that dwelling investment and public investment will make a stronger contribution than previously anticipated. Net exports are projected to make a significant contribution to overall growth in 2004-05, albeit slightly smaller than that forecast in the 2004-05 Budget.

2003-04

The domestic economy continued to be the main driver of growth in 2003-04. All components of domestic demand contributed to growth over the year, with the exception of dwelling investment, which nevertheless remained at record levels despite being affected by shortages of materials and labour.

Household consumption rose by 6.8% during the year, boosted by record levels of consumer confidence, strong credit growth, and wealth effects from rising house prices. Low interest rates and a strong Australian dollar (resulting in cheaper imports) also provided some impetus to spending.

At the same time, the State's resources boom continued unabated, with business investment growing by 17.2% over 2003-04, the third straight year of double-digit growth. Business investment was bolstered by major projects such as the fourth LNG train of the North West Shelf Project, further expansions of production capacity at some projects (including several iron ore mines and the Telfer Deeps gold mine expansion), and work on supporting infrastructure (such as port facilities, rail lines and gas pipelines).

Public investment activity also provided some impetus to domestic growth. In particular, expenditure on infrastructure projects undertaken by State Government corporations including water (e.g. the Burrup Peninsula Water Supply), electricity and rail (e.g. the New MetroRail) projects in the latter half of 2003-04 led to significantly higher than expected growth in public investment.

Net merchandise exports increased by 2.0% in 2003-04, higher than the marginal growth of 0.25% forecast in the 2004-05 Budget. Strong demand for commodities and a rebound in agricultural exports more than offset higher than expected growth in imports.

Overall, GSP grew by 7.5% in 2003-04, compared with the 2004-05 Budget estimate of 6.75%. State final demand (SFD), which reflects only domestic economic activity abstracting from the impact of exports and imports, grew by 8.0% over the same period. This is marginally higher than the estimate of 7.5% in the 2004-05 Budget and the second highest rate of growth (after 1997-98) in domestic demand on record.

The Wage Cost Index (WCI) grew by 3.2% in 2003-04, less than the 3.75% growth forecast in the 2004-05 Budget, while average weekly earnings (AWE) increased by 5.7% in the same period, slightly above the 2004-05 Budget forecast of 5.25%¹³. These outcomes suggest that employers tended to rely on longer hours from their existing employees to meet increased demand instead of increasing staffing levels.

Outlook

In 2004-05 GSP is forecast to grow by 5.0%. This is slightly higher than the budget-time forecast of 4.5%. Dwelling investment and public investment in particular are projected to make a stronger contribution than previously expected. As a consequence, it is now anticipated that the domestic economy will grow by 3.25% in 2004-05 (up from a forecast of 2.25%), and make a larger contribution to growth than external demand over the year.

Dwelling investment is expected to be firmer in 2004-05 than previously anticipated. Shortages of labour and materials constrained construction activity in 2003-04 and resulted in a substantial amount of dwelling construction work being pushed into 2004-05. This, together with a continuing in-flow of new work, albeit at more modest levels, is expected to underpin a small increase (1.5%) in dwelling investment in 2004-05.

The forecast for public investment has also been revised up since budget-time. This reflects a combination of work on new projects that have been announced since the 2004-05 Budget, including a water desalination plant and new gas turbines, and significant levels of State infrastructure spending carried over from 2003-04 into 2004-05 and 2005-06.

The outlook for business investment is largely unchanged since the Budget, with investment expected to consolidate in 2004-05, slightly above the record level achieved in 2003-04. Similarly, growth in household spending is expected to moderate broadly in line with budget-time projections.

¹³ The WCI measures changes over time in wages and salaries abstracting from changes in the quality or quantity of work performed. In contrast, AWE is influenced by changes in quantity and quality, including changes in the composition of the workforce.

The external sector is now expected to make a smaller contribution to growth than anticipated previously. Growth in exports has been revised downward, in part due to the closure of BHP-Billiton's Hot Briquetted Iron plant, and to a maturing of a number of oil fields. At the same time, imports are projected to be higher than previously forecast, driven largely by the expectation of a lift in imports of plant and equipment. Net exports are now forecast to grow by 7.5% in 2004-05, compared with a budget-time forecast of 9.5%.

Forecast economic growth in 2005-06 has been revised upwards (from 4.0% at budget-time) to 4.75%. This incorporates a stronger outlook for both the domestic economy and the external sector. Higher than previously forecast growth in domestic activity (2.75%, up from 2.5% at budget-time) is primarily due to an expected lift in business investment more than offsetting downward revisions to forecast growth in dwelling investment and household consumption.

With work in the pipeline likely to have been largely run-down through 2004-05, growth in dwelling investment is now expected to soften (with growth of 0.5%) in 2005-06. This softening is a year later than anticipated at budget-time.

At the same time a weaker 'wealth effect' from steadier house price growth and the repayment of credit are likely to dampen household demand. Reflecting this, growth in household spending during 2005-06 has been revised downwards (from 3.5% to 3.0%).

Business investment is now expected to expand in 2005-06. The ongoing resources boom has seen a number of large projects progress through to the 'committed' stage (e.g. Woodside's \$1.5 billion Enfield oil and gas field and BHP Billiton's \$1.4 billion Ravensthorpe nickel project). The expected timing of construction on these projects means that more work will occur in 2005-06 than 2004-05. Reflecting this, growth in business investment has been revised upwards from 1.25% to 4.0%.

The external sector is also expected to make a stronger contribution to growth in 2005-06. This primarily reflects the announcement of further initiatives to increase production capacity, and the expectation that continued strong international demand for the State's commodities will absorb higher production once the capacity expansions come on line. Growth in net exports has been revised upwards from 6.25% to 8.25% in 2005-06.

Table 1

MAJOR ECONOMIC AGGREGATES
Western Australia

	2003-04	2004-05	2005-06	2006-07	2007-08
	Actual	Mid-Year Revision	Forward Estimate	Forward Estimate	Forward Estimate
	%	%	%	%	%
Real Gross State Product Growth	7.5 (6.75)	5.0 (4.5)	4.75 (4.0)	4.5 (4.0)	4.5 (4.0)
State Final Demand Growth	8.0 (7.5)	3.25 (2.25)	2.75 (2.5)	4.0 (3.75)	4.0 (3.75)
Employment Growth	1.7 (1.75)	2.5 (2.25)	2.25 (2.25)	2.0 (2.25)	2.0 (2.25)
Unemployment Rate	5.7 (6.0)	5.0 (5.75)	4.75 (5.75)	4.75 (5.75)	4.75 (5.75)
Wage Cost Index Growth	3.2 (3.75)	4.0 (3.25)	3.75 (3.25)	3.25 (3.25)	3.25 (3.25)
Average Weekly Earnings Growth	5.7 (5.25)	5.5 (3.75)	4.75 (3.5)	3.5 (3.5)	3.5 (3.5)
Consumer Price Index Growth	2.1 (2.25)	2.5 (2.0)	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)
Implicit Price Deflator Growth	-0.15 (1.75)	2.25 (2.25)	2.25 (2.25)	2.25 (2.25)	2.25 (2.25)

Note: 2004-05 Budget forecasts shown in brackets.

Employment is forecast to grow by 2.5% in 2004-05 (slightly higher than the budget-time forecast of 2.25%), and by 2.25% in 2005-06. At the same time, the unemployment rate is expected to average 5.0% in 2004-05, broadly similar to its rate in recent months, before falling slightly to 4.75% in 2005-06.

For 2006-07 and 2007-08, forecasts for GSP and SFD growth are based on long-term averages, which have been revised up since the 2004-05 Budget after incorporating the 2003-04 results into the respective data series. SFD and GSP are forecast to grow annually by 4.0% and 4.5% respectively. Employment is forecast to grow by 2.0% per annum in 2006-07 and 2007-08 (broadly in line with long-run average growth), and the unemployment rate is expected to remain at 4.75% in each of these years.

Table 2

COMPONENTS OF GROSS STATE PRODUCT
Western Australia

	2003-04		2004-05		2005-06	
	Estimated Actual	Actual	Budget Estimate	Mid-Year Revision	Budget Forecast	Mid-Year Revision
	%	%	%	%	%	%
Annual Average Growth						
Private						
Household Consumption	4.75	6.8	3.25	3.0	3.5	3.0
Business Investment	25.0	17.2	-0.5	1.0	1.25	4.0
Dwelling Investment	-0.75	0.2	-5.0	1.5	6.5	0.5
Public						
Consumption	2.5	3.0	6.25	5.0	1.0	1.25
Investment	0.75	22.0	0.5	14.25	-5.0	1.75
STATE FINAL DEMAND	7.5	8.0	2.25	3.25	2.5	2.75
External Sector ^(a)						
Exports	3.25	4.6	8.25	7.0	6.0	8.0
Imports	9.25	9.6	5.75	6.25	6.0	7.75
Net Exports	0.25	2.0	9.5	7.5	6.25	8.25
GROSS STATE PRODUCT	6.75	7.5	4.5	5.0	4.0	4.75
Contributions to Growth						
Private						
Household Consumption	2.4	3.4	1.6	1.4	1.7	1.5
Business Investment	4.1	2.7	-0.1	0.1	0.2	0.9
Dwelling Investment	-0.1	-	-0.3	0.1	0.4	-
Public						
Consumption	0.4	0.5	0.9	0.7	0.2	0.2
Investment	-	0.7	-	0.5	-0.2	0.1
STATE FINAL DEMAND	6.8	7.3	2.1	3.0	2.3	2.4
External Sector						
Exports	1.4	1.9	3.5	2.9	2.6	3.4
Imports	-1.4	-1.4	-0.9	-0.9	-0.9	-1.1
Net Exports	-	0.6	2.6	2.0	1.7	2.2
Balancing Item ^(b)	-	-	-	-	-	-
GROSS STATE PRODUCT	6.75	7.5	4.5	5.0	4.0	4.75

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

(b) The balancing item includes interstate trade, changes in the level of stocks, and a statistical discrepancy. Projections of the balancing item also include international trade in services.

Note: Columns may not add due to rounding.

The WCI is expected to grow by 4.0% in 2004-05, with tight conditions in the labour market resulting in wage pressures, particularly in Western Australia's relatively large mining sector (which is experiencing a significant skilled labour shortage). While growth in AWE is expected to be lower than in 2003-04, the forecast has nevertheless been revised upwards to also reflect tighter than expected labour market conditions.

State Final Demand

Household Consumption

Growth in household consumption is forecast to ease to 3.0% in 2004-05, down from very strong growth of 6.8% in 2003-04. Steadier growth reflects the expectation that ongoing credit growth, diminishing wealth effects arising from steadier house prices and the possibility of higher interest rates will act to moderate consumer spending over the year.

In 2005-06, growth in household consumption is expected to stabilise at 3.0%. Despite further income tax cuts for higher income earners (announced by the Commonwealth in its 2004-05 Budget) taking effect, increasing household debt and the possibility of higher interest rates are likely to have a dampening effect on consumption, with households exercising restraint in order to service debt.

Dwelling Investment

Following two years of strong growth, dwelling investment consolidated in 2003-04. However, the levelling-off in activity, which grew by just 0.2% over the year, was primarily due to labour and material shortages constraining growth.

A consequence of the supply shortages is that there has been a building up of work in the pipeline, which should support dwelling investment well into 2004-05. In addition, new work continues to be commissioned, although recent trends in partial indicators such as housing finance commitments and building approvals point to an easing in the rate of growth of new demand. Overall, dwelling investment is expected to grow slightly by 1.5% (revised from a projected fall of 5.0%) in 2004-05.

Dwelling investment is expected to expand by a slight 0.5% in 2005-06, the third year of relatively stable levels of activity. The modest easing in growth from 2004-05 reflects an expectation that the current backlog of work will have been largely 'run down', with only a slight increase in new work contributing to growth.

Business Investment

The outlook for business investment in 2004-05 and 2005-06 has been revised upwards since the Budget. However, the typically 'lumpy' nature of investment and uncertainty about the timing of major projects, including start and completion dates, means that growth in investment in any given year is hard to predict.

Notwithstanding the recent completion of a number of substantial projects (such as the North West Shelf Project's fourth LNG train and second sub-sea gas pipeline), continued work on a number of other large projects, and the expected commencement of work on recently committed projects, should sustain business investment at its current high levels. In this regard, work is continuing to progress on projects such as Hamersley Iron's \$1.3 billion upgrade of its Dampier Port and Yandicoogina iron ore mine; Newcrest Mining's \$1.2 billion Telfer Deeps gold mine expansion; and the Oswal Group's \$0.6 billion Burrup Peninsula ammonia plant. Construction is also expected to commence in the latter half of 2004-05 on the \$1.5 billion Enfield oil and gas field and the \$1.2 billion Ravensthorpe nickel project.

Accordingly, business investment for 2004-05 is expected to consolidate, with growth of 1.0% forecast (revised upwards from -0.5% at budget-time).

Growth of 4.0% is forecast for business investment in 2005-06. It is anticipated that growth will be slightly higher than in 2004-05 as 2005-06 will be the first full year of work on the Enfield oil and Ravensthorpe nickel projects. If construction were to commence on the \$14.6 billion Gorgon gas field development and/or the \$2.0 billion fifth LNG train on the North West Shelf Project, growth in investment would be boosted further.

Public Expenditure

Public consumption (including Federal, State and local government) is forecast to grow by 5.0% in 2004-05 before tapering off to 1.25% in 2005-06.

The forecasts for growth in public investment in 2004-05 and 2005-06 have been revised upwards to 14.25% and 1.75% respectively, reflecting the impact of post-budget decisions by the State Government. These include the decisions to build a desalination plant and install a number of gas turbines to meet peak power demands.

While contributions by the State to the construction of the Perth Convention and Exhibition Centre ended in 2003-04 with the completion of the Centre, these have been more than made up by sustained and continuing expenditure on the New MetroRail project, which is now well under way.

Net Exports

The external sector is forecast to contribute 2.0 percentage points to growth in 2004-05, with growth in net exports of 7.5% boosted by production from recent capacity expansions.

Further expansions to capacity, and continued strong international demand, are expected to underpin continued strong growth of 8.25% in 2005-06.

Exports

Merchandise exports are estimated to rise by 7.0% in 2004-05. This follows strong growth in exports of 4.6% in 2003-04, largely on the back of buoyant demand from China. Production from a number of recently completed projects, including the fourth LNG train on the North West Shelf, is expected to bolster exports growth in 2004-05.

In 2005-06, merchandise exports are forecast to increase by 8.0% and be the key driver of economic growth in the State. Sustained strong global demand for raw commodities should absorb increased output, including from additional projects and capacity expansions, in the State's resource industries.

