

# **ECONOMIC STATEMENT**

AUGUST 2013

## **STATEMENT BY**

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TREASURER OF THE COMMONWEALTH OF AUSTRALIA

AND

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MINISTER FOR FINANCE AND DEREGULATION  
OF THE COMMONWEALTH OF AUSTRALIA

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## Notes

(a) The following definitions are used in the Economic Statement:

- ‘real’ means adjusted for the effect of inflation;
- real growth in expenses and payments is calculated using the Consumer Price Index (CPI) deflator;
- one billion is equal to one thousand million; and
- the Budget year refers to 2013-14, while the forward years refer to 2014-15, 2015-16 and 2016-17.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:

- estimates under \$100,000 are rounded to the nearest thousand;
- estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
- estimates midway between rounding points are rounded up; and
- the percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
\$m	millions of dollars
\$b	billions of dollars
nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/nec	not elsewhere classified

(e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

(f) In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

# FOREWORD

The Government has released the August 2013 *Economic Statement* (ES) to provide an update of its economic forecasts and key fiscal aggregates.

The document contains:

- **Part 1 Overview** – summary information on the budget situation.
- **Part 2 Investing in Australia's future** – an overview of the key elements of the Government's reform agenda, including key achievements.
- **Part 3 Economic Outlook** – an update on the international and domestic economy.
- **Part 4 Fiscal Outlook** – an update of the budget outlook.



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# OVERVIEW

The Government is on track to achieve a modest budget surplus within the forward estimates, while at the same time ensuring the economy is supported in the short term with accommodating fiscal policy, and in the longer term with new policy directions to lift productivity, economic growth, and therefore Australian living standards now and into the future.

With moderate unemployment, contained inflation, and low public debt, Australia currently has some of the strongest economic fundamentals in the developed world (Table 1).

**Table 1: Major economic parameters<sup>(a)</sup>**

	Forecasts		Projections	
	2013-14	2014-15	2015-16	2016-17
Real GDP	2 1/2	3	3	3
Employment	1	1 1/2	1 1/2	1 1/2
Unemployment rate	6 1/4	6 1/4	5	5
Consumer Price Index	2 1/2	2	2 1/2	2 1/2
Nominal GDP	3 3/4	4 1/2	5 1/4	5 1/4
Terms of trade	-5 3/4	-3 3/4	-1 1/2	-1 1/2

(a) Real and nominal GDP are year average growth. Employment and CPI are through-the-year growth to the June quarter. The unemployment rate is the rate in the June quarter.

Source: ABS cat. nos. 5206.0, 6202.0 and 6345.0, Treasury.

While prospects remain favourable, the economic outlook has softened further since the Budget, particularly for nominal GDP. The outlook for world growth has weakened, including in China, and the world price of key commodities has fallen leading to lower forecast terms of trade. This, along with lower forecast real GDP growth and a weaker outlook for wage growth, has led to a substantial downgrade to nominal GDP growth over the forecast period.

Nominal GDP is now forecast to grow by 3¾ per cent in 2013-14 and 4½ per cent in 2014-15, well below its 20-year average of 6½ per cent. This, in turn, has had a major impact on expected tax receipts, which, since Budget, have been revised down as a result of the softer economic outlook by \$33.3 billion over the forward estimates.

**Table 2: Summary of budget aggregates**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
<b>Underlying cash balance (\$b)(a)</b>	<b>-30.1</b>	<b>-24.0</b>	<b>-4.7</b>	<b>4.0</b>
Per cent of GDP	-1.9	-1.5	-0.3	0.2
<b>Fiscal balance (\$b)</b>	<b>-25.6</b>	<b>-22.2</b>	<b>1.8</b>	<b>7.6</b>
Per cent of GDP	-1.6	-1.4	0.1	0.4

(a) Excludes net Future Fund earnings.

The Government remains committed to the medium-term fiscal strategy that has steered Australia's successful response to the Global Financial Crisis, and which provides the basis for the Government's decision to keep the budget on track to return to surplus and keep Australia's fiscal position strong (Table 2).

The Government has already undertaken a significant fiscal consolidation since 2009-10. It is now using the flexibility in the fiscal strategy to respond to the changes in the economic outlook, while strengthening fiscal sustainability in the medium term. The Government has ensured that the pace of fiscal consolidation carefully balances the importance of a sustainable fiscal position with the risks to jobs and growth that have been seen internationally from too fast a consolidation.

With the economy currently facing a period of transition and falling terms of trade, cuts in the near term to offset the lower than expected tax receipts and other variations in the budget would put jobs and growth at risk. With the forecast moderate slowdown, and the unemployment rate expected to increase slightly over the next year, the Government has made the clear decision to allow the tax write-downs to flow through to the budget balance in 2013-14 and 2014-15. As a result, the expected deficit in 2013-14 is now \$30.1 billion, and the expected deficit in 2014-15 is \$24.0 billion.

From 2015-16 more significant savings take effect and mostly offset the slower growth in tax receipts so that there is a modest deficit in 2015-16 and a modest surplus in 2016-17. The Government considers that these savings can be managed while maintaining growth in jobs and the broader economy.

A medium-term consolidation and path back to budget surplus is appropriate to strengthen medium-term budget sustainability, and is made possible by Australia's strong economic fundamentals. The Government has made \$17.4 billion of responsible savings decisions to provide a pathway to expected surplus in 2016-17. The majority of the required consolidation is planned to occur in 2015-16 and 2016-17 when the economic transition is further progressed, allowing for a pick-up in the pace of consolidation. The savings decisions make a significant structural improvement to the Government's fiscal position over the medium and longer term.

Preliminary estimates indicate that the underlying cash deficit in 2012-13 will be around \$18.8 billion (around 1.2 per cent of GDP), which suggests a slightly improved outcome from previous estimates. The final results for 2012-13 will be determined following the finalisation of audit cleared financial statements and will be published in the 2012-13 Final Budget Outcome by 30 September 2013.

## **MANAGING THE TRANSITION**

Over the past decade, the resources sector has been a major contributor to Australian economic growth. Increasing demand for Australia's mineral and energy resources pushed up export prices and prompted a massive expansion of investment in iron ore,

coal and LNG projects. This combination of higher prices and increased investment in the resources sector resulted in a period of very strong income growth for Australia.

This abnormal period of heavy reliance on one part of the economy will come to an end, and managing the transition back to more normal, broader based growth will be a key economic challenge over the next few years. The prices of Australia's resource exports peaked in 2011 and have fallen since then. While the level of investment is expected to remain at historically elevated levels over the forecast period, investment in iron ore and coal projects has probably already peaked, with future investment underpinned by LNG projects already under construction. Economic growth will increasingly depend on renewed growth in other sectors of the economy, like manufacturing, tourism and services.

Australia embarks on this transition from a position of strength with some of the strongest economic fundamentals in the developed world.

As the transition unfolds, the Australian economy is forecast to grow by a solid 2½ per cent in 2013-14 and 3 per cent in 2014-15. To ensure that the transition is as smooth as possible, we must preserve and build upon Australia's strengths as an open, flexible and competitive economy. But even with relatively smooth growth, it is likely that export prices will continue to fall over the medium term as the global supply of resources increases.

In these circumstances, higher productivity growth will be the key to improving living standards.

In response, the Government has committed to a new National Competitiveness Agenda, to lift productivity, economic growth, and Australian living standards now and into the future. The Government is working cooperatively with business and the unions to lift Australia's annual productivity growth rate to 2 per cent or better. This collaborative approach maximises the opportunity that significant productivity-enhancing reforms can be agreed and implemented.



# INVESTING IN AUSTRALIA'S FUTURE

This Government has a strong record in meeting economic challenges. We have managed the structural economic transitions of recent years and we have navigated the challenges of the Global Financial Crisis (GFC) and the ongoing bouts of economic and financial volatility.

Our action during the GFC saved Australia from the recessions seen across the world in other OECD nations. While these countries are either just recovering, or still struggling to recover from the effects of the GFC, we have some of the strongest economic fundamentals in the developed world – economic growth close to trend; moderate unemployment; a prudent fiscal position and contained inflation.