Imports

Imports, supported by a higher Australian dollar and a booming domestic economy, grew by 9.6% in 2003-04. Growth is expected to moderate to 6.25% in 2004-05 in concert with an expected easing in domestic demand. This is notwithstanding that the strength of the Australian dollar will provide some impetus to imports (including of consumer goods) and a shift in the focus of investment on a number of projects from the construction phase to the more capital-intensive 'fit out' phase, which should sustain imports of plant and equipment.

In 2005-06, imports are forecast to increase by 7.75%, with supply shortages in some areas of the domestic economy, and a stronger business investment outlook, expected to provide a fillip to imports.

Labour Market

Employment

Employment is forecast to grow by 2.5% over 2004-05 (slightly higher than the budget-time forecast of 2.25%). While job advertisements and business surveys still point to a positive outlook, ongoing constraints in the supply of skilled labour and a smaller pool of available labour mean that employment growth will continue to be constrained.

Forecast employment growth for 2005-06 remains unchanged at 2.25%. While this is slightly above the historical long-run average growth rate of 2.0%, the State's buoyant economy is expected to continue to support labour demand. There is some potential for employment growth to be slightly higher if net migration into the State increases and/or the current firm growth in wages encourages higher participation in the labour force.

Unemployment

The State's unemployment rate is forecast to average 5.0% over 2004-05, a reduction from the budget-time forecast of 5.75%. This revised forecast for 2004-05 is consistent with the average unemployment rate over recent months, and is reflective of tight conditions in the labour market.

Continued demand for labour is expected to result in a marginal decline in the year-average unemployment rate to 4.75% (its lowest rate for around 30 years) in 2005-06.

Prices

Consumer Price Index

Inflation for Perth in 2004-05 is forecast at 2.5% (placing it in the middle of the Reserve Bank of Australia's target range of 2%-3%), with inflationary expectations remaining relatively stable in the medium term. This is despite the significant increases in oil prices during 2004 and their consequent adverse impact on petrol prices. Price pressures from the external sector (particularly from oil) are expected to make significant contributions to the Perth Consumer Price Index (CPI) in the short term but their effects are likely to be moderated by the strength of the \$A.

Oil prices are expected to ease moderately over the medium term. Coupled with signs of a slowing economy nationally, this is expected to restrain inflationary pressures.

Wages

Reflecting strong labour demand and tighter labour market conditions, forecast growth in the WCI for 2004-05 has been revised upwards from 3.25% to 4.0%. While this is slightly higher than the Commonwealth Treasury's forecast of 3.5% in its *Pre-Election Economic and Fiscal Outlook* statement, the difference arises from an expectation that wage pressures will be particularly strong in Western Australia's relatively large mining (and mining-related) sector (where, anecdotal evidence suggests, skilled labour is in very short supply). WCI growth is forecast to ease to 3.75% in 2005-06 before returning to the long-run average annual growth of 3.25% in the outyears.

Above-trend growth in AWE in the last two years is forecast to subside to 5.5% in 2004-05 (up from the budget-time forecast of 3.75%) before moderating further to 4.75% in 2005-06 and 3.5% in the remaining outyears.

Implicit Price Deflator

The implicit price deflator¹⁴ is expected to increase by 2.25% in 2004-05 and to continue growing at this pace across the outyears. This is broadly consistent with the CPI forecasts, with falling prices in the external sector (when measured in \$A terms) almost offsetting domestic price growth.

Risks to the Outlook

The forecasts presented in this chapter are based on a set of assumptions for factors determined outside of the Western Australian economy. As a consequence, unanticipated movements in these factors could pose a risk to the forecasts. At present the main uncertainties relate to international conditions, the strength of the \$A, and high oil prices.

International Conditions

The economic health of the United States and Japan is particularly important in the context of global growth. While both economies have experienced quite steady recoveries, concerns remain over the size of the United States' current account and budget deficits. At present, however, the international economic environment appears likely to remain sound over the short to medium term.

While conditions in the Chinese economy, which has provided significant impetus to the Western Australian economy in recent years, remain strong there is a risk that initiatives that have been introduced to help orchestrate a 'soft landing' for the country's overheated economy may have a stronger impact than desired. While a sharper than expected moderation in the Chinese economy would have some impact on the Western Australian economy, this is likely to be mitigated to an extent by the composition of the State's exports to China. In particular, large iron ore producers expect exports of iron ore to China to remain strong, even in the face of a greater than expected easing in China's economic growth.

¹⁴ The implicit price deflator is the average price of the total level of production in the State's economy (GSP), including domestic prices and import and export prices. It is the broadest measure of prices available for the Western Australian economy and is used to compare the real value of expenditures and receipts over time.

The Australian Dollar

The continued strength of the \$A relates primarily to weakness in the \$US, which in turn can be attributed to the significant size of the United States' current account and budget deficits. In addition, strong world growth combined with high mineral and energy commodity prices have fuelled positive sentiment towards the \$A. Continued strength in the \$A could undermine the competitiveness and profitability of the State's resource sector, which in turn could lead to a softening of exports from, and business investment in, the State.

Business Investment

A degree of uncertainty always surrounds the business investment forecasts. This is a reflection of the difficulty in estimating accurately the timing of major resources projects.

Oil Prices

The sharp rise in oil prices over the last year has caused some consternation, even though the impact of high prices on overall growth has been more muted than at first expected. Most market commentators now expect oil prices to ease over the next year. However, if oil prices remain high for a sustained period of time then this could be expected to have a more pronounced negative effect on world economic growth, to the detriment of the Western Australian economy.

Interest Rates

In its recent Monetary Policy Statement (November 2004), the Reserve Bank of Australia stated that there was "no pressing need for higher interest rates at this stage". However, it also flagged that "it appears likely that the economy will require higher interest rates at some stage of the current expansion" (which most market commentators interpreted to mean in the first quarter of 2005). Since then, the first signs have emerged of a slowing national economy, which may have the effect of reducing expectations of an early increase in interest rates, which could lead to stronger growth in household consumption than forecast.

APPENDIX 1

Uniform Presentation of Public Sector Finances – Statistical Tables

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

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Table 1.1

GENERAL GOVERNMENT
Operating Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	4,122	3,739	3,892	3,826	4,017	4,249
Current grants and subsidies	5,583	5,913	6,312	6,523	6,662	6,968
Capital grants	295	367	379	341	333	319
Sales of goods and services	941	896	919	937	961	985
Interest income	128	118	146	145	138	145
Revenue from public corporations						
Dividends	448	421	436	425	428	437
Tax equivalent payments	310	235	259	239	257	287
Royalty income	654	736	789	764	776	775
Other	272	296	336	271	302	298
<i>Total</i>	12,753	12,719	13,467	13,471	13,874	14,463
EXPENSES						
Gross operating expenses						
Salaries	4,787	4,916	5,074	5,216	5,348	5,518
Depreciation and amortisation	546	604	561	577	602	624
Superannuation	458	472	496	505	514	526
Other gross operating expenses	2,853	3,021	3,188	3,183	3,305	3,441
Nominal superannuation interest	283	288	295	296	297	296
Other interest	165	206	180	148	154	169
Other property expenses	-	-	-	-	-	-
Current transfers	2,440	2,571	2,753	2,876	3,020	3,156
Capital transfers	421	401	499	403	434	478
<i>Total</i>	11,954	12,477	13,047	13,205	13,673	14,208
NET OPERATING BALANCE	799	243	420	266	201	255
NET ACQUISITION OF						
NON-FINANCIAL ASSETS						
Purchase of non-financial assets	992	1,139	1,256	1,113	1,112	1,009
Sales of non-financial assets	-166	-175	-289	-193	-187	-129
less depreciation	546	604	561	577	602	624
plus change in inventories	-4	2	3	1	4	3
plus other movements in non-financial assets	-47	-	58	-	25	12
<i>Total</i>	229	363	466	344	352	270
NET LENDING/BORROWING	570	-120	-46	-78	-151	-15

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

NET OPERATING BALANCE	799	243	420	266	201	255
less provisions for doubtful debts	-5	-	1	1	1	1
plus net gains on assets (including derivatives)	-149	2	90	24	24	-6
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	66	-	-	-	-	-
plus all other adjustments	-	-	-	-	3	-
AAS OPERATING RESULT	588	245	510	290	227	248

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2004 Actual ^(a) \$m	2005 Budget Estimate \$m	2005 Mid-Year Revision \$m	2006 Forward Estimate \$m	2007 Forward Estimate \$m	2008 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	414	287	400	396	389	391
Advances paid	853	851	942	938	925	820
Investments, loans and placements	1,702	885	870	838	830	828
Other non-equity assets	926	732	921	866	839	877
Equity	18,273	17,841	18,983	19,690	20,205	20,696
<i>Total</i>	<i>22,168</i>	<i>20,595</i>	<i>22,115</i>	<i>22,728</i>	<i>23,188</i>	<i>23,613</i>
<i>Non-Financial assets</i>						
Land and fixed assets	31,621	30,475	33,143	34,184	35,130	36,036
Other non-financial assets	83	81	66	83	98	102
<i>Total</i>	<i>31,704</i>	<i>30,555</i>	<i>33,209</i>	<i>34,268</i>	<i>35,228</i>	<i>36,138</i>
TOTAL ASSETS	53,871	51,151	55,324	56,996	58,416	59,751
LIABILITIES						
Deposits held	309	238	266	260	254	254
Advances received	561	549	556	547	534	517
Borrowings	1,807	1,998	1,301	1,375	1,524	1,480
Unfunded superannuation liabilities	5,490	5,381	5,478	5,462	5,425	5,389
Other employee entitlements and provisions	1,344	1,271	1,308	1,380	1,447	1,528
Non-equity liabilities	606	683	725	786	856	953
TOTAL LIABILITIES	10,117	10,119	9,633	9,810	10,039	10,121
NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>Memorandum Item: Net Debt</i>	<i>-291</i>	<i>762</i>	<i>-89</i>	<i>10</i>	<i>168</i>	<i>212</i>

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

NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>less equity (net worth) of PNFC and PFC sectors</i>	<i>17,847</i>	<i>16,852</i>	<i>18,430</i>	<i>18,999</i>	<i>19,373</i>	<i>19,755</i>
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	25,907	24,180	27,261	28,187	29,004	29,875

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	4,047	3,740	3,899	3,833	4,024	4,262
Receipts from sales of goods and services	968	920	950	952	971	1,000
Grants and subsidies received	5,829	6,281	6,680	6,870	7,000	7,288
Other receipts	2,224	2,300	2,386	2,375	2,385	2,386
<i>Total</i>	<i>13,068</i>	<i>13,242</i>	<i>13,915</i>	<i>14,030</i>	<i>14,380</i>	<i>14,936</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-8,238	-8,651	-9,038	-9,114	-9,376	-9,685
Grants and subsidies paid	-2,589	-2,760	-3,041	-3,062	-3,208	-3,283
Interest paid	-171	-206	-174	-140	-146	-162
Other payments	-691	-732	-769	-765	-769	-789
<i>Total</i>	<i>-11,688</i>	<i>-12,349</i>	<i>-13,022</i>	<i>-13,081</i>	<i>-13,499</i>	<i>-13,918</i>
Net Cash Flow from Operating Activities	1,380	893	893	949	881	1,018
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-992	-1,139	-1,256	-1,113	-1,112	-1,009
Sales of non-financial assets	166	175	289	193	187	129
<i>Total</i>	<i>-826</i>	<i>-964</i>	<i>-966</i>	<i>-920</i>	<i>-925</i>	<i>-879</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-122	-96	-115	-126	-109	-92
Liquidity purposes	-80	17	17	15	1	-
<i>Total</i>	<i>-202</i>	<i>-79</i>	<i>-97</i>	<i>-110</i>	<i>-108</i>	<i>-92</i>
Net Cash Flow from Investing Activities	-1,028	-1,043	-1,064	-1,031	-1,033	-971
FINANCING ACTIVITIES						
Advances received (net)	-8	-	-	-	-	-
Borrowings (net)	-158	-32	-500	78	153	-39
Deposits received (net)	-2	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	-32	-12	-101	-4	-1	-2
<i>Total</i>	<i>-199</i>	<i>-44</i>	<i>-600</i>	<i>74</i>	<i>152</i>	<i>-40</i>
<i>Opening cash balance</i>	<i>2,538</i>	<i>2,441</i>	<i>2,690</i>	<i>1,919</i>	<i>1,911</i>	<i>1,911</i>
NET INCREASE IN CASH HELD	152	-194	-771	-8	-	7
<i>Closing cash balance</i>	<i>2,690</i>	<i>2,247</i>	<i>1,919</i>	<i>1,911</i>	<i>1,911</i>	<i>1,918</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>554</i>	<i>-71</i>	<i>-73</i>	<i>29</i>	<i>-44</i>	<i>139</i>
Surplus	554	-71	-73	29	-44	139

(a) Consistent with final audited data contained in the 2003-04 Government of Western Australia Consolidated Financial Statements, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.4

PUBLIC NON-FINANCIAL CORPORATIONS

Operating Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	810	858	922	974	1,034	1,100
Capital grants	128	154	153	144	145	119
Sales of goods and services	5,201	5,010	5,135	5,230	5,409	5,581
Interest income	118	111	124	120	126	130
Other	310	200	253	178	178	178
<i>Total</i>	6,567	6,333	6,587	6,645	6,892	7,108
EXPENSES						
Gross operating expenses						
Salaries	480	458	501	517	544	564
Depreciation and amortisation	627	647	639	664	701	732
Superannuation	48	44	49	55	57	58
Other gross operating expenses	3,518	3,421	3,541	3,538	3,618	3,734
Nominal superannuation interest	-	-	-	-	-	-
Other interest	418	453	469	532	581	580
Other property expenses	744	651	690	659	680	719
Current transfers	472	522	550	545	566	566
Capital transfers	1	5	9	10	35	22
<i>Total</i>	6,308	6,201	6,448	6,519	6,783	6,975
NET OPERATING BALANCE	259	132	138	127	108	134
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchase of non-financial assets	1,507	1,785	2,126	2,022	1,593	1,184
Sales of non-financial assets	-441	-420	-479	-434	-443	-416
less depreciation	627	647	639	664	701	732
plus change in inventories	391	-4	43	-12	5	25
plus other movements in non-financial assets	32	-	-	-	-25	-12
<i>Total</i>	861	714	1,051	913	428	48
NET LENDING/BORROWING	-602	-582	-913	-786	-320	85

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

NET OPERATING BALANCE	259	132	138	127	108	134
less provisions for doubtful debts	5	5	8	6	6	6
plus net gains on assets (including derivatives)	106	83	93	84	113	109
plus capitalised interest	6	-	-	-	-	-
less revaluation of superannuation liabilities	-	-	-	-	-	-
plus all other adjustments	2	-	-19	-22	-8	14
AAS OPERATING RESULT	368	210	203	183	207	251