As Australia embarks on a new era of economic transition marked by a shift from the largest investment boom in our history to more of our economic growth being sourced from the non-resource sectors of the economy, we start from a position of economic strength and resilience.

Managing this transition will be fundamental to Australia's economic prosperity. In order to ensure continued growth, productivity has to be front and centre of Australia's economic agenda. Australians deserve a Government with a proven record of successful economic management and a clear plan to ensure the current economic transition is managed smoothly.

That is why the Government is working closely with business and unions to develop and implement a new national competitiveness agenda. Only through collaboration between business, unions and government can we effectively implement the wide-ranging reforms needed to boost productivity and ensure more broad-based economic growth. This plan will build on our existing productivity enhancing policies.

Under our policies, the Australian economy has grown by around 14 per cent since we came to power; and we have laid the foundations for higher productivity and labour force participation growth in the future. This growth has occurred during the worst global recession since the Great Depression of the 1930s, continued international economic instability and rapid economic change both at home and abroad. These policies include:

- investing in traditional economic infrastructure like roads, rail and ports to increase the economy's productive capacity;
- investing in new infrastructure like the National Broadband Network (NBN) so Australia can thrive in a globalised digital economy;

## *Economic Statement*

- ensuring our workforce has the skills needed for the jobs of today and tomorrow by increasing funding for higher education, vocational education and training and schools, and providing additional student access and places;
- supporting all parts of the innovation chain from basic research to commercialisation through initiatives like Industry Innovation Precincts and Venture Australia;
- recognising the importance of small business to the economy by assisting people to invest in their businesses and improve their competitiveness through expanded tax arrangements and support services;
- working with Australian industry to ensure that Australia has world class businesses and high skill, high wage jobs for the future;
- empowering regional Australia to reach its potential by improving infrastructure and employment services through initiatives like the Regional Australia Development Fund; and
- commissioning and undertaking fundamental tax reform to enhance Australia's investment and productivity.

Maintaining macroeconomic stability through a prudent and sensible path to surplus over the forward estimates will provide an environment conducive to sustained economic growth. This Economic Statement reflects maintained fiscal restraint, while still funding economic and social reforms and investing in the infrastructure of the future. A gradual return to surplus will support jobs and economic growth, especially in the near term, and deliver sustainable public finances.

Our financial position is the envy of other advanced economies. Australia has one of the lowest levels of government debt as a percentage of GDP among the advanced economies. The budget deficit as a proportion of GDP is also one of the lowest among the advanced economies. We are also one of only 8 countries in the world to enjoy both a stable outlook and a AAA credit rating from all three major international rating agencies.

All Australians should share in the opportunities and benefits that come with a strong economy. This Government's policies will ensure all Australians experience the benefits of rising living standards, both directly and through more efficient and accessible government services.

Significant reforms in health, education and disability services have been achieved and will be continued. The Government has introduced Australia's first national Paid Parental Leave scheme and increased assistance to families to meet the costs of child care, primary and secondary education. Record increases to age pension payments and

the Superannuation Guarantee will result in higher standards of living for Australians in retirement.

Economic prosperity depends also on protecting our environment. The potential impacts on our economy of unmitigated climate change and water scarcity are severe. Our commitment to an internationally linked market-based emissions trading scheme and the finalisation of the Murray-Darling Plan are essential components of ensuring Australia continues its economic growth in an environmentally sustainable way.

## **Ensuring rising Australian living standards**

Australia has experienced 22 years of continuous economic growth but we do face challenges in coming years. Sustaining growth in living standards in the context of declining terms of trade and an ageing population will require an improvement in Australia's productivity growth performance and international competitiveness.

### **NATIONAL COMPETITIVENESS AGENDA**

The core of the Government's national competitiveness agenda will be an agreement between government, business and unions to lift our annual productivity growth rate to two per cent per annum or more.

This collaborative approach is crucial to ensure all sectors of the economy have a shared sense of ownership of the reform agenda so that reforms are developed collaboratively and implemented smoothly. Thus far, the Government has agreed on seven priority areas to boost Australia's productivity performance.

1. A key priority is reforming domestic electricity price regulation, moving to an emissions trading scheme, and ensuring the future availability of competitively priced domestic gas supplies.
2. The Government will continue to examine any unintended rigidities arising in the labour market and will work with businesses and unions to harness the full productive potential of the *Fair Work Act 2000*.
3. The Government will consider improvements to business productivity, with the Business Council of Australia recently identifying project management and effective use of capital by management as areas for improvement. Businesses also need to improve company board and executive-level Asia-relevant experience if Australia is to capitalise on opportunities in the Asian region.
4. The Government recognises that Australia needs a new approach to the regulatory impost on business from all levels of government. This particularly

applies to multiple and conflicting environmental assessment requirements for state and territory governments and the Australian government.

5. Australia's national objective must be to build the best-educated, best-trained, and best-skilled workforce in the world. Vocational education and training is particularly important, given the recent withdrawal of effort by many of the states.
6. Australia needs to embrace new forms of infrastructure financing.
7. We must improve the operating environment for small business in this country. This involves access to capital and other productivity drivers, such as the effective take-up of the NBN.

## **BETTER SCHOOLS PLAN**

The Government's Better Schools Plan will provide a historic investment in Australian schools, delivering over \$15 billion additional funding over the next six years if all states and territories sign up to the agreement.

In partnership with participating states and territories, the Government is putting in place reforms of Australian school funding arrangements to better align funding with student needs, delivering greater consistency in the distribution of funding and helping drive improvement at the student, school and national levels. The extra funding will enable more one-on-one individual attention for school students. It will also help Australian children compete with those in Asia, and get highly skilled, highly paid jobs for the future. This reform is critical to boost Australia's future productivity and, thus, its prosperity.

To date, partnerships have been settled with New South Wales, South Australia, the Australian Capital Territory, and Tasmania. The Government has also reached agreement with the Catholic and independent schooling sectors. The Better Schools Plan now covers 63 per cent of Australian students.

## **IMPROVING VOCATIONAL EDUCATION AND TRAINING**

The Government has a track record of reform and investment in vocational education and training (VET), skills and workforce development, with total annual Australian Government funding growing from \$2.3 billion to \$3.4 billion between 2006-07 and 2012-13, an increase of about 25 per cent in real terms.

To drive VET reform, the Government entered into a five-year, \$1.75 billion National Partnership Agreement on Skills Reform with the states and territories, with implementation plans now signed with all jurisdictions.



A new skills and workforce development partnership with industry was also created through the Building Australia's Future Workforce package, which includes a National Workforce Development Fund to support training and workforce development for more than 170,000 workers across six years, and additional funding to expand the Workplace English Language and Literacy Program, which trained more than 72,000 employees between 2007 and 2011.

## **HIGHER EDUCATION REFORM**

The Government has implemented a suite of reforms to higher education that will create the educated and productive workforce of the future, including an uncapped funding model for undergraduate university places; generous indexation arrangements across learning, teaching and research; and stronger support for research excellence.

This has resulted in a 75 per cent increase in Commonwealth funding for university places between 2007 and 2013, from \$3.5 billion to \$6.1 billion, supporting an additional 190,000 students to access higher education. Greater, more equitable access to university means that Australia is on track to achieve the goal of 40 per cent of the 25-34 year old population holding a bachelor degree qualification or above by 2025.

## **INVESTING IN INFRASTRUCTURE**

The Government has, and continues to, invest strongly in nationally significant economic infrastructure. Since coming to Government we have allocated around \$60 billion to roads, rail and public transport through the Nation Building programs. One of the Government's key achievements has been completing the full duplication of the Hume Highway, Australia's most important freight corridor.

We established Infrastructure Australia (IA) in 2008 to help drive the development of a long-term, coordinated national approach to infrastructure planning and investment. IA has put in place a National Priority List to guide investment in the projects that offer the highest economic and social returns. The Government has continued to prioritise funding for projects ranked as 'ready-to-proceed' by IA.