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2004 Actual ^(a) \$m	2005 Budget Estimate \$m	2005 Mid-Year Revision \$m	2006 Forward Estimate \$m	2007 Forward Estimate \$m	2008 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	281	231	221	228	244	256
Advances paid	119	69	78	8	7	7
Investments, loans and placements	1,819	1,774	1,906	1,997	2,113	2,247
Other non-equity assets	880	915	1,052	1,173	1,245	1,368
Equity	5	1	5	7	7	9
Total	3,104	2,990	3,263	3,413	3,616	3,887
<i>Non-Financial assets</i>						
Land and fixed assets	24,162	24,263	25,737	27,262	28,073	28,567
Other non-financial assets	215	162	159	155	150	151
Total	24,377	24,425	25,896	27,416	28,223	28,717
TOTAL ASSETS	27,481	27,415	29,158	30,829	31,839	32,605
LIABILITIES						
Deposits held	2	1	1	1	1	1
Advances received	561	549	556	547	534	517
Borrowings	6,826	7,466	7,849	8,880	9,487	9,769
Unfunded superannuation liabilities	191	178	176	159	143	127
Other employee entitlements and provisions	316	208	278	268	256	296
Non-equity liabilities	1,618	1,502	1,707	1,694	1,643	1,639
TOTAL LIABILITIES	9,515	9,903	10,567	11,549	12,064	12,349
Shares and other contributed capital	426	989	553	691	831	941
NET WORTH	17,540	16,522	18,037	18,588	18,943	19,314
<i>Memorandum Item: Net Debt</i>	5,170	5,942	6,201	7,195	7,658	7,777

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

NET WORTH	17,540	16,522	18,037	18,588	18,943	19,314
<i>plus</i> shares and other contributed capital	426	989	553	691	831	941
<i>less</i> all other adjustments	-	-	-	-	-	-
AAS NET ASSETS	17,966	17,512	18,591	19,280	19,774	20,256

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS

Cash Flow Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	5,238	5,062	5,177	5,188	5,423	5,565
Grants and subsidies received	882	945	1,005	1,042	1,088	1,113
Other receipts	596	434	487	463	466	444
<i>Total</i>	<i>6,716</i>	<i>6,441</i>	<i>6,669</i>	<i>6,694</i>	<i>6,976</i>	<i>7,123</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-3,806	-3,808	-3,998	-3,933	-4,065	-4,229
Grants and subsidies paid	-386	-415	-453	-434	-452	-440
Interest paid	-454	-459	-438	-551	-588	-585
Other payments	-734	-603	-646	-637	-649	-636
<i>Total</i>	<i>-5,379</i>	<i>-5,284</i>	<i>-5,535</i>	<i>-5,554</i>	<i>-5,755</i>	<i>-5,890</i>
Net Cash Flow from Operating Activities	1,337	1,157	1,134	1,139	1,222	1,232
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,507	-1,785	-2,126	-2,022	-1,593	-1,184
Sales of non-financial assets	441	420	479	434	443	416
<i>Total</i>	<i>-1,066</i>	<i>-1,365</i>	<i>-1,647</i>	<i>-1,588</i>	<i>-1,149</i>	<i>-767</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	22	-1	40	-4	-17	-82
<i>Total</i>	<i>22</i>	<i>-1</i>	<i>40</i>	<i>-4</i>	<i>-17</i>	<i>-82</i>
Net Cash Flow from Investing Activities	-1,043	-1,366	-1,607	-1,592	-1,166	-850
FINANCING ACTIVITIES						
Advances received (net)	-12	-12	-12	-13	-13	-13
Borrowings (net)	175	675	885	923	500	160
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-677	-679	-699	-687	-710	-677
Other financing	180	193	213	217	188	176
<i>Total</i>	<i>-334</i>	<i>177</i>	<i>386</i>	<i>441</i>	<i>-35</i>	<i>-354</i>
<i>Opening cash balance</i>	<i>495</i>	<i>463</i>	<i>454</i>	<i>368</i>	<i>356</i>	<i>377</i>
NET INCREASE IN CASH HELD	-40	-32	-86	-12	21	29
<i>Closing cash balance</i>	<i>454</i>	<i>431</i>	<i>368</i>	<i>356</i>	<i>377</i>	<i>406</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-406</i>	<i>-887</i>	<i>-1,211</i>	<i>-1,136</i>	<i>-638</i>	<i>-212</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	-406	-887	-1,211	-1,136	-638	-212

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	2003-04 Actual ^(a) \$m	2004-05 Budget Estimate \$m	2004-05 Mid-Year Revision \$m	2005-06 Forward Estimate \$m	2006-07 Forward Estimate \$m	2007-08 Forward Estimate \$m
REVENUE						
Taxation	3,952	3,585	3,735	3,659	3,846	4,075
Current grants and subsidies	5,583	5,913	6,312	6,523	6,662	6,968
Capital grants	295	367	379	341	333	319
Sales of goods and services	5,981	5,722	5,887	5,997	6,197	6,388
Interest income	208	193	226	223	224	237
Royalty income	654	736	789	764	776	775
Other	516	421	530	381	378	377
<i>Total</i>	<i>17,188</i>	<i>16,937</i>	<i>17,857</i>	<i>17,887</i>	<i>18,415</i>	<i>19,139</i>
EXPENSES						
Gross operating expenses						
Salaries	5,267	5,374	5,575	5,732	5,892	6,082
Depreciation and amortisation	1,173	1,251	1,200	1,241	1,303	1,356
Superannuation	506	516	545	560	571	584
Other gross operating expenses	6,099	6,153	6,456	6,440	6,638	6,881
Nominal superannuation interest	283	288	295	296	297	296
Other interest	545	623	606	638	695	711
Other property expenses	-	-	-	-	-	-
Current transfers	2,000	2,106	2,266	2,317	2,411	2,472
Capital transfers	257	252	356	269	298	369
<i>Total</i>	<i>16,129</i>	<i>16,562</i>	<i>17,299</i>	<i>17,494</i>	<i>18,106</i>	<i>18,751</i>
NET OPERATING BALANCE	1,058	374	559	393	309	389
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchases of non financial assets	2,499	2,924	3,382	3,135	2,705	2,192
Sales of non-financial assets	-607	-595	-769	-626	-630	-546
less depreciation	1,173	1,251	1,200	1,241	1,303	1,356
plus change in inventories	387	-2	47	-11	9	28
plus other movements in non-financial assets	-16	-	58	-	-	-
<i>Total</i>	<i>1,090</i>	<i>1,076</i>	<i>1,518</i>	<i>1,257</i>	<i>779</i>	<i>318</i>
NET LENDING/BORROWING	-32	-702	-959	-864	-471	70
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	1,058	374	559	393	309	389
less provisions for doubtful debts	1	5	9	6	7	7
plus net gains on assets (including derivatives)	-43	86	182	108	136	103
plus capitalised interest	6	-	-	-	-	-
less revaluation of superannuation liabilities	66	-	-	-	-	-
plus all other adjustments	1	-	-19	-21	-5	14
AAS OPERATING RESULT	955	455	713	472	433	499

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	2004 Actual ^(a) \$m	2005 Budget Estimate \$m	2005 Mid-Year Revision \$m	2006 Forward Estimate \$m	2007 Forward Estimate \$m	2008 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	520	400	502	516	537	554
Advances paid	411	371	465	399	398	310
Investments, loans and placements	3,521	2,659	2,776	2,835	2,943	3,075
Other non-equity assets	1,479	1,326	1,592	1,609	1,595	1,606
Equity	312	330	397	417	437	449
<i>Total</i>	<i>6,243</i>	<i>5,087</i>	<i>5,731</i>	<i>5,776</i>	<i>5,910</i>	<i>5,994</i>
<i>Non-Financial assets</i>						
Land and fixed assets	55,783	54,738	58,880	61,446	63,203	64,603
Other non-financial assets	298	242	225	238	248	253
<i>Total</i>	<i>56,081</i>	<i>54,980</i>	<i>59,104</i>	<i>61,684</i>	<i>63,451</i>	<i>64,856</i>
TOTAL ASSETS	62,323	60,067	64,835	67,460	69,361	70,850
LIABILITIES						
Deposits held	136	121	148	153	159	162
Advances received	561	549	556	547	534	517
Borrowings	8,633	9,464	9,150	10,254	11,011	11,249
Unfunded superannuation liabilities	5,681	5,558	5,654	5,622	5,568	5,516
Other employee entitlements and provisions	1,540	1,436	1,487	1,559	1,628	1,708
Non-equity liabilities	2,017	1,907	2,150	2,139	2,085	2,068
TOTAL LIABILITIES	18,569	19,035	19,144	20,274	20,984	21,220
NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>Memorandum Item: Net Debt</i>	<i>4,879</i>	<i>6,704</i>	<i>6,111</i>	<i>7,205</i>	<i>7,826</i>	<i>7,989</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>less equity (net worth) of the PFC sector</i>	<i>307</i>	<i>329</i>	<i>392</i>	<i>410</i>	<i>431</i>	<i>440</i>
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	43,447	40,703	45,299	46,775	47,946	49,190
(a) Consistent with final audited data contained in the 2003-04 <i>Government of Western Australia Consolidated Financial Statements</i> , released 2 November 2004.						
Note: Columns may not add due to rounding.						

Table 1.9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,878	3,588	3,740	3,664	3,852	4,086
Receipts from sales of goods and services	6,052	5,804	5,964	5,972	6,224	6,390
Grants and subsidies received	5,829	6,281	6,680	6,870	7,000	7,288
Other receipts	2,063	1,945	2,078	2,053	2,034	2,038
<i>Total</i>	<i>17,821</i>	<i>17,617</i>	<i>18,462</i>	<i>18,560</i>	<i>19,110</i>	<i>19,802</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-11,885	-12,273	-12,869	-12,876	-13,268	-13,735
Grants and subsidies paid	-2,079	-2,214	-2,473	-2,438	-2,556	-2,592
Interest paid	-585	-633	-579	-661	-706	-720
Other payments	-1,233	-1,125	-1,213	-1,183	-1,187	-1,182
<i>Total</i>	<i>-15,782</i>	<i>-16,245</i>	<i>-17,134</i>	<i>-17,158</i>	<i>-17,717</i>	<i>-18,229</i>
Net Cash Flow from Operating Activities	2,039	1,372	1,328	1,402	1,393	1,573
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-2,499	-2,924	-3,382	-3,135	-2,705	-2,192
Sales of non-financial assets	607	595	769	626	630	546
<i>Total</i>	<i>-1,892</i>	<i>-2,329</i>	<i>-2,613</i>	<i>-2,509</i>	<i>-2,074</i>	<i>-1,646</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	15	13	-	-	-	-
Liquidity purposes	-58	16	58	11	-16	-82
<i>Total</i>	<i>-42</i>	<i>29</i>	<i>58</i>	<i>11</i>	<i>-16</i>	<i>-82</i>
Net Cash Flow from Investing Activities	-1,934	-2,301	-2,555	-2,497	-2,090	-1,728
FINANCING ACTIVITIES						
Advances received (net)	-20	-12	-12	-13	-13	-13
Borrowings (net)	18	643	385	1,001	653	121
Deposits received (net)	-2	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	10	73	-3	87	78	83
<i>Total</i>	<i>6</i>	<i>703</i>	<i>370</i>	<i>1,076</i>	<i>718</i>	<i>191</i>
<i>Opening cash balance</i>	<i>3,032</i>	<i>2,903</i>	<i>3,144</i>	<i>2,287</i>	<i>2,267</i>	<i>2,288</i>
NET INCREASE IN CASH HELD	112	-225	-857	-20	21	36
<i>Closing cash balance</i>	<i>3,144</i>	<i>2,678</i>	<i>2,287</i>	<i>2,267</i>	<i>2,288</i>	<i>2,324</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>148</i>	<i>-957</i>	<i>-1,285</i>	<i>-1,107</i>	<i>-682</i>	<i>-73</i>
Surplus	148	-957	-1,285	-1,107	-682	-73

(a) Consistent with final audited data contained in the 2003-04 Government of Western Australia Consolidated Financial Statements, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	2003-04 Actual ^(a) \$m	2004-05 Budget Estimate \$m	2004-05 Mid-Year Revision \$m	2005-06 Forward Estimate \$m	2006-07 Forward Estimate \$m	2007-08 Forward Estimate \$m
REVENUE						
Current grants and subsidies	-	1	2	1	1	1
Capital grants	-	-	-	-	-	-
Sales of goods and services	634	609	587	610	633	667
Interest income	937	1,029	948	975	1,008	1,071
Other	30	-	1	-	-	-
<i>Total</i>	<i>1,601</i>	<i>1,639</i>	<i>1,537</i>	<i>1,585</i>	<i>1,641</i>	<i>1,739</i>
EXPENSES						
Gross operating expenses						
Salaries	19	20	21	21	22	23
Depreciation and amortisation	4	3	4	3	4	4
Superannuation	2	2	2	2	2	2
Other gross operating expenses	584	568	549	626	650	699
Nominal superannuation interest	-	-	-	-	-	-
Other interest	856	857	774	801	830	887
Other property expenses	15	5	5	5	5	5
Current transfers	2	2	3	2	2	2
Capital transfers	-	2	1	1	1	1
<i>Total</i>	<i>1,481</i>	<i>1,459</i>	<i>1,359</i>	<i>1,462</i>	<i>1,515</i>	<i>1,624</i>
NET OPERATING BALANCE	120	180	178	124	126	115
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchases of non-financial assets	3	2	4	3	4	4
Sales of non-financial assets	-	-	-	-1	-	-
less depreciation	4	3	4	3	4	4
plus change in inventories	-	-	-	-	-	-
plus other movements in non-financial assets	-	-	-	-	-	-
<i>Total</i>	<i>-2</i>	<i>-1</i>	<i>-</i>	<i>-2</i>	<i>-</i>	<i>-</i>
NET LENDING/BORROWING	122	181	178	125	126	115
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	120	180	178	124	126	115
less provisions for doubtful debts	-	-	-	-	-	-
plus net gains on assets (including derivatives)	-18	-	-	-	-	-
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	-4	-	-	-	-	-
plus all other adjustments	-	-	-	-	-	-
AAS OPERATING RESULT	105	180	178	124	126	115

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2004	2005	2005	2006	2007	2008
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	18	15	28	32	39	25
Advances paid	1,366	1,601	1,553	1,666	1,767	1,856
Investments, loans and placements	12,792	14,029	13,323	14,073	14,680	14,940
Other non-equity assets	469	416	450	448	447	448
Equity	899	833	958	1,024	1,105	1,184
Total	15,544	16,894	16,312	17,244	18,038	18,453
<i>Non-Financial assets</i>						
Land and fixed assets	324	357	343	363	391	417
Other non-financial assets	-	11	17	17	16	15
Total	324	368	359	380	407	433
TOTAL ASSETS	15,868	17,262	16,672	17,624	18,445	18,885
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	3	3	3	3	3	3
Borrowings	13,487	14,868	14,160	14,982	15,643	15,925
Unfunded superannuation liabilities	12	15	11	11	10	9
Other employee entitlements and provisions	7	6	7	7	7	7
Non-equity liabilities	2,052	2,041	2,098	2,211	2,351	2,501
TOTAL LIABILITIES	15,561	16,933	16,280	17,213	18,014	18,445
Shares and other contributed capital	-	-	-	-	-	-
NET WORTH	307	329	392	410	431	440
<i>Memorandum Item: Net Debt</i>	-685	-774	-741	-786	-839	-892
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	307	329	392	410	431	440
<i>plus</i> shares and other contributed capital	-	-	-	-	-	-
<i>less</i> all other adjustments	-	-	-	-	-	-
AAS NET ASSETS	307	329	392	410	431	440

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	572	594	576	590	621	651
Grants and subsidies received	-	1	2	1	1	1
Other receipts	940	991	904	934	968	1,033
<i>Total</i>	<i>1,512</i>	<i>1,585</i>	<i>1,482</i>	<i>1,525</i>	<i>1,590</i>	<i>1,685</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-520	-504	-515	-526	-535	-573
Grants and subsidies paid	-2	-	-2	-	-	-
Interest paid	-852	-855	-776	-802	-830	-888
Other payments	-126	-86	-85	-94	-98	-101
<i>Total</i>	<i>-1,499</i>	<i>-1,446</i>	<i>-1,377</i>	<i>-1,421</i>	<i>-1,463</i>	<i>-1,562</i>
Net Cash Flow from Operating Activities	12	139	105	103	128	123
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-3	-2	-4	-3	-4	-4
Sales of non-financial assets	-	-	-	1	-	-
<i>Total</i>	<i>-3</i>	<i>-2</i>	<i>-4</i>	<i>-2</i>	<i>-4</i>	<i>-4</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-54	-247	-266	-203	-212	-195
<i>Total</i>	<i>-54</i>	<i>-247</i>	<i>-266</i>	<i>-203</i>	<i>-212</i>	<i>-195</i>
Net Cash Flow from Investing Activities	-56	-249	-271	-205	-216	-199
FINANCING ACTIVITIES						
Advances received (net)	-	-	-	-	-	-
Borrowings (net)	295	112	178	114	103	70
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-15	-5	-5	-5	-5	-5
Other financing	-	-	-	-	-	-
<i>Total</i>	<i>280</i>	<i>108</i>	<i>173</i>	<i>109</i>	<i>98</i>	<i>65</i>
<i>Opening cash balance</i>	<i>2,547</i>	<i>2,528</i>	<i>2,783</i>	<i>2,790</i>	<i>2,798</i>	<i>2,808</i>
NET INCREASE IN CASH HELD	236	-2	8	8	10	-11
<i>Closing cash balance</i>	<i>2,783</i>	<i>2,526</i>	<i>2,790</i>	<i>2,798</i>	<i>2,808</i>	<i>2,797</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>-5</i>	<i>132</i>	<i>96</i>	<i>97</i>	<i>119</i>	<i>114</i>
Surplus	-5	132	96	97	119	114

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	2003-04 Actual ^(a) \$m	2004-05 Budget Estimate \$m	2004-05 Mid-Year Revision \$m	2005-06 Forward Estimate \$m	2006-07 Forward Estimate \$m	2007-08 Forward Estimate \$m
REVENUE						
Taxation	3,950	3,584	3,734	3,657	3,845	4,073
Current grants and subsidies	5,583	5,913	6,312	6,523	6,662	6,968
Capital grants	295	367	379	341	333	319
Sales of goods and services	6,488	6,193	6,341	6,456	6,667	6,880
Interest income	580	588	556	551	518	575
Royalty income	654	736	789	764	776	775
Other	518	416	524	376	372	372
<i>Total</i>	<i>18,069</i>	<i>17,796</i>	<i>18,634</i>	<i>18,668</i>	<i>19,173</i>	<i>19,963</i>
EXPENSES						
Gross operating expenses						
Salaries	5,286	5,394	5,595	5,753	5,914	6,105
Depreciation and amortisation	1,177	1,254	1,204	1,245	1,307	1,360
Superannuation	508	518	547	562	573	586
Other gross operating expenses	6,556	6,582	6,873	6,916	7,126	7,406
Nominal superannuation interest	283	288	295	296	297	296
Other interest	836	846	762	792	811	865
Other property expenses	-	-	-	-	-	-
Current transfers	1,988	2,106	2,265	2,317	2,411	2,471
Capital transfers	257	254	357	270	299	370
<i>Total</i>	<i>16,890</i>	<i>17,242</i>	<i>17,897</i>	<i>18,152</i>	<i>18,738</i>	<i>19,459</i>
NET OPERATING BALANCE	1,178	555	737	516	435	504
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchases of non-financial assets	2,502	2,927	3,386	3,138	2,708	2,196
Sales of non-financial assets	-607	-595	-769	-628	-630	-546
less depreciation	1,177	1,254	1,204	1,245	1,307	1,360
plus change in inventories	387	-2	47	-11	9	28
plus other movements in non-financial assets	-16	-	58	-	-	-
<i>Total</i>	<i>1,088</i>	<i>1,075</i>	<i>1,518</i>	<i>1,255</i>	<i>780</i>	<i>318</i>
NET LENDING/BORROWING	90	-521	-781	-739	-345	186
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	1,178	555	737	516	435	504
less provisions for doubtful debts	1	6	9	7	7	7
plus net gains on assets (including derivatives)	-61	86	182	108	136	103
plus capitalised interest	6	-	-	-	-	-
less revaluation of superannuation liabilities	63	-	-	-	-	-
plus all other adjustments	38	-	-19	-21	-5	14
AAS OPERATING RESULT	1,098	634	891	596	559	614

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	2004	2005	2005	2006	2007	2008
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	538	415	530	548	575	578
Advances paid	1,773	1,968	2,014	2,062	2,162	2,163
Investments, loans and placements	6,421	5,823	5,484	4,959	4,750	4,757
Other non-equity assets	1,737	1,582	1,863	1,885	1,876	1,894
Equity	904	834	963	1,030	1,111	1,193
<i>Total</i>	<i>11,373</i>	<i>10,623</i>	<i>10,854</i>	<i>10,485</i>	<i>10,475</i>	<i>10,585</i>
<i>Non-Financial assets</i>						
Land and fixed assets	56,107	55,095	59,222	61,809	63,593	65,020
Other non-financial assets	298	253	241	255	264	268
<i>Total</i>	<i>56,405</i>	<i>55,348</i>	<i>59,464</i>	<i>62,064</i>	<i>63,857</i>	<i>65,288</i>
TOTAL ASSETS	67,777	65,971	70,317	72,549	74,332	75,874
LIABILITIES						
Deposits held	136	121	148	153	158	162
Advances received	561	549	556	547	534	517
Borrowings	12,229	13,468	12,695	13,288	13,781	13,916
Unfunded superannuation liabilities	5,694	5,573	5,665	5,632	5,578	5,524
Other employee entitlements and provisions	1,545	1,442	1,492	1,564	1,634	1,714
Non-equity liabilities	3,858	3,788	4,070	4,179	4,270	4,411
TOTAL LIABILITIES	24,023	24,940	24,627	25,364	25,955	26,244
NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>Memorandum Item: Net Debt</i>	<i>4,194</i>	<i>5,930</i>	<i>5,371</i>	<i>6,418</i>	<i>6,987</i>	<i>7,097</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	43,754	41,032	45,691	47,185	48,377	49,630
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	43,754	41,032	45,691	47,185	48,377	49,630

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual ^(a)	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,840	3,552	3,704	3,628	3,814	4,048
Receipts from sales of goods and services	6,492	6,270	6,422	6,425	6,688	6,867
Grants and subsidies received	5,829	6,281	6,680	6,870	7,000	7,288
Other receipts	2,368	2,271	2,364	2,288	2,250	2,305
<i>Total</i>	<i>18,529</i>	<i>18,374</i>	<i>19,170</i>	<i>19,211</i>	<i>19,753</i>	<i>20,509</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-12,273	-12,649	-13,264	-13,263	-13,644	-14,134
Grants and subsidies paid	-2,080	-2,214	-2,473	-2,437	-2,556	-2,591
Interest paid	-828	-839	-752	-777	-797	-850
Other payments	-1,311	-1,165	-1,252	-1,233	-1,241	-1,242
<i>Total</i>	<i>-16,492</i>	<i>-16,867</i>	<i>-17,741</i>	<i>-17,710</i>	<i>-18,238</i>	<i>-18,818</i>
Net Cash Flow from Operating Activities	2,037	1,507	1,428	1,500	1,515	1,691
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-2,502	-2,927	-3,386	-3,138	-2,708	-2,196
Sales of non-financial assets	607	595	769	628	630	546
<i>Total</i>	<i>-1,894</i>	<i>-2,332</i>	<i>-2,617</i>	<i>-2,511</i>	<i>-2,078</i>	<i>-1,650</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	15	13	-	-	-	-
Liquidity purposes	-111	-230	-209	-192	-228	-277
<i>Total</i>	<i>-96</i>	<i>-218</i>	<i>-208</i>	<i>-192</i>	<i>-228</i>	<i>-277</i>
Net Cash Flow from Investing Activities	-1,991	-2,549	-2,826	-2,702	-2,306	-1,927
FINANCING ACTIVITIES						
Advances received (net)	-20	-12	-12	-13	-13	-13
Borrowings (net)	313	755	564	1,115	756	191
Deposits received (net)	-2	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	10	73	-3	87	78	83
<i>Total</i>	<i>301</i>	<i>816</i>	<i>548</i>	<i>1,189</i>	<i>822</i>	<i>261</i>
<i>Opening cash balance</i>	<i>5,579</i>	<i>5,431</i>	<i>5,927</i>	<i>5,077</i>	<i>5,065</i>	<i>5,095</i>
NET INCREASE IN CASH HELD	348	-227	-849	-13	31	25
<i>Closing cash balance</i>	<i>5,927</i>	<i>5,204</i>	<i>5,077</i>	<i>5,065</i>	<i>5,095</i>	<i>5,120</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>143</i>	<i>-825</i>	<i>-1,189</i>	<i>-1,010</i>	<i>-563</i>	<i>41</i>
Surplus	143	-825	-1,189	-1,010	-563	41

(a) Consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.16

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION
General Government

	2003-04 Actual ^(a) \$m	2004-05 Budget Estimate \$m	2004-05 Mid-Year Revision \$m	2005-06 Forward Estimate \$m	2006-07 Forward Estimate \$m	2007-08 Forward Estimate \$m
EXPENSES						
General Public Services	390	323	305	342	336	326
Public Order and Safety	1,296	1,361	1,425	1,465	1,520	1,567
Education	3,250	3,389	3,485	3,560	3,700	3,830
Health	2,953	3,088	3,179	3,301	3,472	3,653
Social Security	538	563	586	607	630	655
Housing and Community Amenities	862	818	954	954	938	927
Recreation and Culture	353	363	420	379	411	402
Fuel and Energy	82	87	108	105	101	101
Agriculture, Forestry, Fishing and Hunting	291	267	324	332	350	345
Mining and mineral resources (other than fuels), manufacturing and construction	157	108	137	139	128	120
Transport and Communications	1,089	1,429	1,343	1,301	1,362	1,543
Other Economic Affairs	244	187	307	276	274	272
Other Purposes	448	493	476	445	451	465
TOTAL EXPENSES	11,954	12,477	13,047	13,205	13,673	14,208
PURCHASES OF NON-FINANCIAL ASSETS						
General Public Services	181	188	167	182	221	178
Public Order and Safety	65	140	174	171	179	129
Education	180	163	160	191	193	166
Health	118	162	216	170	143	150
Social Security	6	10	15	16	13	8
Housing and Community Amenities	111	84	93	69	61	49
Recreation and Culture	49	58	69	47	42	70
Fuel and Energy	1	2	2	2	1	1
Agriculture, Forestry, Fishing and Hunting	16	33	28	22	31	10
Mining and mineral resources (other than fuels), manufacturing and construction	3	14	17	6	3	2
Transport and Communications	250	277	290	216	207	236
Other Economic Affairs	12	10	24	22	20	9
Other Purposes	-	-	-	-	-	-
TOTAL PURCHASES OF NON-FINANCIAL ASSETS	992	1,139	1,256	1,113	1,112	1,009

(a) Restated from the 2003-04 *Government Financial Results Report* to be consistent with final audited data contained in the 2003-04 *Government of Western Australia Consolidated Financial Statements*, released 2 November 2004.

Note: Columns may not add due to rounding.

Table 1.17

LOAN COUNCIL ALLOCATIONS
Western Australia

	2003-04 Actual ^(a) \$m	2004-05 Estimated \$m	2005-06 Projected \$m
General Government deficit	-554	73	-29
Public Non-financial Corporations' net financing requirement	406	1,211	1,136
Net Capital Advances	15	-	-
Total Non-financial Public Sector Deficit	-163	1,285	1,107
<i>Memorandum Items</i> ^(b)	-240	-103	-191
Loan Council Allocation	403	1,181	916
Tolerance Limit ^(c)	307	322	373

(a) Consistent with the LCA final outcome disclosure in the 2003-04 *Government Financial Results Report* released on 10 September 2004.

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

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

Note: Columns may not add due to rounding.

Loan Council Allocations

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position¹⁵.

The State's LCA deficit for 2004-05 is expected to be \$1,181 million, up \$385 million on the 2004-05 Budget estimate. This upward revision largely reflects the impact of higher capital spending in the public non-financial corporations (PNFC) sector (see Chapter 1: *Financial Projections* for more detail), and an increase in Keystart home lending expectations, impacting the LCA memorandum items.

Continuing high levels of capital spending, particularly by the PNFC sector, are expected to result in a \$916 million LCA deficit for 2005-06.

¹⁵ For the purposes of LCAs, deficits are positive and surpluses are negative.