The Government recognises that the future growth of infrastructure will require a new approach to funding and financing. We will need to foster greater private sector involvement in infrastructure and unblock the current bottlenecks that are preventing the construction of new infrastructure projects.

## **BUILDING THE NBN**

The NBN is the largest single nation-building infrastructure project in Australia's history. It will underpin productivity improvements across the economy, transforming the way business operates. It will deliver download speeds of up to one gigabit per second to 93 per cent of homes, schools and businesses via optical fibre. The remaining seven per cent of premises will have access to a combination of next-generation fixed wireless and satellite technologies, providing peak download speeds of up to 25 megabits per second. On 4 July 2013, NBN Co announced that it had met its revised fibre rollout targets, passing around 207,500 homes and businesses. Fibre rollout to over 4.8 million Australian homes and businesses is scheduled to be underway or completed by the middle of 2016.

## **BUILDING AN INNOVATION CULTURE IN AUSTRALIA**

Innovation is essential to the future success of Australian businesses.

The Government has increased overall funding for science, research and innovation by 30 per cent from \$6.6 billion in 2007–08 to \$8.6 billion in 2013-14, supporting all parts of the innovation chain from basic research to commercialisation. Funding for university research has increased by 58 per cent, from \$1.8 billion to \$2.8 billion.

This is crucial for developing the new technologies, products and processes that will underpin more broad-based growth in the coming years and decades. Innovation enables businesses to increase productivity through the development and adoption of new technologies and it allows new products, markets and jobs to be created.

## **HELPING AUSTRALIAN INDUSTRY THRIVE**

The Government wants to ensure that Australia has competitive industries and high skill, high wage jobs for the future. Attracting investment and helping firms adjust to changes in the economy is necessary to achieve this.

The \$1 billion Plan for Australian Jobs will ensure Australian firms get fair access to work on major projects, win new business abroad and help small businesses grow. It will create internationally competitive businesses and jobs by promoting collaboration between businesses and research institutions through Industry Innovation Precincts.

The Government is investing \$500 million to establish up to 10 precincts around Australia. We have established the Advanced Manufacturing and Food Industry Innovation Precincts in Melbourne, with eight more Industry Innovation Precincts to be announced in coming months. These new precincts will allow industry to lead research and innovation priorities and will involve collaborations with Australia's top researchers, ensuring innovation is focused on real economic outcomes.

Small and medium-sized businesses and start-up companies will also be provided with a broader set of business services through Enterprise Connect and better access to finance through the \$378 million Venture Australia package to stimulate Australia's venture capital market.

## **TAX REFORM TO SUPPORT INVESTMENT AND PRODUCTIVITY**

The Government has delivered a substantial and continuing program of tax reform, starting with the Rudd Government's first budget in 2008 when it commissioned the Australia's Future Tax System (AFTS) Review – the most comprehensive review of the tax and transfer system in a generation. The Government has already implemented more than one third of the 138 recommendations contained in the AFTS Report and is continuing to add to that record.

A key focus of the Government's tax reform agenda has been reforms aimed at ensuring the tax system better supports national productivity. The Government recognises how important productivity growth is for higher living standards. That is why we are implementing reforms to support businesses responding to changes in the economy and investment.

The Government is supporting businesses to invest and adapt to a transitioning economy through reforms to allow companies to carry back losses to get a refund of past tax paid, worth \$150 million in 2013-14 and growing to \$300 million in 2015-16; an instant asset write-off for small business, worth \$1.2 billion in 2013-14; and an accelerated deduction for motor vehicles worth \$200 million in 2013-14.

The Government is also improving incentives to support up to \$25 billion in nationally significant infrastructure spending by the private sector, by preserving the real value of tax losses over time and making it easier for investors to access these losses.

The Government is supporting investment in research and development (R&D) by doubling the rate of assistance for small and medium-sized companies and improving cash flow by providing a 45 per cent refundable tax offset. Further refinements commencing from 1 July 2013 will ensure the incentive is targeted at small and medium companies more likely to undertake additional R&D as a result of the incentive.

The Government has also acted to promote greater fairness and sustainability in the tax system by removing out-dated or poorly targeted tax concessions.

Recent reforms include phasing out the dependent spouse tax offset which imposes high effective marginal tax rates on secondary earners and dates back to a time when male breadwinners supported a housewife. The Government has also consolidated other dependency offsets into a single offset that targets assistance to taxpayers supporting carers and relatives with a disability.

The Government has introduced a number of reforms to better target fringe benefits tax (FBT) exemptions and ensure they operate as intended, including by:

- ensuring the tax concessions for living-away-from-home allowances and benefits can only be used for the expenses of people who are legitimately maintaining a second home in addition to their actual home in Australia, for a maximum period of 12 months;
- removing the concessional FBT treatment for 'in-house' fringe benefits that are accessed by way of a salary sacrifice arrangement; and
- targeting the FBT exemption for car fringe benefits to actual business use rather than including personal use, providing a more level playing field for all workers.

The Government's vision for a stronger tax system that supports productivity and economic growth also extends to reform at the state and territory level. The AFTS Review found that some of the most inefficient taxes are levied by the states and territories and identified reforms to improve or abolish taxes that are a drag on the economy. The Government supports the efforts of state and territory governments to reform their tax system, in line with the Government's vision in commissioning the AFTS Review.

## **SUPPORTING AUSTRALIAN SMALL BUSINESSES**

The Government assists small business in improving its management and business processes through Small Business Advisory Services and the Enterprise Connect programs. It also established the first national Small Business Commissioner to provide a one-stop shop for small business services and information, and to ensure that the interests of small business remain at the forefront of Government policy making.

The Government has implemented a number of substantial and ongoing reforms to assist small businesses including: personal income tax cuts as part of the tax plan for Australia's future and, as noted above; an instant asset write-off for small business, worth \$1.2 billion in 2013-14; the accelerated deduction for motor vehicles worth \$200 million in 2013-14; and loss carry-back.

The Small Business Superannuation Clearing House is a free service that takes the pressure off small business owners and reduces the time spent by employers on paying different superannuation funds for different employees. It has distributed more than \$1 billion in superannuation payments on behalf of small business owners across the country.

The Government has delivered a national business names registration system. This saves businesses both time and money by replacing separate state and territory

systems with a single national system. Previously the cost of registering a business name in every state and territory was over \$1000 for three years, now it is only \$76.

The national business names registration system is complemented by a new online Australian Business Account to help businesses manage online interactions with all levels of government in a smarter way. The new Australian Business Licence and Information Service also enables businesses to access licence, permit and other important information through one online portal.

The Government is also expanding the online Standard Business Reporting (SBR) initiative, which makes it simpler, easier and faster for businesses to meet reporting obligations. Under SBR, businesses are able to use SBR-enabled accounting software to prepare and lodge key government forms directly from their software to agencies participating in the SBR program.

## **Sharing the benefits of a growing economy**

### **DISABILITYCARE AUSTRALIA**

The Government will provide more than \$14 billion in new funding over seven years from 2012-13 to roll out DisabilityCare Australia across the country by July 2019. DisabilityCare Australia, the national disability insurance scheme, will provide people with significant and permanent disability with reasonable and necessary support over their lifetimes, and more choice and control over how their support is delivered. As well as improving the lives of hundreds of thousands of Australians with disability, their families and carers, this reform will create opportunities for many of those people to participate more fully in the community and in the economy.

### **BETTER QUALITY HEALTH AND AGED CARE**

Since 2007, the Government has made significant investments in the healthcare system and undertaken a series of fundamental reforms to drive better quality healthcare for all Australians.

The Government established the Health and Hospitals Fund (HHF) in 2009 to invest \$5 billion in major health infrastructure programs to make strategic investments that underpin significant improvements in efficiency, access and outcomes in healthcare. One priority of the HHF has been cancer centres and health infrastructure in regional areas.

In 2011, the Government and all states and territories signed the National Health Reform Agreement to increase accountability and transparency, reduce waste and waiting times, and continue to ensure future generations enjoy world-class patient

care. Under this agreement the Commonwealth will share the burden of funding growth in the costs of providing public hospital services, easing the pressure on public hospitals and state budgets. The agreement guarantees that hospitals will receive a minimum of \$16.4 billion in additional Commonwealth funding from 2014-15 to 2019-20 than would otherwise have been received.

In 2011, the Government made mental health a national priority by investing \$2.2 billion over five years in mental health reform to deliver additional services, a greater focus on prevention and early intervention, and a better integrated system.

The Government announced a \$4.1 billion dental health reform package in 2012 to improve access to dental services and boost the dental workforce, including \$2.7 billion for a Child Dental Benefits Scheme (Grow up Smiling).

In 2012, the Government unveiled the Living Longer Living Better aged care reform package with \$3.7 billion over five years to provide more support and care in the home, better access to residential care and strengthen the aged care workforce.

The Government has also invested almost \$1.5 billion over four years in new listings and amendments to listings on the Pharmaceutical Benefits Scheme (PBS) since the 2013-14 Budget.

## **SUPPORTING REGIONAL COMMUNITIES TO REACH THEIR FULL POTENTIAL**

The Government has worked closely with local communities to support better economic, social and environmental outcomes for Australia's regional communities, as well as to develop region-specific solutions for communities in transition. This has included:

- almost \$1 billion through the Regional Development Australia Fund to support specific regional, economic and community infrastructure needs;
- \$2.9 billion under the Health and Hospitals Fund to improve access to essential health services for rural, regional and remote communities;
- \$1.5 billion under the Remote Jobs and Communities Program to provide a more integrated and flexible approach to employment and participation services;
- approximately \$400 million to support the historic Tasmanian Forests Agreement, Australia's presence in Antarctica and the development of jobs, skills and accelerated investment in key sectors of the Tasmanian economy;
- continuing the underwriting of essential air services to Norfolk Island and the Indian Ocean Territories;

- providing \$4.0 million over two years from 2013-14 for the Lord Howe Island Aerodrome Improvement Works project; and
- supporting northern Australia to realise its potential for growth by taking advantage of the opportunities presented by the Asian century and diversifying and expanding exports and services into Asian markets.

## **INVESTING IN OUR CHILDREN'S FUTURE**

The Government's National Quality Framework commenced on 1 January 2012 for most long day care, family day care, preschool (or kindergarten) and outside schools hours care services. The Framework aims to raise quality and to drive improvement and consistency in these services. Key initiatives include the introduction of a national legislative framework and a National Quality Standard for services. Specific requirements, such as educator qualifications and educator-to-child ratios, are being gradually phased in between 2012 and 2020.

The introduction of the National Assessment Program – Literacy and Numeracy (NAPLAN) in 2008 has provided nationwide data on literacy and numeracy for the first time. NAPLAN tests give parents, teachers, schools, governments and students valuable insights into how well students and schools are performing compared to their peers across Australia.

As a key element of the Government's 2009 Nation Building and Jobs Plan, \$16.2 billion was provided to update school infrastructure as part of the Building the Education Revolution initiative. This initiative supported jobs during the Global Financial Crisis and will deliver ongoing benefits through improved school facilities in around 9,500 schools, supporting student achievement and bringing communities together.

## **SUPPORTING AUSTRALIAN FAMILIES**

Since 2007 the Government has taken significant steps to improve and better target assistance to families, making sure assistance goes to families who need it most, when they need it most, and supporting them to participate in the workforce.

Availability of quality child care is vital to many Australian families and, since 2007, the Government has more than doubled support for child care, an increase of 115 per cent. A key part of this is the Government's improvements to the Child Care Rebate, which has been increased from 30 per cent to 50 per cent of out-of-pocket child care expenses, up to an increased cap of \$7,500 per child per year (increased from \$4,354 in July 2008).

## *Economic Statement*

In 2011, the Government also committed \$731 million over five years to establish Australia's first Paid Parental Leave (PPL) scheme. Now, around 95 per cent of working women have access to paid leave (an increase from around 50 per cent) and, as of March 2013, over 280,000 families have benefitted from PPL.

The Government has also invested \$2.1 billion to replace the Education Tax Refund (ETR) with the Schoolkids Bonus of \$410 per year for primary school students and \$820 per year for secondary school students. The Schoolkids Bonus is paid directly to all eligible FTB-A families as an automatic payment rather than a tax refund, providing more flexible and timely assistance.

From 1 January 2012, the Government also increased FTB-A for dependent teenagers in full-time secondary school by up to \$4,208 a year for 16 and 17-year olds, and up to \$3,741 a year for 18 and 19-year olds, recognising the higher costs of older children and helping families to support their teenagers to stay in school.

Since 2008, the Australian Government has invested \$31 billion to make housing more affordable and assist people to move out of homelessness, the largest single investment in housing and homelessness in Australian history. As part of this, the Government has directly contributed to the construction of one in every 20 new homes since 2008, through programs such as the Social Housing Initiative, the Housing Affordability Fund, the Building Better Regional Cities program, and the National Rental Affordability Scheme.

Australians value a fair society that rewards hard work and provides opportunity for all Australians. The Government has taken steps to increase the reward for effort and encourage workforce participation through successive rounds of tax cuts.

From 1 July 2012, the tax free threshold has more than tripled from \$6,000 to \$18,200, the largest increase in Australia's history. Together with the Low Income Tax Offset, this reform has increased the effective tax free threshold to \$20,542 which means people with annual taxable income below this threshold will no longer pay any tax or Medicare Levy on that income. As a result, tax time will be made simpler, with up to one million taxpayers no longer needing to lodge a tax return.

All taxpayers with incomes up to \$80,000 received a tax cut in 2012-13, with around 60 per cent of taxpayers getting a tax cut of at least \$300. Many part-time workers, including many women, will receive a tax cut of up to \$600, further encouraging workforce participation. These tax cuts build on the three previous rounds of tax cuts delivered by the Government since 2008, worth \$47 billion, which have benefitted all Australian taxpayers.



## **REFORMS TO RETIREMENT INCOMES**

Australians are living longer and they need to feel that the retirement incomes system is fair and sustainable. Since 2007, the Government has undertaken important reforms to ensure that all Australians can enjoy a dignified and assured retirement.

The Government's 2009 Secure and Sustainable Pension Reforms provided the largest single increase in the age pension in its 100-year history and improved indexation arrangements for the base pension to better reflect changes in pensioners' living costs.

We also need to do more to lift private retirement savings. In the long term, the most significant reform is the gradual increase in the Superannuation Guarantee (SG) rate from 9 per cent of wages in 2012-13 to 12 per cent of wages in 2019-20. This will boost the retirement savings of an estimated 8.6 million Australians.

In addition, the Government has acted to boost the superannuation savings of 3.6 million workers who earn up to \$37,000, by cutting the contributions tax on SG contribution from 15 per cent to zero and placing the money into their superannuation accounts. This measure commenced on 1 July 2012 and the first of these payments will be made in the next few months. The reform will benefit 3.6 million workers, including sales assistants, cleaners, electricians and child care workers.

To ensure that members who do not choose a particular fund have a simple, low-cost default superannuation option, the Government has introduced MySuper products, which authorised funds have been able to offer from 1 July 2013. Other measures will help older workers continue to save for their retirement by increasing the cap on concessional contributions for older Australians, making excess contributions tax fairer and removing the maximum age limit on receiving the Superannuation Guarantee. These long-term reforms will ensure that the superannuation system continues to support Australians' retirement incomes as our population ages.

The Government has announced it will establish a Super Council to ensure any future changes to superannuation are consistent with an agreed Charter of Superannuation Adequacy and Sustainability. The Charter will be legislated and include a commitment to a five year moratorium on changes to superannuation tax policy.

## **Avoiding the economic costs of climate change**

### **A LOWER CARBON PRICE**

The Government will bring forward the start date of emissions trading by one year to 1 July 2014. Based on current forecasts, this will result in a lower carbon price of around \$6 in 2014-15, compared to \$25.40 under the original fixed price arrangements, due to the link with the European Union Emissions Trading Scheme. It is estimated

that this will reduce the growth in overall consumer prices by around ½ of a percentage point through the year to June 2015.