APPENDIX 2

General Government Operating Revenue

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

Table 2.1

OPERATING REVENUE
General Government

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	\$m	Revision	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	1,139	1,202	1,183	1,224	1,283	1,365
Property taxes						
<i>Land tax</i>	280	301	310	313	334	357
Conveyances and transfers	1,207	846	967	900	958	1,020
Mortgages	115	95	109	107	113	121
Other stamp duties	53	30	34	31	33	35
<i>Total stamp duties on financial and capital transactions</i>	1,375	972	1,110	1,038	1,104	1,176
Debits Tax	97	96	96	8	-	-
<i>Total financial institutions taxes</i>	97	96	96	8	-	-
Metropolitan Region Improvement Tax	44	46	48	51	55	58
Emergency Services Levy	75	118	118	124	129	133
Loan guarantee fees	10	11	11	12	12	13
<i>Total other property taxes</i>	129	175	177	187	196	204
Taxes on provision of goods and services						
Lotteries Commission	95	95	96	98	100	101
less rebates	-20	-21	-20	-21	-21	-22
Video lottery terminals	-	1	1	1	1	1
Casino Tax	47	43	45	46	47	48
less rebates	-24	-24	-25	-25	-25	-26
TAB betting tax	56	53	53	56	58	61
less rebates	-22	-24	-24	-25	-26	-27
<i>Total taxes on gambling</i>	132	124	126	130	133	136
Contribution to fire brigades	31	-	-	-	-	-
Stamp duty on insurance policies	279	254	256	266	279	293
Other	19	6	21	22	21	22
<i>Total taxes on insurance</i>	328	260	276	287	300	315
Taxes on use of goods and performance of activities						
Stamp duty on vehicle licences	273	249	259	269	282	296
Permits – oversize vehicles and loads	3	2	2	2	2	2
Motor vehicle recording fee	45	44	45	47	48	50
Motor vehicle registrations	320	316	309	321	333	348
<i>Total motor vehicle taxes</i>	641	610	615	639	666	696
Total Taxation	4,122	3,739	3,892	3,826	4,017	4,249

Note: Columns may not add due to rounding.

OPERATING REVENUE
General Government

Table 2.1 (cont)

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
GST revenue grants	3,158	3,496	3,639	3,775	3,895	4,128
Competition reform	34	34	35	36	36	38
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	730	770	791	816	861	911
Other health	251	211	259	257	266	270
Schools assistance – government schools	207	212	215	226	237	249
Vocational training	92	91	94	94	96	98
Roads	30	32	32	36	36	36
Other	111	104	120	173	139	133
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	432	453	454	490	527	565
Local government grants	103	106	104	109	113	117
Local government roads	71	73	72	75	78	81
<i>Other Grants</i>						
North West Shelf royalties	363	331	496	436	379	343
Total Current Grants and Subsidies	5,583	5,913	6,312	6,523	6,662	6,968
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	47	97	101	64	61	71
Schools assistance – government schools	25	23	25	26	26	23
Vocational training	15	16	23	15	16	19
Other	198	221	219	225	219	195
<i>Specific Purpose Grants through the State</i>						
Schools assistance – non-government schools	10	10	10	10	10	11
Total Capital Grants	295	367	379	341	333	319

Note: Columns may not add due to rounding.

Table 2.1 (cont)

OPERATING REVENUE
General Government

	2003-04	2004-05	2004-05	2005-06	2006-07	2007-08
	Actual	Budget	Mid-Year	Forward	Forward	Forward
	\$m	Estimate	Revision	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
SALES OF GOODS AND SERVICES						
Department for Planning and Infrastructure	93	88	115	116	118	119
Department of Health	159	162	168	164	165	167
Department of Education and Training	116	103	131	137	139	140
TAFE Colleges	84	80	79	81	81	82
Department of Land Information	66	62	66	62	65	70
Department of Justice	55	51	51	51	52	52
Department of Conservation and Land Management	36	29	30	29	29	28
Department of Consumer and Employment Protection	23	23	24	27	29	30
Department of Fisheries	22	23	23	23	24	24
Department of Culture and the Arts	20	15	18	18	18	18
Police Service	18	13	16	13	14	14
All Others	249	247	198	215	226	240
Total Sales of Goods and Services	941	896	919	937	961	985
INTEREST INCOME	128	118	146	145	138	145
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	448	421	436	425	428	437
Tax Equivalent Regime	310	235	259	239	257	287
Total Revenue from Public Corporations	758	656	695	664	685	724
ROYALTY INCOME						
Revenue from Territorial less petroleum and other refunds	676	751	809	773	783	781
	-22	-15	-20	-9	-7	-6
Total Royalty Income	654	736	789	764	776	775
OTHER						
Lease rentals	40	41	40	43	43	43
Fines	79	76	76	76	76	76
Revenue not elsewhere counted	153	178	219	152	183	178
Total Other	272	296	336	271	302	298
GRAND TOTAL	12,753	12,719	13,467	13,471	13,874	14,463

Note: Columns may not add due to rounding.

APPENDIX 3

Post-Budget Policy Decisions Affecting Expenses

This appendix provides a breakdown of the variations in general government expenses due to policy decisions made since the 2004-05 Budget cut-off date (5 April 2004).

**SUMMARY OF EXPENSE DECISIONS
SINCE THE 2004-05 BUDGET**

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Agriculture	9.9	-2.6	0.4	0.4
Commissioner for Equal Opportunity	0.2	-	-	-
Community Development	1.6	5.5	5.6	5.4
Conservation and Land Management	1.3	1.8	2.7	2.7
Consumer and Employment Protection	0.2	-	-	-
Country High School Hostels Authority	-	-	0.8	0.8
Culture and the Arts	2.1	1.0	1.2	1.3
Disability Services Commission	3.1	-	-	-
Economic Regulation Authority	1.9	-	-	-
Education and Training	25.8	29.8	26.9	28.4
Education Services	57.7	-	-	-
Environment	9.9	1.0	0.5	0.5
Fire and Emergency Services Authority	2.9	2.2	2.2	2.1
Fisheries	0.4	0.9	0.8	0.8
Goldfields-Esperance Development Commission	1.1	-	-	-
Great Southern Development Commission	0.5	-	-	-
Health	42.5	43.8	23.9	-
Heritage Council of Western Australia	1.9	-	-	-
Housing and Works	2.2	-	25.0	25.0
Indigenous Affairs	0.2	-	-	-
Industry and Resources	16.3	4.9	5.5	92.9
Justice	24.6	24.9	26.4	26.6
Kimberley Development Commission	0.3	-	-	-
Land Information	0.6	2.4	3.0	2.6
Legal Aid Commission	1.2	0.7	0.7	0.7
Main Roads	28.1	8.3	5.0	7.9

Cont.

**SUMMARY OF EXPENSE DECISIONS
SINCE THE 2004-05 BUDGET**

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Mid West Development Commission	1.5	2.6	2.1	1.9
Office of the Director of Public Prosecutions	0.5	-	-	-
Office of the Public Sector Standards Commissioner	0.2	0.5	0.5	0.5
Parliamentary Commissioner for Administrative Investigations	0.2	0.3	0.2	0.2
Peel Development Commission	0.3	-	-	-
Pilbara Development Commission	5.0	5.0	-	-
Planning and Infrastructure	27.0	7.9	6.2	6.5
Police Service	7.3	16.7	29.3	46.5
Premier and Cabinet	15.4	25.2	14.2	24.0
Racing, Gaming and Liquor	0.3	-	-	-
Rural Business Development Commission	8.8	-	-	-
South West Development Commission	0.4	-	-	-
Sport and Recreation	39.6	-0.9	-1.5	-1.5
Swan River Trust	2.0	2.0	2.0	2.0
Treasury and Finance ^(a)	29.4	21.3	16.5	16.6
Water and Rivers Commission	4.6	4.4	4.3	2.3
Western Australian Electoral Commission	0.6	-	-	-
Western Australian Institute of Sport	-	0.2	0.4	0.5
Western Australian Planning Commission	0.1	-	-	-
Western Australian Sports Centre Trust	0.5	-	-	-
Western Australian Tourism Commission	2.8	1.5	1.3	0.7
Zoological Parks Authority	0.5	-	-	-
TOTAL	383.0	211.4	206.3	298.3

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

Note: Columns may not add due to rounding.

Details of individual decisions by agency are provided below.

Agriculture

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
European House Borer	7.6	-	-	-
Potential Locust Outbreak	0.5	-	-	-
Controlling Wild Dogs in Kalgoorlie	0.3	-	-	-
Weed control in the South West	0.4	-	-	-
Surveillance and control of footrot	0.3	-	-	-
Eradication of Cane Toads	0.6	-	-	-
Shared Land Information Platform	0.1	-2.6	0.3	0.3
Co-operatives Loan Scheme	0.1	0.1	0.1	0.1
Total	9.9	-2.6	0.4	0.4

- An amount of \$7.6 million is being expended through the Department of Agriculture, as lead agency, to commence investigatory work to determine the extent of invasion and to provide a practical approach in controlling the spread of an exotic pest (European House Borer).
- An allocation of \$500,000 has been provided to meet operational costs associated with the control of a potentially severe outbreak of the Australian Plague Locusts in the South West Land Division.
- Funding of \$300,000 has been provided for controlling wild dogs in Kalgoorlie.
- Funding of \$400,000 has been provided for weed control in the South West.
- Funding of \$300,000 has been provided for additional surveillance and control of footrot.
- Funding of \$600,000 has been provided to work towards preventing the incursion of cane toads into Western Australia.
- A Shared Land Information Platform (SLIP) will be implemented, which will deliver online access to land information held by various government agencies, with a particular focus on emergency management, natural resource management, land ownership, use and development. The Department of Agriculture will work in conjunction with the Department of Land Information, the Department for Planning and Infrastructure and the Fire and Emergency Services Authority of Western Australia to implement the SLIP.
- A loan scheme has been established by the Government to enable eligible primary industry co-operatives to take advantage of the significant tax benefits available together with providing a flexible means of raising capital. The expenses represent the interest component of the total loan funds of \$10 million and the administration fees associated with administering the loan facility.

Commissioner for Equal Opportunity

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Public Sector Racism and Equality Program	0.2	-	-	-
Total	0.2	-	-	-

- The Commissioner for Equal Opportunity is the host agency for the Public Sector Racism and Equality Program pilot project. The pilot project will begin investigating the options to identify and eliminate any systemic racial discrimination in the provision of public sector services.

Community Development

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Criminal Record Screening	1.2	4.0	4.1	3.9
Community Centre	0.4	-	-	-
Commissioner for Children and Young People	-	1.5	1.5	1.5
Total	1.6	5.5	5.6	5.4

- Legislation will be implemented that will require criminal records screening for people working with children. This will cost \$13.2 million across the forward estimates.
- A one-off grant has been provided to progress the building of a Community Centre in Craigie.
- Provision of \$1.5 million per annum from 2005-06 to establish a Western Australian Commissioner for Children and Young People.

Conservation and Land Management

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Extend the Rowley Shoals Marine Park	-	0.2	0.1	0.1
Create the Montebello/Barrow Island Marine Park and the Barrow Island Marine Management Area	-	0.6	0.4	0.4
Projects approvals resourcing	0.5	-	-	-
Extension of Ningaloo Marine Park and Muiron Islands Marine Management Area	0.4	1.0	2.1	2.1
Biodiversity conservation - various	0.4	-	-	-
Total	1.3	1.8	2.7	2.7

- \$1.8 million has been provided to plan and manage the extension of the Rowley Shoals Marine Park and to create the Montebello/Barrow Island Marine Park with a focus on biodiversity conservation. This project is jointly managed with the Department of Fisheries who received funding for research, monitoring and compliance management of both commercial and recreational fishing within the parks.
- To cater for the peak workload being generated by the current resources boom in the State, \$500,000 will be expended in 2004-05 to implement a more efficient project development approvals system to ensure the delivery of a more timely and streamlined approvals process.
- Additional funding of \$5.6 million over four years for improved protection and management of the existing Ningaloo marine park, its southern extensions and the Muiron Islands marine management area.
- Funding of \$435,000 for 2004-05 has been provided for various biodiversity conservation projects.

Consumer and Employment Protection

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Grant to WA Council of Social Services	0.2	-	-	-
Total	0.2	-	-	-

- Grant to enable the Western Australian Council of Social Services to employ two staff to provide representation on consumer issues.

Country High School Hostels Authority

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Kimberley Boarding Hostel - Broome	-	-	0.8	0.8
Total	-	-	0.8	0.8

- A new sixty-four bed boarding facility will be established in the Kimberley to cater for students attending secondary schools in Broome. The total cost of the project is \$6.6 million with the State Government providing \$4.4 million and the Catholic Education Commission contributing \$2.2 million. To assist with the operating costs of this facility, an annual subsidy will be provided from 2006-07, for services including salaries, electricity, water, etc.

Culture and the Arts

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Kew Street Operating Costs	0.4	-	-	-
Community Cultural Facilities Fund	0.6	0.7	0.8	1.0
Art Gallery International Exhibition Program	0.6	0.3	0.3	0.3
Community and Ethnic Media Outlet Funds	0.5	-	-	-
Total	2.1	1.0	1.2	1.3

- Additional funds provided for the operational costs of the Kew Street Museum complex.
- Funding provided for the operational costs associated with the Community Cultural Facilities Fund and expensed capital costs.
- Repayment of Art Gallery loans of around \$5.85 million, with the agency retaining the savings from debt servicing costs to commence new programs.
- Funding provided to not-for-profit community and ethnic media outlets to maximise opportunities for community groups and ethnic organisations to access media and to receive important community and government messages.

Disability Services Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Purchase of equipment	2.5	-	-	-
Access to Good Life	0.6	-	-	-
Total	3.1	-	-	-

- Funding provided for the purchase of equipment for use by disabled individuals in urgent need.

- Additional funding has also been provided for local government authorities to purchase recreation access equipment. Funding is for amounts between \$5,000 and \$15,000 for equipment such as hoists, water wheelchairs and equipment to make swimming pools accessible to people with disabilities. Funding will also provide for liberty swings and associated equipment to make parks and playgrounds accessible to people with disabilities.

Economic Regulation Authority

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Court and Review Board Costs	1.9	-	-	-
Total	1.9	-	-	-

- Funding has been provided to meet additional establishment costs associated with the Court and Review Board proceedings, the co-location of different parts of the Authority, a document management system and staff. Funding has been allocated for an inquiry and report by the ERA on a proposal to construct a desalination plant and water pipeline from Esperance to Kalgoorlie.