A lower carbon price of around \$6 will result in reduced costs to households and businesses through lower electricity, gas and other prices. It would be expected to reduce average household expenditure by around \$3 a week, or over \$150 in a year, on electricity bills, and around \$1.10 per week, or \$57 over the year, on gas bills. In total, Australian households will see their costs fall by around \$380 next financial year, on average.

Businesses and the economy will also benefit from a lower carbon price, while still allowing Australia to transform the economy away from carbon-intensive energy and meet internationally agreed emission reduction targets. This is because under emissions trading, net carbon pollution is capped. The annual pollution cap will continue to be set in light of the advice of the independent Climate Change Authority.

An internationally-linked emission trading scheme means Australia will be part of an international solution to the global problem of climate change. Australian businesses will be able to take advantage of low cost international abatement and Australia will share the same carbon price as some of our most important trading partners.

## **MURRAY-DARLING BASIN PLAN**

The Government is committed to a better approach to balancing the water needs of communities, farmers and the environment.

Since 2007, the Australian Government has delivered a plan to restore the Murray-Darling Basin's rivers and wetlands while supporting strong regional communities and sustainable food production.

To support the implementation of the Murray-Darling Basin Plan, the Government provided \$3.5 billion in the 2013-14 Budget to improve the environmental outcomes of the Basin Plan, improve the efficiency of the Commonwealth's water holdings, and support further research and community engagement in the Basin.

The Government is also investing in a South Australian River Murray Sustainability Program, which will further South Australia's contribution to a healthy working Murray-Darling Basin through investments in water efficiency and improvements in the productivity of the South Australian River Murray irrigation industry.

## **Advancing our National Security interests**

Since the 2009 National Security Statement, the Government has focussed on building a cohesive approach to national security, as epitomised in the 2013 National Security

Strategy. The Government has released a series of documents, including the Defence White Paper 2013, the 2011 Independent Review of the Intelligence Community and the Cyber Security Strategy (2009), and has strengthened legal frameworks and powers to ensure enforcement agencies have the appropriate tools to fight terrorism and combat organised crime.

The Government has also ensured that Defence is adequately resourced, providing more than \$100 billion across the forward estimates for Defence in recent Budgets, and ensuring new capabilities such as the new Growler electronic warfare aircraft announced in the 2013-14 Budget.

While the Australian Defence Force's (ADF) mentoring role in Afghanistan will come to an end in 2013, the Government has confirmed Australia's continuing commitment to Afghanistan, with the ADF focussed on a training role at the Afghan National Army Officer Academy, and through civilian efforts on development and capacity building.

The Government has also acted to address people smuggling in our region, and to prevent further deaths on our seas. The Government is implementing the Regional Resettlement Arrangement with Papua New Guinea to remove the incentive for people to risk their lives on dangerous boat journeys to Australia.



# ECONOMIC OUTLOOK

Australia's economic fundamentals are strong and the outlook remains positive, with solid growth, moderate unemployment and contained inflation. The Australian economy is in a strong position to withstand any further global volatility and is expected to continue outperforming most of the developed world over the forecast period. The transition is underway from the resources investment boom towards the non-resources sectors and the economy is well positioned to manage this transition.

While prospects remain favourable, the challenges of transitioning away from the resources mining investment boom towards broader based growth are clear. Forecast real GDP growth in both 2012-13 and 2013-14 has been lowered by  $\frac{1}{4}$  of a percentage point since Budget. As the transition unfolds, the unemployment rate is expected to reach  $6\frac{1}{4}$  per cent by mid-2014 and then stabilise at that level in 2014-15 as growth returns to around trend. There have also been significant changes to forecast nominal GDP growth. Significant revisions to the terms of trade on the back of weaker Chinese growth, and lower forecast wage growth, have weighed heavily on nominal GDP and the fiscal position.

In recent years, strong economic outcomes have been supported by a record surge in resources investment, as businesses responded to high commodity prices driven by strong growth in China and other emerging market economies. However, with investment in iron ore and coal projects likely to have already peaked, future resources investment will be underpinned by LNG projects already under construction.

While the level of investment is expected to remain at historically elevated levels over the forecast period, managing the passing of the resources investment peak is the key near-term economic challenge facing Australia. The record surge in investment has more than doubled the resource capital stock over the past decade, and this will support strong growth in non-rural commodity exports for years to come.

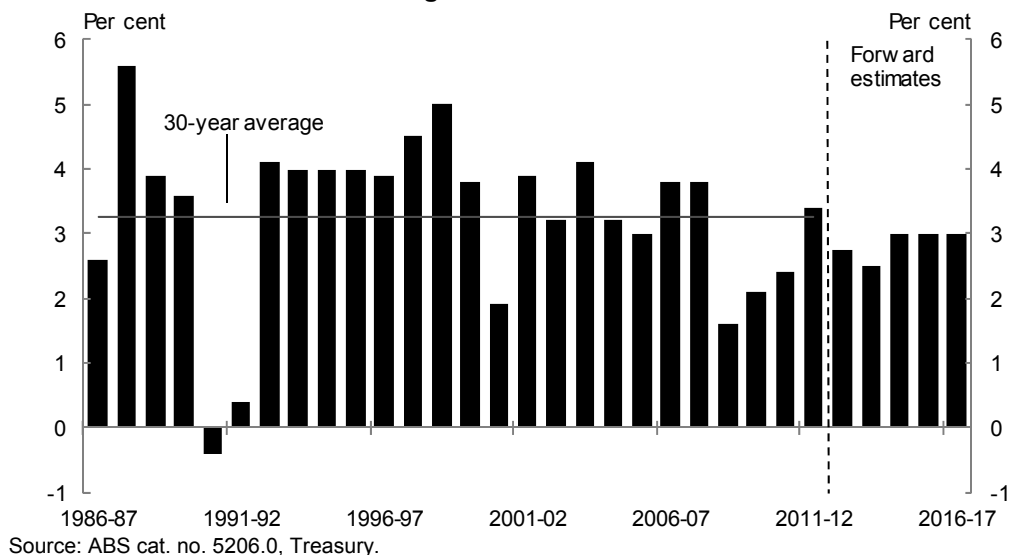
The resources sector will therefore continue to make an important contribution to growth as it transitions to the production and exports phase. Nevertheless, higher exports are not expected to be sufficient to fully offset the impact on growth of the decline in resources investment. A rebalancing of economic growth towards non-resources sectors is needed to fill the gap.

Low interest rates will support this transition, and there are signs that housing construction is responding to supportive monetary policy. The recent fall in the Australian dollar should also help, by increasing the competitiveness of Australian goods and services at home and abroad. However, recent softness in household consumption and business confidence have been weighing on growth.

The Australian real economy is expected to grow a little below trend as the transition unfolds, with real GDP expected to increase by  $2\frac{1}{2}$  per cent in 2013-14, rising to 3 per cent in 2014-15 (Chart 1). Compared with Budget, forecast growth has been

revised lower by  $\frac{1}{4}$  of a percentage point in both 2012-13 and 2013-14, with weaker household consumption and business investment only partly offset by lower import growth and stronger non-commodity exports owing to the lower Australian dollar.

**Chart 1: Real GDP growth over the forward estimates**



The outlook for world growth in 2013 has weakened since Budget, with a larger economic contraction and slower recovery now likely in the euro area and more moderate growth expected in emerging Asia, most notably in China and India. Looking forward, the Australian economy is expected to be supported by strengthening global economic growth over the forecast period, as the United States' economy continues to recover, conditions in Europe begin to improve and growth in emerging Asia remains solid. The global economy is now expected to grow by 3 per cent in 2013, recovering to  $3\frac{3}{4}$  per cent in 2014 and 4 per cent in 2015 (Table 3).

**Table 3: International GDP growth forecasts<sup>(a)</sup>**

	Actuals	Forecasts		
	2012	2013	2014	2015
China (b)	7.8	7 1/4	7 1/2	7 1/2
India(b)	3.8	5	6 1/2	6 1/2
Japan	1.9	1 3/4	1	1
United States	2.8	1 1/2	2 1/2	2 1/2
Euro area	-0.6	- 3/4	3/4	1 1/4
Other East Asia(c)	3.9	3 3/4	4 3/4	5
Major trading partners	4.1	4	4 1/2	4 3/4
World	3.3	3	3 3/4	4

(a) World, euro area, and other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using export weights.

(b) Production-based measure of GDP.

(c) Other East Asia comprises the Newly Industrialised Economies (NIEs) of Hong Kong, South Korea, Singapore and Taiwan and the Association of Southeast Asian Nations group of five (ASEAN-5), which comprises Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Source: National statistical publications, Thomson Reuters and Treasury.

More moderate growth is now expected for China, with authorities' actions to address financial market risks and promote more sustainable growth expected to result in less accommodative credit conditions than assumed at Budget (Box 1). Concerns around the outlook for economic growth in China have contributed to significant falls in world commodity prices including for Australia's key commodity exports (Chart 2).

### Box 1: China in transition

The more moderate growth outlook for China reflects an expectation that recent policy actions to address growing risks in China's financial system will mean a less supportive credit environment than assumed at Budget. While contributing to a more stable and efficient financial system, and hence more sustainable medium- to longer-term growth, tighter credit conditions are likely to weigh on China's economic activity in the near term.

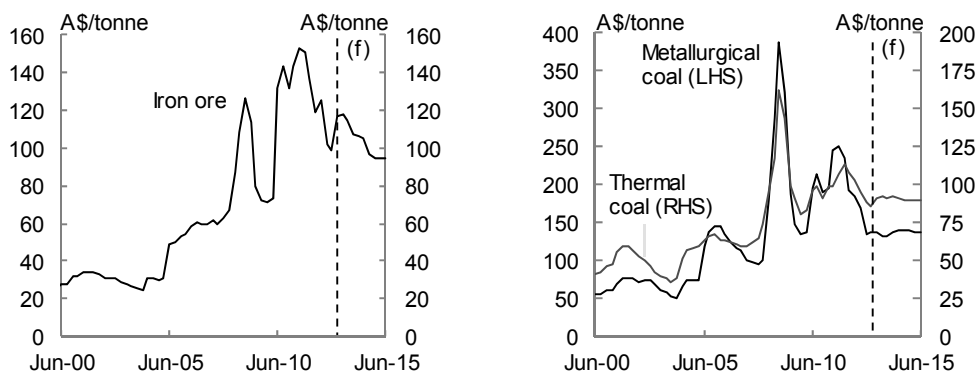
The more moderate growth forecast for 2013 also reflects weaker than anticipated demand for Chinese exports, especially from advanced economies. Still, China's medium term growth potential remains strong, with growing signs that the new government will make the necessary structural reforms to secure this potential. Supported by a modest pick-up in China's exports to advanced economies, solid growth in China is forecast to underpin strengthening growth among Australia's major trading partners in 2014 and 2015.

**Box 1: China in transition (continued)**

Concerns around the outlook for economic growth in China have contributed to significant falls in world commodity prices. The changing composition of growth in China is also expected to place downward pressure on commodity prices, with planned structural reforms to support China’s longer term growth prospects expected to encourage a move away from investment led growth, and contribute to a less resource intensive pattern of activity in coming years.

While iron ore and other bulk commodity prices have been volatile, recent developments have prompted a reassessment of the level commodity prices will reach at the end of the forecast period. A softer outlook for Chinese economic growth, increased supply and lower global costs of production have lowered the expected profile of prices for key commodities in US dollars, but the implications for export earnings are partly offset by the lower Australian dollar.

**Chart 2: Bulk non-rural commodity prices**  
(average unit export prices)



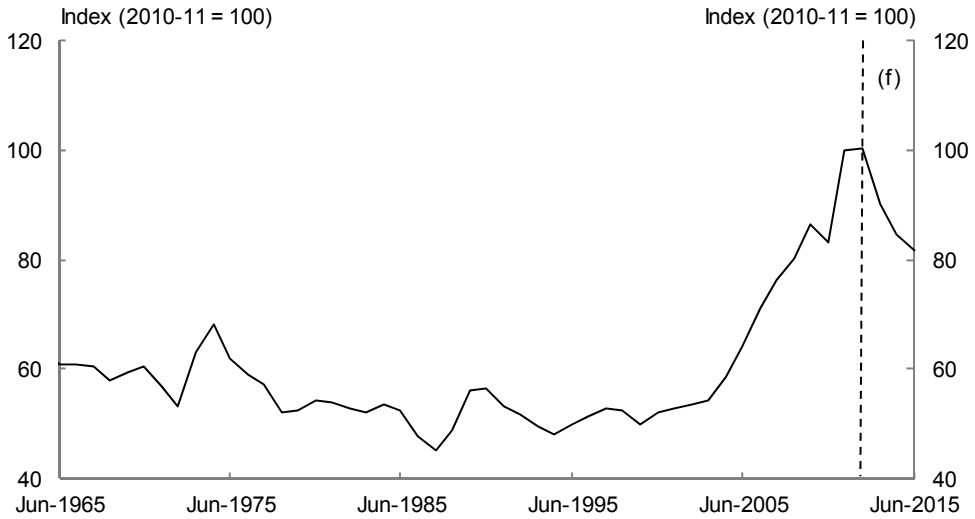
Source: Based on ABS data and Treasury. Export prices differ from the more-widely quoted spot prices. Export prices reflect the actual price foreigners pay for our exports and reflect the quality of the resource being provided (such as the iron ore content), long-term contracts, and exchange rate movements.

The terms of trade are expected to fall 5¼ per cent in 2013-14 and 3¼ per cent in 2014-15 after declining 10½ per cent in 2012-13 (Chart 3). The significant revisions to the terms of trade, along with a weaker outlook for wage growth, have led to a substantial downward revision to forecast nominal GDP growth. Wage growth has slowed over the past year, as businesses have adjusted to the ongoing impact of the elevated Australian dollar and other competitive pressures by containing wages and other costs.

Nominal GDP is forecast to grow by 3¾ per cent in 2013-14 and 4½ per cent in 2014-15, significantly weaker than at Budget. The implications of this for expected revenue, and the budget bottom line, are discussed in the Fiscal Outlook Part.



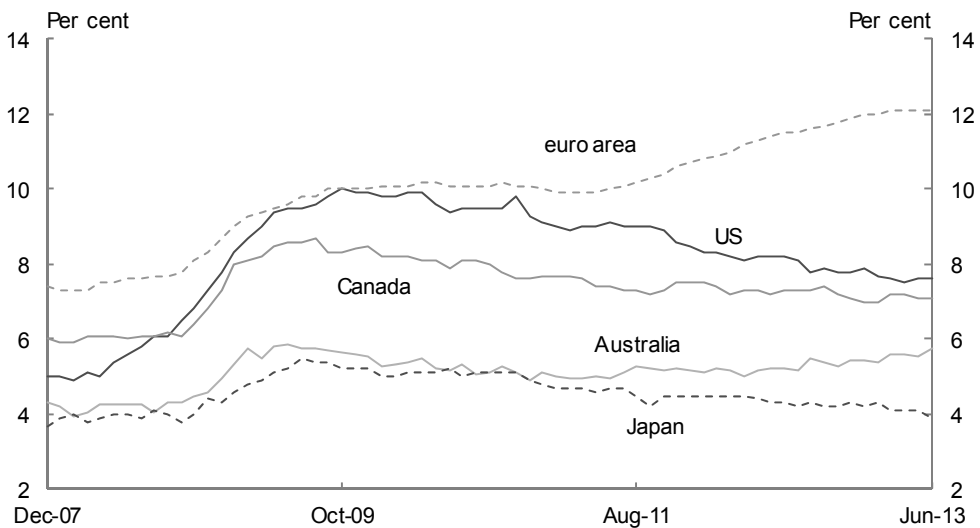
**Chart 3: Terms of trade**



Source: ABS cat. no. 5206.0 and Treasury.