Education and Training

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
School building maintenance	16.0	20.0	14.0	15.0
Provisional estimate for TAFE Lecturers' Certified Agreement	2.5	8.8	11.6	12.1
Vacation Swimming	1.0	1.0	1.0	1.0
Advertising campaigns	0.3	-	-	-
Criminal Records Screening	-	-	0.3	0.3
Rotary Residential College at Kent Street Senior High School	2.0	-	-	-
Education to Community (e2c)	3.5	-	-	-
Minor works at Port Hedland and Newman schools	0.5	-	-	-
Total	25.8	29.8	26.9	28.4

- A major program to address the backlog in school building maintenance was announced. The additional funding of \$65 million over four years will address both planned maintenance requirements as well as initiatives of a preventative nature.
- The bargaining parameters for the new TAFE Lecturers' Certified Agreement were approved by Cabinet and negotiations are continuing between the Department of Education and Training and the Australian Education Union with regard to the quantum of the salary increase and a number of other workplace benefits associated with workload and career progression.
- As an incentive designed to encourage higher participation rates, the fees for vacation swimming lessons have been reduced to \$1 per day. Expenses associated with casual wages are expected to increase by \$1.0 million per annum. In addition, revenue foregone from the fee decrease is anticipated to be \$800,000 per annum. The total impact of the decision is, therefore, \$1.8 million per annum.
- Additional funding of \$320,000 has been approved to expand two advertising campaigns. The first, aimed primarily at young people, is intended to improve the appeal of apprenticeships and traineeships as starting points for a career while the second aims to attract final year graduates and professionals to apply for scholarships to become teachers.
- Additional expenses have been provided from 2006-07 onwards associated with legislation to be implemented for criminal records screening for people working with children. The impact on the Department of Education and Training is estimated to be \$250,000 in 2006-07 and \$292,000 in 2007-08.
- A once-off grant of \$2 million has been approved as a contribution towards the cost of extensions at the Rotary Residential College on the Kent Street Senior High School site. The extensions will provide opportunities for an additional 35 country students to access quality education programs at metropolitan government secondary schools.
- Funding of \$3.5 million has been provided for an essential element of the Education to Community (e2c) strategy: the establishment of a learning gateway that will facilitate the implementation of on-line learning across the school sector. This will enable Western Australia to maximise the efficiency and effectiveness of the substantial infrastructure it has already invested in as part of the e2c strategy.

- Upgrades to the communication networks and the entrances to the school grounds are required at both Hedland and Newman Senior High Schools at a total cost of \$500,000.

Education Services

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Payment to Edith Cowan University – purchase of Churchlands Campus site	57.7	-	-	-
Total	57.7	-	-	-

- A grant of \$57.7 million to the Edith Cowan University (ECU) has been made to enable the ECU to purchase the Churchlands Campus site from the Crown. The additional expense of \$57.7 million for the Department of Education Services is fully offset by additional revenue collected by the Department for Planning and Infrastructure.

Environment

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Relocation of Total Waste Management (Boulder) evaporation ponds – environmental assessment	0.1	-	-	-
Peak load project approvals	1.5	-	-	-
Keating Review implementation	2.1	0.5	-	-
Biodiversity Country Bush Forever program	0.4	0.5	0.5	0.5
Promotional kits to reduce plastic bag usage	0.1	-	-	-
Extension of the Pollution Watch campaign	0.1	-	-	-
Remediation of the Brookdale Liquid Waste Treatment facility	3.5	-	-	-
Remediation of the College Grove site	2.0	-	-	-
Various environmental audits	0.2	-	-	-
Total	9.9	1.0	0.5	0.5

- Additional expense related to the environmental assessment associated with the relocation of liquid waste evaporation ponds from the Total Waste Management facility in Boulder to Mungari Industrial Estate.

- The Environmental Protection Agency is recruiting additional staff to cater for the peak lead projects workload being generated by the current resources boom in the State.
- Following on from the Keating Review, a more efficient project development approvals system will be implemented to ensure the delivery of a more timely and streamlined approvals process.
- The Bush Forever program will be extended to the remaining areas of the southern Swan Coastal Plain.
- Additional costs related to the development and distribution of promotional kits to target a significant reduction in the use of plastic bags.
- Costs associated with the extension of the 'Pollution Watch' advertising campaign to seek the help of the public in reporting acts of environmental vandalism.
- \$3.5 million has been provided to meet the costs of remediation and decommissioning works at the Brookdale Liquid Waste Treatment facility.
- Remediation works at the former tip site adjoining the College Grove development in Bunbury will be undertaken at a cost of \$2 million.
- Expenses associated with the completion of various environmental audits including for the Leshenaultia estuary and Peel deviation and estuary.

Fire and Emergency Services Authority

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Volunteer Marine Rescue Service Group (VMRS)	0.6	0.4	0.4	0.4
WA Helicopter Water Bombing (Helitac)	1.8	1.4	1.4	1.4
Shared Land Information Platform (SLIP)	0.1	0.5	0.5	0.4
Community Emergency Management Officers	0.5	-	-	-
Total	2.9	2.2	2.2	2.1

- The State has significantly increased its operational support of the VMRS groups. The increased support includes \$200,000 per annum for insurance cover, fuel, maintenance, training and equipment replacement for the Metro VMRS groups and a further \$200,000 per annum to be allocated amongst the other 33 VMRS groups. In addition, a once-off grant in 2004-05 of \$200,000 has been made for a new vessel at Whitfords and for repairs to the existing vessel.
- The increased costs related to Helitac reflect the Government's decision to double the State's capacity to respond to bushfires with water bombing. The funding provided covers the set up and operation of two additional Helitacs extending the range of the service by 50% from 80 to 120 km radius from the Perth CBD.
- The Fire and Emergency Services Authority (FESA) will incur additional costs to establish and access the SLIP, which is a key deliverable of the State's recently launched e-Government Strategy. The FESA will participate, from the perspective of emergency management, with the Department of Land Information and the Department of Agriculture in improving access to on-line land information thereby enhancing decision-making and service delivery.
- The State has recently proposed a new four-staged initiative to support local governments in emergency management involving the appointment of Community Emergency Management Officers. The cost increase provides for the initial appointment of the officers, primarily to enable the development of bushfire plans prior to the coming peak season, in support of local governments considered to be at high risk. The costs will also cover work on other hazard management issues.

Fisheries

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Extension of the Rowley Shoals Marine Park	-	0.1	0.1	0.1
Creation of the Montebello/Barrow Island Marine Park	-	0.3	0.2	0.2
Extension of Ningaloo Marine Park	0.2	0.5	0.5	0.5
Promotion of Responsible Fishing	0.2	-	-	-
Total	0.4	0.9	0.8	0.8

- Funding has been provided for the extension of the Rowley Shoals Marine Park and to create the Montebello/Barrow Island Marine Park with the objective of conducting ongoing research, monitoring and compliance management of both commercial and recreational fishing within marine parks. Funding was also provided to increase the area and sanctuary zones within the Ningaloo Marine Park. These projects are jointly managed with the Department of Conservation and Land Management who also received funding to plan and manage the marine parks.
- Funding is also provided for the promotion of responsible fishing.

Goldfields-Esperance Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Project grants	1.1	-	-	-
Total	1.1	-	-	-

- A number of specific projects such as the Coolgardie Heritage restoration and maintenance on the Goldfields Art Centre will be provided with grants.

Great Southern Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Albany Leisure and Aquatic Centre	0.5	-	-	-
Total	0.5	-	-	-

- The Government has provided \$500,000 towards the Albany Leisure and Aquatic Centre for upgrades and refurbishment.

Health

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Elective Surgery Waitlist Initiative	8.0	-	-	-
Ambulatory Surgery Waitlist Initiative	0.3	-	-	-
Dental Waitlist Initiative	1.0	-	-	-
Capital Grant to Riverview Homes	2.2	-	-	-
Mental Health Initiative				
Improving Mental Health Emergency Services	1.6	3.7	4.3	-
Increasing Access to Adult In-Patient Beds	7.0	21.7	-	-
Increasing Access to Community Mental Health Services	4.7	17.4	18.6	-
Workforce and Safety Initiatives	1.0	1.0	1.0	-
Emergency Demand Management	16.5	-	-	-
Drink Driving Strategy	0.2	-	-	-
Total	42.5	43.8	23.9	-

- Additional funding of \$8.0 million has been allocated in 2004-05 to meet costs associated with reducing the elective surgery waiting list. The initiative is targeting patients who have waited longer than clinically desirable for surgery in areas of greatest demand including orthopaedic, ear, nose and throat, gynaecological and general surgery.
- Operational funding of \$300,000 and capital funding of \$1.7 million has been allocated in 2004-05 towards reducing the Ambulatory Surgery waitlist. The initiative is aimed at improving patient access to non-admitted day procedures and will target procedures such as colonoscopies, gastroscopies and cystoscopies, which primarily screen patients for cancer, bleeding disorders, bowel infections and ulcers. As part of the initiative, the Commonwealth has agreed to fund the surgical costs for the procedures under Medicare and accept electronic bulk billing from surgeons.
- Additional funding of \$1.0 million in 2004-05 has been allocated to further reduce the dental waiting list. The initiative is aimed at assisting approximately 6,500 people requiring general dental treatment.
- A one-off grant of \$2.2 million has been allocated in 2004-05 as the State's contribution to Riverview Residence Inc towards the development of a 64 bed residential aged care facility in Collie. The Commonwealth has also committed to the provision of financial assistance towards this project.

- The Government has allocated additional funding of \$82.0 million over a three-year period towards the implementation of the Mental Health Strategy. The additional funding includes:
 - \$9.6 million over three years to expand statewide mental health emergency services;
 - \$28.7 million over two years to increase access to adult inpatient beds;
 - \$40.7 million over three years to increase access to community mental health services and alternatives to acute admissions; and
 - \$3.0 million over three years to implement workforce safety initiatives, including the recruitment of 424 additional mental health professionals, enhancement of clinical information systems and workforce initiatives.
- Additional funding of \$16.5 million in 2004-05 has been allocated for emergency demand management to keep the additional 130 public hospital beds provided under the Winter Demand Strategy open until the end of June 2005.
- As part of the Government’s Drink Driving Strategy \$180,000 has been provided in 2004-05 to the Drug and Alcohol Office for alcohol treatment services.

Heritage Council of Western Australia

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Restoration of Saint George’s Cathedral	1.9	-	-	-
Total	1.9	-	-	-

- Funding has been provided to assist in the restoration of Saint George’s Cathedral.

Housing and Works

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Incentive for construction of a Multipurpose Indoor Entertainment and Sports Stadium	-	-	25.0	25.0
Building Appeals Function	0.2	-	-	-
Government Employees Housing Authority – replacement of air conditioners	2.0	-	-	-
Total	2.2	-	25.0	25.0

- On 10 May 2004, Cabinet approved proceeding with an Expression of Interest calling for private sector proposals to provide a Multipurpose Indoor Entertainment and Sports Stadium. The approval included the provision of up to \$50 million for proponents.
- The cost of continuing to provide the Building Appeals function during 2004-05 until the establishment of the State Administrative Tribunal will be \$150,000.
- Funding will provide for the replacement of old, inefficient air conditioners in housing for government employees in the Pilbara region.

Indigenous Affairs

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional support for the Aboriginal Cultural Materials Committee	0.1	-	-	-
Keating Review Implementation	0.1	-	-	-
Total	0.2	-	-	-

- To ensure government approvals for new major resource developments are not delayed, additional short term funding of \$120,000 has been allocated to recruit temporary staff to cater for the peak workload being generated by the current resources boom in the State. An additional Senior Heritage Officer will be employed and assigned solely to the major projects approval process. In addition, the Aboriginal Cultural Materials Committee will hold monthly meetings, instead of every two months, in order to further assist in shortening the Ministerial consent process.
- In accordance with the recommendations of the Keating Review, \$110,000 will be spent in 2004-05 to assist in the implementation of a more efficient project development approvals system in order to ensure the delivery of a more timely and streamlined approvals process.

Industry and Resources

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Keating Review implementation	0.7	-	-	-
Project approvals resourcing	1.2	-	-	-
Chemistry Centre lease accommodation	-	-	2.6	2.6
Ngaanyatjarra Lands Telecommunications project	1.0	1.0	-	-
Kemerton Buffer property	0.6	-	-	-
Assistance to JLV Industries	0.5	-	-	-
Skilled Migration Strategy	0.4	0.6	0.6	-
Burrup infrastructure	2.5	-	-	-
Education Exports	3.8	-	-	-
Wireless North	3.2	-	-	-
Boodarie Jobs Taskforce	1.0	-	-	-
Keating Review environmental approvals	1.1	2.2	2.2	2.2
Native Vegetation Clearing regulations	0.3	1.0	-	-
Specialist military advisor	-	0.1	0.1	-
Dampier to Bunbury Natural Gas Pipeline sale assistance	-	-	-	88.1
Kimberley Indigenous arts strategy	0.2	-	-	-
Total	16.3	4.9	5.5	92.9

- \$660,000 will be spent in 2004-05 to implement a more efficient project development approvals system to ensure the delivery of a more timely and streamlined approvals process.
- \$1.2 million has been allocated in 2004-05 to recruit staff to cater for the peak workload being generated by the current resources boom in the State.

- An amount of \$2.6 million will be spent in 2006-07 and 2007-08 for accommodation leased as a result of the Chemistry Centre being relocated to Curtin University.
- An amount of \$1 million per annum will be spent in 2004-05 and 2005-06 on the Ngaanyatjarra Lands Telecommunications project. This will enable the implementation of key recommendations of the Gordon Inquiry, by providing communications support for a number of agencies, as well as basic phone services for residents of the twelve indigenous communities in the area.
- \$550,000 has been provided in 2004-05 to enable the acquisition of a property in the expanded buffer zone of the Kemerton Industrial Estate on an approved basis of hardship.
- \$500,000 will be spent in 2004-05 to assist JLV Industries to relocate from Perth to Harvey.
- Funding of \$378,000 in 2004-05, \$600,000 in 2005-06 and \$600,000 in 2006-07 has been provided for a Skilled Migration Strategy, to help address the current skills shortage in the State.
- Assistance of \$2.5 million in 2004-05 will allow the provision of temporary facilities on the Dampier Cargo Wharf to facilitate the Burrup Fertilisers project.
- \$3.8 million will be spent in 2004-05 to facilitate an Education Exports proposal by Perth Education City.
- An amount of \$3.2 million will be spent in 2004-05 to enable the in-fill of mobile phone infrastructure in the North West region of the State, subject to a matching contribution by the Commonwealth Government.
- Expenditure of \$1.0 million in 2004-05 will facilitate a workers' assistance package as part of the recommendations of the Boodarie Jobs Taskforce.
- Payments of \$1.1 million in 2004-05 and \$2.2 million per annum from 2005-06 will help implement the Keating Review recommendations relating to timelines and streamlining of government approval processes.
- \$250,000 has been provided in 2004-05 and \$950,000 in 2005-06 to support the effective delivery of vegetation clearing permitting under the *Environmental Protection Act 1986*.

- An outlay of \$132,000 in 2005-06 and \$66,000 in 2006-07 will facilitate the appointment of a specialist military advisor to support the State's naval shipbuilding strategy.
- \$88.1 million is expected to be expensed in 2007-08 upon conversion of the loan to a grant under the terms of the Financial Assistance Agreement negotiated with the new owners of the Dampier to Bunbury Natural Gas Pipeline.
- \$200,000 will be spent in 2004-05 to develop an Indigenous arts strategy for the Kimberley region.