The labour market is expected to remain resilient with slower wage growth, an important mechanism for supporting employment growth in the rest of the economy as the relatively employment-intensive resources construction phase passes its peak. Nevertheless, the unemployment rate is now expected to reach 6¼ per cent by mid-2014, owing to lower forecast real GDP growth and the current rate of unemployment being a little higher than expected. The unemployment rate is expected to stabilise at that level in 2014-15 but remain one of the lowest in the developed world, with many countries still feeling the effects of the global financial crisis (Chart 4).

**Chart 4: Unemployment rates**



Source: Thomson Reuters, ABS cat. no. 6202.0.

Inflation is expected to remain contained within the RBA's target band. Headline inflation is forecast to be 2½ per cent through the year to the June quarter 2014, slightly stronger than at Budget, reflecting the effect of higher import prices from the lower Australian dollar. Headline inflation is then expected to ease to 2 per cent through the year to the June quarter 2015 owing to the lower forecast carbon price. Underlying inflation is expected to be 2½ per cent through the year to the June quarter of 2014 and 2¼ per cent through the year to the June quarter of 2015.<sup>1</sup>

The global environment continues to pose significant risks to the outlook, and domestic risks have also become more pronounced since Budget. Internationally, the crisis in the euro area remains unresolved and constitutes the key risk to the global recovery. Elsewhere, the United States will need to face the eventual challenge of unwinding unconventional monetary policy, while uncertainty exists in Japan over whether the authorities will successfully rid Japan of deflation and sustain the economic recovery.

More importantly for Australia, it is still unclear how successful recent actions by Chinese authorities will be in addressing the build-up of risks in China's financial sector that have accumulated in recent years. Moreover, in taking steps to address these risks, there is a danger that a policy misstep could lead to more extensive, unintended financial market disruptions.

Domestically, the transmission of volatility abroad to commodity prices presents a considerable risk to nominal GDP. In addition, the decline in resources investment following its peak could be more pronounced than expected, and the transition to new drivers of growth may be less than seamless. It is also possible for weak income growth to weigh more heavily on domestic demand than currently expected. That said, Australia confronts these challenges with some of the strongest economic fundamentals in the developed world and is well placed to manage the transition.

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1 The move to a floating carbon price in 2014-15 is expected to lower headline inflation by around ½ of a percentage point and underlying inflation by less than ¼ of a percentage point through the year to the June quarter 2015. The staged increases in tobacco excise (see Fiscal Outlook chapter) are expected to raise headline inflation by less than ¼ of a percentage point through the year to both the June quarter 2014 and 2015, and leave underlying inflation unchanged.

## DETAIL OF SECTORAL FORECASTS FOR THE AUSTRALIAN ECONOMY

**Table 4: Domestic economy forecasts<sup>(a)</sup>**

	Estimate		Forecasts			
	2012-13		2013-14		2014-15	
	Budget	ES (b)	Budget	ES	Budget	ES
<b>Panel A - Demand and output(c)</b>						
Household consumption	2 1/2	2 1/2	3	2 1/2	3	3
Private investment						
Dwellings	1/2	1 1/2	5	5	5 1/2	5 1/2
Total business investment(d)	10 1/2	6 1/2	4 1/2	1 1/2	1	- 1/2
Non-dwelling construction(d)	18 1/2	14 1/2	5	1	-2 1/2	-4 1/2
Machinery and equipment(d)	1 1/2	-2 1/2	2 1/2	1/2	5	3
Private final demand(d)	4	3 1/2	3 1/2	2 1/4	2 3/4	2 1/2
Public final demand(d)	- 1/2	-1 1/2	0	3/4	1/2	1
Total final demand	3	2 1/4	2 3/4	2	2 1/4	2
Change in inventories(e)	0	- 1/4	0	0	0	0
Gross national expenditure	3	2	2 3/4	2	2 1/4	2
Exports of goods and services	7	7	6 1/2	6 1/2	7	7
Imports of goods and services	5	0	6	4	3	3
Net exports(e)	1/2	1 1/2	0	1/2	1	1
Gross domestic product	3	2 3/4	2 3/4	2 1/2	3	3
Non-farm product	3	3	2 3/4	2 1/2	3 1/4	3
Farm product	-8	-6	4	4	0	1
Nominal gross domestic product	3 1/4	2 1/2	5	3 3/4	5	4 1/2
<b>Panel B - Other selected economic measures</b>						
External accounts						
Terms of trade	-7 1/2	-10 1/2	- 3/4	-5 3/4	-1 3/4	-3 3/4
Current account balance (per cent of GDP)	-3 1/2	-3	-3 3/4	-3 3/4	-3 1/4	-3 3/4
Labour market						
Employment (labour force survey basis)(f)	1 1/4	1.3	1 1/4	1	1 1/2	1 1/2
Unemployment rate (per cent)(g)	5 1/2	5.6	5 3/4	6 1/4	5 3/4	6 1/4
Participation rate (per cent)(g)	65	65.3	65	65 1/4	65	65 1/4
Prices and wages						
Consumer Price Index (h)	2 1/2	2.4	2 1/4	2 1/2	2 1/4	2
Gross non-farm product deflator	0	- 1/2	2	1 1/4	1 3/4	1 1/4
Wage Price Index(f)	3 1/2	3 1/4	3 1/2	3 1/4	3 1/2	3 1/4

(a) Percentage change on preceding year unless otherwise indicated.

(b) Employment growth, the unemployment rate, the participation rate and the consumer price index are ABS outcomes.

(c) Chain volume measures except for nominal gross domestic product, which is in current prices.

(d) Excluding second-hand asset sales from the public sector to the private sector.

(e) Percentage point contribution to growth in GDP.

(f) Seasonally adjusted, through the year growth rate to the June quarter.

(g) Seasonally adjusted, estimate for the June quarter.

(h) Through the year growth rate to the June quarter.

Note: The domestic economy forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade weighted index of 71 and a United States dollar exchange rate of around 92 US cents. Interest rates are assumed to move broadly in line with market expectations. Oil prices (Malaysian Tapis) are assumed to remain around US\$114 per barrel. The farm sector forecasts are based on an assumption of average seasonal conditions.

Source: ABS cat. nos. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.



## FISCAL OUTLOOK

The Government has continued to implement sound fiscal policy. In the face of lower terms of trade, lower expected nominal GDP, and further write-downs in tax receipts, the Government remains committed to supporting jobs and growth in the short term while keeping the budget on track to return to a surplus of \$4.0 billion in 2016-17.

The Government's medium-term fiscal strategy guided Australia's successful response to the global financial crisis and provides the basis for the Government's determination to strike the right balance between supporting the economy in transition and the return to surplus.

Consistent with this strategy, the Government delivered its fiscal stimulus at the height of the global financial crisis and committed to return to surplus as the economy recovered. This stimulus prevented a recession in Australia and saved up to 210,000 jobs. In the current situation, short term support for the economy while remaining on track to return to surplus over the forward estimates is the appropriate fiscal policy response given Australia's current economic outlook.

G20 Finance Ministers and Central Bank Governors recently affirmed jobs and growth as global priorities in the current economic circumstances. These are priorities for the Government, and have influenced the rate of fiscal consolidation reflected in this Economic Statement. The meeting also agreed on the importance of governments adopting a credible fiscal strategy that is flexible to economic circumstances. This approach to fiscal strategy has guided the Government. It is supported by the international consensus among groups such as the G20 and IMF that fiscal consolidation is important, but it should be carefully managed to suit economic conditions.

Since the Budget, lower terms of trade and weaker than expected wages growth – and hence weaker nominal GDP growth – have led to further write downs in tax receipts. Lower wages growth has resulted in downward revisions to individuals' income tax receipts. Falling commodity prices have resulted in a weakened outlook for company tax and the minerals resource rent tax. Capital gains tax receipts are also expected to be weaker.

With the unemployment rate expected to be higher in 2013-14 and 2014-15, the Government has exercised restraint in a way that does not put Australia's growth and employment at risk by making drastic cuts in the near term. The majority of the revenue write-downs have been passed through to the budget bottom line to support growth in the short term. Almost all of the deterioration in the budget balance in 2013-14 and 2014-15 reflects variations in receipts and payments rather than Government decisions.