Justice

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional Prison Capacity	18.5	18.8	18.9	19.0
Juvenile Crime Strategy	3.7	4.2	5.2	5.3
Hooker Inquiry	1.3	0.8	1.1	1.1
Native Title Legal Costs	0.3	0.6	0.6	0.7
Regional 'Repay WA' Graffiti	0.6	0.5	0.5	0.6
Repeat Drink Driving Strategy	0.3	-	-	-
Criminal Records Screening	-	-	0.1	-
Total	24.6	24.9	26.4	26.6

- As a consequence of the success of the Police blitz on crime and other general policing initiatives, there is a requirement to recruit additional prison officers as well as undertake a prison expansion program in order to cope with the increasing prisoner numbers.
- A statewide Intensive Supervision Program designed to target chronic juvenile repeat offenders has been introduced. This engages the juvenile's family and peers through a targeted program aimed at addressing those behaviours and factors that lead them to re-offend.
- Tightening of court security and processes were necessary to address the recommendations of the Hooker Inquiry.
- An increased number of complex claims under active management by the Office of Native Title, has resulted in an increase in workload for the Land Claims section within the State Solicitor's Office.

- A new vandalism and graffiti working group, consisting of a number of frontline agencies, has been formed as part of a statewide crackdown on graffiti.
- The Office of Road Safety is co-ordinating a new Repeat Drink Driving Strategy. Additional expenditure relates to the initial start-up costs of the program.
- As part of a package involving a number of agencies, legislation will be implemented that requires criminal records screening for people working with children.

Kimberley Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Development of additional projects in the Kimberley region	0.3	-	-	-
Total	0.3	-	-	-

- Additional funding has been provided to develop a number of projects within the Kimberley region.

Land Information

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Shared Land Information Platform	0.6	2.4	3.0	2.6
Total	0.6	2.4	3.0	2.6

- Approval has been granted to implement the Shared Land Information Platform (SLIP). The SLIP will deliver online access to land information held by various government agencies, with a particular focus on emergency management, natural resource management, land ownership, use and development. The Department of Land Information will work in conjunction with the Department for Planning and Infrastructure, the Department of Agriculture and the Fire and Emergency Services Authority of Western Australia to implement the SLIP.

Legal Aid Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Establishment of legal centres at Geraldton and Albany	0.8	0.7	0.7	0.7
Reduce the backlog of cases in the District Court	0.5	-	-	-
Total	1.2	0.7	0.7	0.7

- Funding provided to establish new legal aid centres in Geraldton and Albany.
- Additional legal aid services are required to meet the backlog of cases being brought before the District Court.

Main Roads

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Local Government Roads Program	23.4	3.3	-	2.9
Black Spot Funding and Safer Roads Program	-	5.0	5.0	5.0
Road Upgrades at Greenbushes	2.2	-	-	-
High Wide Load Projects	2.5	-	-	-
Total	28.1	8.3	5.0	7.9

- The Government has announced additional Local Government Road Grants, to the value of \$23.4 million in 2004-05, to clear a backlog of regional road projects. Also, additional expenditure will be incurred in the out years as a result of the commitment to contribute a fixed 25% share of motor vehicle licence fee revenue to local roads.
- An additional \$100 million over four years has been committed to the Black Spot and Safer Roads programs. \$80 million of this commitment is set aside for capital works, with the balance to be spent on maintenance.
- Main Roads and the Department for Planning and Infrastructure are providing a one-off financial assistance package of \$10.9 million towards the establishment of a new plantation timber log and woodchip rail service and a new intermodal terminal at North Greenbushes. This expenditure is aimed at reducing the number of trucks entering Bunbury from the South West Highway, and includes \$2.2 million for associated road upgrades.
- The Government has announced funding of \$2.5 million in 2004-05, for High Wide Load Projects for the establishment of transport corridors capable of accommodating heavy project infrastructure.

Mid West Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Geraldton Foreshore and Central Business District Redevelopment	1.4	2.6	2.1	1.9
City Parks Improvements	0.2	-	-	-
Total	1.5	2.6	2.1	1.9

- The Government is contributing \$10 million over six years to the Geraldton Foreshore and Central Business District Redevelopment project, which is being managed by the City of Geraldton.
- A further \$150,000 has been provided for a city parks improvements program.

Office of the Director of Public Prosecutions

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Prosecution services to address the backlog of cases in the District Court	0.5	-	-	-
Total	0.5	-	-	-

- Additional prosecution services are required to address the backlog of cases being brought before the District Court.

Office of the Public Sector Standards Commissioner

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Service delivery initiatives	0.2	0.5	0.5	0.5
Total	0.2	0.5	0.5	0.5

- Additional expenditure associated with proactive and timely service delivery to Government, Parliament, public authorities and the public, including compliance with legislation, ethical codes and public standards.

Parliamentary Commissioner for Administrative Investigations

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Service delivery initiatives	0.2	0.3	0.2	0.2
Total	0.2	0.3	0.2	0.2

- Additional expenditure to improve legislative compliance programs, enhance customer service delivery and extend a proactive complaint resolution program.

Peel Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Improvement of tourist facilities in the Peel Region	0.3	-	-	-
Total	0.3	-	-	-

- Additional funding has been provided to improve various tourist facilities in the Peel Region.

Pilbara Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Pilbara Fund	5.0	5.0	-	-
Total	5.0	5.0	-	-

- The Pilbara Fund has been established with a \$20 million State funding commitment over the four years 2004-05 to 2007-08. The funding commitment will be via additional funding totalling \$10 million directly to the Commission in 2004-05 and 2005-06 and transfers totalling \$10 million from the Regional Investment Fund in 2006-07 and 2007-08.
- The additional funding will directly assist the Pilbara communities in upgrading facilities across the region. Specifically, the funding will accelerate investment in community and government infrastructure and directly impact the landscape of towns in the Pilbara region.

Planning and Infrastructure

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Rockingham Development Office	0.4	0.3	-	-
Ningaloo Sustainable Development Office	1.0	1.0	1.0	1.0
TRELIS	9.6	5.8	4.4	4.4
Counter Repeat Drink Driving Strategy	0.4	-	-	-
Establishment of a timber rail service and terminal at North Greenbushes	8.7	-	-	-
Atlantic Seal	0.1	-	-	-
SLIP	0.1	0.3	0.4	0.3
Interagencies Approval Implementation Group	0.1	-	-	-
Bike paths	1.1	-	-	-
Planning responsibilities	1.0	-	-	-
Town improvements	0.2	0.4	0.4	0.7
Public transport initiatives	3.4	0.1	0.1	0.1
Ocean Reef Marina development structure plan	0.7	-	-	-
Research Funding for Whitlock Island Tourism Precinct	0.3	-	-	-
Total	27.0	7.9	6.2	6.5

- The role of the Rockingham Development Office is to co-ordinate development and improvements to Rockingham, with a particular focus on the city centre. The office will assess projects, prioritise and develop funding proposals and report back to the Rockingham Planning and Development Taskforce. The focus will be to identify ways of maximising transit-oriented development opportunities from the proposed Rockingham City Central Transit System and its connection to the Southern Suburbs Railway.
- The Ningaloo Sustainable Development Office has been established to ensure immediate delivery of governance arrangements for the planning and development of the Carnarvon-Ningaloo coast stemming from the ‘Carnarvon-Ningaloo Coast Regional Strategy’.
- Additional expenditure has been approved for the ongoing development and support of TRELIS in order to improve the stability, continuity and management of the system.
- Additional expenditure has been approved for the ‘Counter Repeat Drink Driving Strategy’ as part of a package involving a number of agencies in order to counter ‘drink driving’ and associated unsafe road user behaviour.

- The Government is providing a financial assistance package of \$8.7 million towards the establishment of a new plantation timber log and woodchip rail service and a new intermodal terminal at North Greenbushes. This expenditure is aimed at reducing the number of trucks entering Bunbury from the South West Highway.
- Additional expenditure has occurred as a result of salvage and berthing costs associated with the vessel the ‘Atlantic Seal’ which ran aground in Cockburn Sound in 2003.
- Approval has been granted for the Department of Land Information (DLI) to implement the Shared Land Information Platform (SLIP). The SLIP will deliver online access to land information held by various government agencies, with a particular focus on emergency management, natural resource management, land ownership, use and development. The DLI will work in conjunction with the Department for Planning and Infrastructure and other agencies to implement the SLIP.
- An Interagencies Approval Implementation Group is to be formed to implement a more efficient government approval process across various agencies for proposed State projects that are large in scope.
- Additional grants are to be made to local councils for bike paths.
- The Department will incur additional expenditure in its Planning divisions to assist in the timely processing of planning applications and the implementation of appropriate plans for new lot production.
- The Government will incur additional expenditure on plans for the redevelopment of a number of town centres.
- Additional expenditure is proposed for a number of public transport initiatives including trials for improved bus services and improvements to transport infrastructure.
- Additional monies will be expended on a plan to redevelop the Ocean Reef Marina.
- An additional \$250,000 will be expended on research for the Whitlock Island Tourism Precinct to manage and progress a range of studies required as a prerequisite to the implementation of the revised Carnarvon Fascine (Whitlock Island) Structure Plan.

Police Service

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional Police Officers and Civilianisation	2.3	13.4	26.1	43.6
Crime Blitz	1.0	-	-	-
Criminal Law Amendment (Simple Offences) Bill	1.4	-	-	-
Criminal Procedures Bill	0.5	0.1	0.1	0.1
Criminal Records Screening	-	0.1	0.3	0.3
Ex-Gratia Payment	0.2	-	-	-
Implementation of Royal Commission Recommendations	1.9	3.0	2.8	2.6
Repeat Drink Driving Strategy	0.1	-	-	-
Total	7.3	16.7	29.3	46.5

- The Government has approved additional funding to meet the full cost of an additional 350 police officers and 160 public servants, which will free up more police officers to frontline duties. This will also enable the Police Service to meet the cost of a dedicated patrol in Ellenbrook by the civilianisation of 12 officers in 2004-05 pending the completion of the Ellenbrook police station.
- Funding has been provided to meet the cost of additional resources in 2004-05 to target key areas of crime and other general policing initiatives.
- To enable the Police Service to prepare for the enactment of the *Criminal Law Amendment (Simple Offences) Bill*, which is part of the reform of the *Police Act 1892*, funding has been provided to meet the cost of changes to information technology systems and statewide training of all officers.
- As part of the reform of the *Police Act 1892*, the *Criminal Procedure Act 2004* will alter police procedures relating to bringing an offender before the courts. Accordingly, funding has been provided to meet the additional expenses associated with the Act including training, printing and reprogramming of Police Information Systems.
- The Government has provided additional funding to the Police Service, as part of a package involving a number of agencies, to meet the costs associated with the implementation of legislation that will require criminal records screening for people working with children.

- An allocation has been provided to assist the Western Australian Police Union meet legal and other costs of representing police officers at the Royal Commission into Corrupt or Criminal Conduct by Western Australian Police Officers.
- In accordance with core changes recommended in the final report of the Royal Commission into Corrupt or Criminal Conduct by Western Australian Police Officers, additional funding has been provided to assist the Police Service to enhance management and implement appropriate corruption prevention strategies.
- To meet additional operating and development expenses funding has been provided for the 'Repeat Drink Driving Strategy' as part of a package involving a number of agencies to counter repeat drink driving and associated unsafe road user behaviour.

Premier and Cabinet

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Integrated Native Title and Land Access Strategy	-	10.0	10.0	20.0
Shared Corporate Services	-	10.7	-	-
Responsible Parenting Orders and Contracts	1.3	-	-	-
Road Trauma Trust Fund (RTTF)	4.0	4.0	4.0	4.0
ANZAC Day Taskforce	0.1	-	-	-
2004 Royal Show	1.8	-	-	-
Geraldton PCYC	0.1	-	-	-
Physical Activity Taskforce Response	0.5	0.5	0.2	-
Fisherman's Monument	0.1	-	-	-
Tenders, Public Notices and Job Board Advertising	0.4	-	-	-
Repeat Drink Driving Strategy	0.2	-	-	-
State Water Strategy Feasibility Study	5.0	-	-	-
Exmouth Tourism Campaign	0.2	-	-	-
Access 31 Television	0.7	-	-	-
Counter Terrorism	0.9	-	-	-
Ballajura Peace Park and War Memorial	0.2	-	-	-
Albany PCYC	0.1	-	-	-
Tom Hoad Cup Documentary	0.1	-	-	-
Total	15.4	25.2	14.2	24.0

- An Integrated Native Title and Land Access Strategy has been established to consolidate resources available across the public sector for native title claim settlements. Expenditure is expected to be incurred as a number of native title claims reach settlement over the forward estimates.

- Additional funding committed for the initial establishment of a Functional Review Taskforce initiative and the accelerated recruitment and retention of staff for the Shared Corporate Services Centres.
- The Government has committed additional funding for the implementation of responsible parenting contracts and orders.
- Additional funding has been provided by the Government to the RTTF for the implementation and operation of the Road Safety Strategy Program.
- The ANZAC Day Taskforce was allocated additional funding to match funds provided by the Commonwealth Government.
- Expenditure associated with a government grant to the Perth Royal Show to enable children under the age of 15 to enter the show free of charge. The grant was in recognition of the 100th anniversary of the Show, and in response to the naming of the Royal Show as a 175th Anniversary Icon.
- The Government provided a grant to the Geraldton PCYC to assist the organisation with the discharge of a loan utilised for the construction of the new premises.
- Additional expenditure associated with the co-ordination of the Government's response to the Physical Activity Taskforce.
- A grant was provided to complete the Fisherman's Monument.
- Additional expenditure was incurred in relation to an awareness campaign on changes to the advertising of public notices and tenders, and an extension of the Government Job Board advertising campaign.
- The Office of Road Safety is co-ordinating a new Repeat Drink Driving Strategy. Additional expenditure relates to the initial start-up and development costs of the program.
- Expenditure associated with a feasibility study into the construction of water canals from northern Western Australia to the metropolitan area.
- Additional expenditure for a tourism marketing campaign for the Exmouth region.

- The Government provided a grant to community television station Access 31 to assist with building fit-out costs, local program development and community training to foster not-for-profit community and ethnic media in Western Australia.
- Additional expenditure associated with the Department's co-ordination of the State's counter-terrorism initiatives.
- A grant was provided for the establishment of the Ballajura Peace Park and War Memorial.
- A grant was provided to the Albany Police and Citizens Youth Club to assist with infrastructure development.
- Additional expenditure incurred for the production of an hour long documentary on the Tom Hoad Cup.

Racing, Gaming and Liquor

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Independent Review of the <i>Liquor Licensing Act 1988</i>	0.3	-	-	-
Total	0.3	-	-	-

- The cost of undertaking an independent review of the *Liquor Licensing Act 1988* is expected to be \$250,000. The review is required by legislation and given the level of community interest in liquor issues it was determined that the review should be undertaken by an independent committee.

Rural Business Development Corporation

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Egg Marketing Board	8.8	-	-	-
Total	8.8	-	-	-

- Approval has been granted to establish a financial adjustment assistance scheme for egg producers to the value of \$8.75 million in recognition of the termination of licences held under the *Marketing of Eggs Act 1945*.

South West Development Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Improvement of tourist facilities in the South West Region	0.4	-	-	-
Total	0.4	-	-	-

- Additional funding has been provided for various initiatives in the South West Region.

Sport and Recreation

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Members Equity Stadium	25.0	-	-	-
Extinguish WAFC redevelopment loan	14.5	-1.5	-1.5	-1.5
State Baseball Centre	0.1	-	-	-
Sustainable Aquatic Heating project	-	0.6	-	-
Total	39.6	-0.9	-1.5	-1.5

- A commitment to contribute \$25 million in 2004-05 to fast track Stage 2 of the Members Equity Stadium as part of Rugby WA's successful bid to secure a Perth based team in the Super 14's competition.

The upgrade to Members Equity Stadium will include a new grandstand taking the seating capacity to 22,000 people as well as improved media, spectator and corporate hospitality facilities, and improved lighting. The expansion will also ensure the new 22,000 seat stadium surpassed all the standards set by the Australian Rugby Union and South Africa New Zealand Australia Rugby in their selection criteria for the new team.

- Under the 1998 financial assistance agreement with the West Australian Football Commission (WAFC), the State is obliged to meet the cost of the principal repayments on the WAFC's redevelopment loan at a rate of \$1.5 million per annum over 20 years. To extinguish the State's remaining future obligations under this agreement, \$14.5 million will be offered as being equivalent, in present value terms, to all the outstanding principal commitments.
- Construction of the State Baseball Centre commenced in December 2003. There were a number of delays partly due to the buoyant construction market over the past year, which has resulted in difficulties in obtaining tradespersons. The protracted timeframe has further caused Baseball WA to meet increasing costs owing to the escalation of building prices. A grant of \$125,000 has been allocated in 2004-05 to enable the completion of seating and shading the concrete terraces as well as the completion of grassing on the spectator banks.

Swan River Trust

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Conversion of funds from capital to output for Riverbank and Drainage Nutrient Intervention programs	2.0	2.0	2.0	2.0
Total	2.0	2.0	2.0	2.0

- A review of the scope of the works related to the Riverbank and Drainage Nutrient Intervention programs highlighted that funds were to be directed to work on land owned by local government and therefore the grants are to be expensed rather than capitalised.

Treasury and Finance

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Controlled Operations				
Office of State Revenue (OSR)	1.1	1.0	0.3	-
Tax Relief Package – Alternative payment arrangements	0.1	0.4	0.1	-
Life Support Equipment Electricity Subsidy	0.1	0.1	-	-
External Grants				
Ord Enhancement Scheme	3.4	2.5	2.4	2.4
Life Support Equipment Electricity Subsidy	-	0.5	0.5	0.5
Pensioners and Seniors Concessions Package	-	1.9	2.0	2.2
Shark Hazard Mitigation	0.1	-	-	-
Wine Equalisation Tax rebate	1.6	2.4	2.5	2.6
Racing and Wagering WA				
Racing infrastructure improvements	-	5.0	5.0	5.0
State Housing Commission				
Installation of Residual Current Devices (RCDs) in residences	5.0	3.0	-	-
Brownlie Towers – additional refurbishment	2.0	-	-	-
Water Corporation				
Dam Safety	1.0	-	-	-
Efficiency target – lower target impacting on CSO	-	2.8	2.9	3.0
Pensioners and Seniors Concessions Package	-	0.7	0.8	0.9
State Water Strategy (Waterwise Rebates Scheme)	9.8	-	-	-
Western Australian Land Authority				
Feasibility Study - Bunbury Outer Harbour Development	0.8	-	-	-
Relocation of Boulder waste management ponds	2.9	-	-	-
Western Power Corporation				
Interval Electricity Meters	1.5	1.0	-	-
Total	29.4	21.3	16.5	16.6

- Controlled operations – Reflects additional expenditure incurred by the OSR in a targeted program to provide improved service to taxpayers and to reduce work backlogs.
- Controlled operations – System changes are required to facilitate the alternative payment arrangements for payroll tax announced as part of the October taxation relief package for conveyance duty, land tax and payroll tax.

- Controlled operations – Initial development and operational costs associated with the Life Support Equipment Electricity Subsidy administered by the OSR.
- External grants – The Ord Enhancement Scheme is a package of benefits for the Miriuwung and Gajerrong peoples, in consideration and compensation for the resolution of all native title and heritage matters in relation to Ord Stage Two, and in response to the State funded *Aboriginal Social and Economic Impact Report* to address the negative impacts of Ord Stage One.
- External grants – A subsidy is to be provided to compensate financially disadvantaged persons for the electricity costs of operating life support equipment at home.
- External grants – In November 2004, the Government announced that pensioners and seniors concessions would be made available to eligible people living in retirement villages, park homes and caravan parks. This is part of a wider assistance package also reflected in subsidies to the Water Corporation (see below).
- External grants – Grants supporting the costs associated with aerial shark patrols during Summer 2004, shark research, emergency outpost alarms on unpatrolled beaches, and development and promotion of Internet shark information.
- External grants – Saving to the State in the form of Cellar Door Subsidies paid by the Department of Racing, Gaming and Liquor to wine producers have resulted as a consequence of a decision by the Commonwealth to implement a Wine Equalisation Tax (WET) rebate on the first \$1 million of cellar door sales. These resulting savings to the State have been redirected to the Commonwealth to compensate for the cost to that tier of Government.
- Racing and Wagering WA – \$5.0 million per annum over four years (from 2005-06) will be provided to the racing industry as an initiative to develop projects to improve racing facilities in both the metropolitan and country areas.
- State Housing Commission – Provision of a subsidy to commence the installation of RCD's (safety switches) in existing Homeswest residences constructed prior to 1993 that are offered for sale or rent.

- State Housing Commission – Additional expenses supporting the on-going revitalisation of the Brownlie Towers apartment complex, and refurbishment and redevelopment of the surrounding area in Bentley.
- Water Corporation – The Government agreed to Harvey Water paying 30% of the cost of safety upgrades to the Waroona Dam in 2004-05. An assessment was made that the increase in the bulk water price required to recover the irrigators' proportion of the cost of the dam safety project is beyond the financial capacity of dairy farmers to pay. Government, through a Community Service Obligation (CSO) payment, is paying the remainder of the cost to the corporation.
- Water Corporation – The Government has revised the corporation's operating expenditure efficiency target down from 2.4% to 1.6% until 2005-06. The efficiency target will be re-visited after the inquiry by the Economic Regulation Authority into water and wastewater prices is finalised in August 2005.
- Water Corporation – The decision to extend pensioners and seniors concessions to eligible people living in retirement villages, park homes and caravan parks (described above under External Grants) includes a subsidy to the Water Corporation to offset costs to that agency.
- Water Corporation – The Waterwise Rebate Program has been extended for a further 12 months until February 2005. The program commenced in February 2003 and provides rebates for a variety of water-saving products, including AAAA rated washing machines, showerheads, tap timers, soil wetting agents and garden bores.
- Western Australian Land Authority – The authority is to undertake a feasibility study following a proposal for the redevelopment of land and harbour areas associated with the Bunbury Port Authority Outer Harbour.
- Western Australian Land Authority – The relocation and construction of temporary waste management evaporation ponds in Boulder is being undertaken to address community concerns regarding the operation, and associated offensive odours, of the existing facility.

- Western Power – The Government has provided a \$2.5 million CSO over two years to the corporation to subsidise interval meters for eligible customers who wish to change to an alternate electricity supplier as the market is deregulated. This is consistent with a wider program of electricity reforms being introduced in Western Australia, and will contribute to increased competition in the electricity market.

Water and Rivers Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Metering for Gngangara Mound	2.0	2.0	2.0	-
Response to Auditor General's Report on Water Resource Management	2.0	2.0	2.0	2.0
Various initiatives	0.6	0.5	0.4	0.4
Total	4.6	4.4	4.3	2.3

- Additional funding has been provided for the metering and monitoring of private water bores on the Gngangara Mound and the enforcement of licence conditions.
- During 2003 the Auditor General completed a Control, Compliance and Accountability Examination of Management of Water Resources in Western Australia. The additional funding addresses this issue and relates to the recruitment of additional staff to increase the capacity of the Water and Rivers Commission to manage the State's water resources.
- Additional funding has been provided to address a variety of issues associated with the Swan River, the Peel region and the Murray River.

Western Australian Electoral Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Referendum	0.6	-	-	-
Total	0.6	-	-	-

- A referendum on retail trading hours is to be run concurrently with the next State election.

Western Australian Institute of Sport

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional funding - Olympic four-year cycle	-	0.2	0.4	0.5
Total	-	0.2	0.4	0.5

- Leading into the next four-year Olympic cycle to 2008, the Western Australian Institute of Sport (WAIS) will receive a guaranteed minimum level of State funding. State funding to the WAIS is through the Department of Sport and Recreation and is via both a transfer from the Sports Lotteries Account and a financial assistance grant from the Department. Total annual State funding to the WAIS is guaranteed at \$3.5 million in 2004-05, \$3.6 million in 2005-06, \$3.9 million in 2006-07 and \$3.9 million in 2007-08. This additional funding to the WAIS will ensure that appropriate business and strategic plans for elite athletes are in place, leading into the next Olympiad.

Western Australian Planning Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Advertising and Promotion Expense	0.1	-	-	-
Total	0.1	-	-	-

- Additional expenditure of \$125,000 has been approved for advertising in relation to the Greater Bunbury Region Scheme.

Western Australian Sports Centre Trust

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional maintenance funding	0.5	-	-	-
Total	0.5	-	-	-

- An injection of \$500,000 in 2004-05 will assist the Trust in undertaking urgent maintenance at Challenge Stadium, Arena Joondalup, Midvale SpeedDome and Kwinana Motorplex.

Western Australian Tourism Commission

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Destination Marketing – ‘The Real Thing’ Campaign	1.8	-	-	-
Destination Marketing – Experience of ‘Real Country’ Western Australia Campaign	-	0.5	0.5	0.5
Business Tourism	1.0	-	-	-
Aviation Support	-	0.5	0.3	0.2
Better Business Blitz Program	-	0.5	0.5	-
Total	2.8	1.5	1.3	0.7

- Additional marketing expenditure, totalling \$1.8 million, will be incurred to conduct the destination marketing campaign for 2004-05. The program will promote Western Australia as a tourism destination through the ‘Real Thing’ campaign, to support the Western Australian tourism industry and to foster the creation of additional tourism jobs. The campaign material will include press, billboard and cinema advertising and online material. The target markets for this campaign will be Western Australia, the Eastern States and specified overseas markets.
- To support the regional hospitality industry, \$1.5 million will be spent (over three years from 2005-06) to enhance planned marketing campaigns for Western Australia’s historic country pubs.

- Additional expenditure of \$1 million to support the promotion of the State's business tourism campaign. This expenditure, together with industry contribution, will be specifically targeted towards bringing more international conventions and business events to Perth.
- To further develop aviation routes from European and Middle Eastern markets, support funding of up to \$1 million over three years has been allocated. The additional funding will be used in partnership with private sector funding to maximise the impact of the strategy.
- In consultation with the Small Business Development Corporation and industry partners, the Better Business Blitz program will be extended into 2005-06 and 2006-07. The program equips tourism business operators by improving their marketing, promotion and business skills and the extension of the program will specifically target hospitality venues to encourage and facilitate the development of business plans to enable a smooth transition to a smoke free environment.

Zoological Parks Authority

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Additional maintenance funding	0.5	-	-	-
Total	0.5	-	-	-

- An additional \$500,000 will be provided in 2004-05 to undertake additional maintenance.

APPENDIX 4

2003-04 Final Outcome

The *Government Financial Results Report* (GFRR) for 2003-04 was released on 10 September 2004, in line with the *Government Financial Responsibility Act* requirement that an outcome report for public sector finances covering the financial year just ended be released no later than 30 September each year.

As indicated in the 2003-04 GFRR, the report was based on unaudited data, reflecting its early release and its basis in statistical rather than accounting standards. As a result of the finalisation of the audit process, some minor adjustments were made which impact on the classification and recognition of financial aggregates in agencies' accounts. These in turn impact on the consolidated results presented in the GFRR.

Comparative data for 2003-04, both on a government finance statistics (GFS) and accounting basis, have been revised in this publication to reflect the impact of the final audited outcomes contained in the *Government of Western Australia Consolidated Financial Statements* for the year ended 30 June 2004, released on 2 November 2004.

The following table briefly reconciles the general government GFRR operating result to the final outcome for 2003-04. As indicated in the table, the final GFS operating surplus for 2003-04 (\$799 million) is very close to the surplus reported in the GFRR (\$793 million), with a minor \$6 million reduction in concurrent superannuation expenses explaining this movement.

RECONCILIATION OF 2003-04 RESULTS REPORT TO FINAL OUTCOME

General Government Net Operating Balance

	\$m
<i>2003-04 Government Financial Results Report</i>	
GFS Net Operating Balance	793
<i>less</i> provision for doubtful debts	-5
<i>plus</i> net gains on assets (including derivatives)	-149
<i>plus</i> capitalised interest	-
<i>less</i> revaluation of superannuation liabilities	66
<i>plus</i> all other adjustments	71
AAS Operating Result	654
<i>Variances in accounting aggregates</i>	
Adjustments for prior periods ^(a)	
Planning and Infrastructure (administered) ^(b)	-31
Treasury and Finance (controlled) ^(c)	-42
<i>Less expenses</i>	
Concurrent superannuation expense ^(d)	-6
<i>Total</i>	<i>-67</i>
<i>Government of Western Australia Consolidated Financial Statements</i>	
AAS Operating Result	588
<i>plus</i> provision for doubtful debts	-5
<i>less</i> net gains on assets (including derivatives)	-149
<i>less</i> capitalised interest	-
<i>plus</i> revaluation of superannuation liabilities	66
<i>less</i> all other adjustments	-1
GFS Net Operating Balance	799

- (a) These are not related to current year costs and do not count as GFS expenses/revenue. Prior period adjustments arise where amendments to financial statements for a previous year, submitted with information for the 2003-04 *Consolidated Financial Statements* (CFS), occurred as a result of post-audit finalisation of an agency's accounts, but after the completion and audit of the 2003-04 CFS.
- (b) Related to the derecognition of liabilities for drivers' license revenue received in advance.
- (c) Adjustment for building assets transferred to the Department of Housing and Works.
- (d) This change in current year expenses is included in the GFS net operating balance outcome.

Note: Columns may not add due to rounding.