This approach is consistent with the Government’s fiscal strategy, and the Government has found the savings necessary to put the budget on track to surplus by 2016-17. To ensure that unemployment remains relatively low, that households and businesses are not hurt by excessive cuts to spending and services, and that the transition away from the mining investment boom is as smooth as possible, it would not be prudent to offset the entire fall in revenues since the Budget in the near term.

The Government is still on track to return to surplus at the end of the forward estimates. Since the Budget, the Government has made \$17.4 billion of responsible savings decisions, which have made a significant contribution to offsetting the impact of revenue write-downs in 2015-16 and 2016-17 (Table 5). This return to surplus is achieved with lower terms of trade, which means that, compared to the Budget, the structural position of the budget has been improved at the end of the forward estimates.

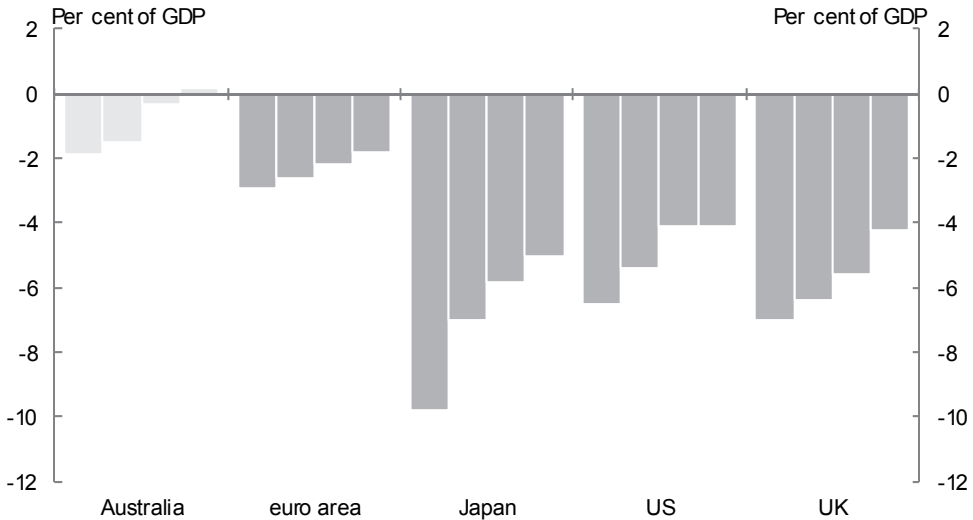
**Table 5: Effect of spending and savings decisions since the 2013-14 Budget<sup>(a)</sup>**

	Estimates			Projections		
	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	Total \$m
<b>Effect of policy decisions since Budget</b>						
<b>Spends</b>	-90	-1,370	-4,518	-2,446	-823	-9,247
<b>Saves</b>	7	998	2,910	5,810	7,633	17,357
<b>Total effect of policy decisions since Budget</b>	<b>-84</b>	<b>-373</b>	<b>-1,607</b>	<b>3,364</b>	<b>6,811</b>	<b>8,111</b>
Add Contingency Reserve offsets to policy decisions	0	23	23	23	23	92
<b>Net budget impact of policy decisions</b>	<b>-84</b>	<b>-349</b>	<b>-1,584</b>	<b>3,387</b>	<b>6,834</b>	<b>8,203</b>

(a) On an underlying cash basis.

Australia is on track to return to surplus years ahead of most other advanced economies (Chart 5).

**Chart 5: Budget balances of Australia and the G7, 2013-2016**



Note: Australian data are for the Australian Government general government sector underlying cash balance and refer to financial years beginning 2013-14. Data for all other economies are total government and refer to calendar years beginning 2013.  
 Source: IMF Fiscal Monitor April 2013 and Treasury.

Australia is one of only eight sovereigns globally to be rated AAA with a stable outlook by all the major credit rating agencies. This is a ringing endorsement of the Government's fiscal strategy as it has been implemented in recent years, the strength of Australia's fiscal position and the resilience of the Australian economy.

## VARIATIONS AND DECISIONS SINCE THE 2013-14 BUDGET

Table 6 provides a reconciliation of the variations in the underlying cash balance estimates since the Budget.

**Table 6: Reconciliation of the 2013-14 Budget and Economic Statement underlying cash balance estimates**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
<b>2013-14 Budget underlying cash balance(a)</b>	<b>-18,043</b>	<b>-10,888</b>	<b>849</b>	<b>6,591</b>
Per cent of GDP	-1.1	-0.6	0.0	0.4
<b>Changes from 2013-14 Budget to ES</b>				
Effect of policy decisions(b)(c)				
<i>Receipts</i>	1,067	-1,492	1,813	5,412
<i>Payments</i>	1,440	116	-1,551	-1,398
Total policy decisions impact on underlying cash balance	-373	-1,607	3,364	6,811
Effect of parameter and other variations(c)				
<i>Receipts</i>	-7,805	-9,571	-7,533	-8,408
<i>Payments</i>	3,922	1,905	1,388	966
Total parameter and other variations impact on underlying cash balance	-11,727	-11,477	-8,921	-9,374
<b>ES underlying cash balance(a)</b>	<b>-30,142</b>	<b>-23,972</b>	<b>-4,708</b>	<b>4,027</b>
Per cent of GDP	-1.9	-1.5	-0.3	0.2

(a) Excludes expected Future Fund earnings.

(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the contingency reserve for decisions taken.

(c) A positive number for receipts indicates an increase in the underlying cash balance, while a positive number for payments indicates a decrease in the underlying cash balance.

### Changes to receipts since the Budget

Since the Budget, parameter and other variations have resulted in a \$33.3 billion write down in receipts over the forward estimates. Tax receipts (including GST) have been revised down by \$7.8 billion in 2013-14, and \$33.3 billion over the four years from 2013-14.

Although a well-performing real economy is fundamental to jobs and economic growth, it is the nominal economy that matters for government tax receipts and the Government's fiscal position.

Since the Budget, lower terms of trade have resulted in estimates of nominal GDP growth being revised down from 5 per cent to 3¾ per cent in 2013-14 and from 5 per cent to 4½ per cent in 2014-15.

Lower wages growth and unincorporated business income since the 2013-14 Budget has resulted in weaker individuals' income tax receipts. Compared to Budget, total individuals' income tax receipts are expected to be \$18.1 billion lower over the four years to 2016-17.



Faster than expected falls in commodity prices have resulted in a weaker outlook for company tax, with company tax receipts expected to be \$9.7 billion lower over the four years to 2016-17 compared to Budget. Resource rent taxes are now expected to be \$560 million lower over the four years to 2016-17 compared to the Budget.

Capital gains tax has been revised down by around \$1.5 billion over the forward estimates due to lower than expected share prices as well as a downgrade in our growth assumption for asset prices (in line with the fall in nominal GDP growth).

Policy decisions since the 2013-14 Budget are expected to increase receipts by \$1.1 billion in 2013-14, by \$1.8 billion in 2015-16 and \$5.4 billion in 2016-17. Policy decisions reduce receipts by \$1.5 billion in 2014-15, driven by the move to bring forward the start date of the carbon emissions trading scheme by one year.

Policy decisions expected to increase receipts include:

- Consistent with the Government's anti-smoking strategies, excise and excise-equivalent customs duty on tobacco and tobacco-related products will be increased under a staged process, with a 12.5 per cent increase to occur on 1 December 2013 and further 12.5 per cent increases on 1 September 2014, 1 September 2015 and 1 September 2016. These increases are in addition to the increases in the duty that occur under indexation arrangements and are expected to increase tax receipts by \$5.8 billion over the forward estimates period (including payments to the states and territories of \$490 million).
- The Government will make the tax system fairer by ensuring the fringe benefits tax exemption for cars is targeted to actual business use rather than including personal use. The reform will apply to all new commitments for car fringe benefits entered into after 16 July 2013 and will take effect from 1 April 2014, after which only the operating cost method will be allowed. This measure, announced on 16 July 2013, is expected to provide net savings of \$1.8 billion over the forward estimates.
- The Government is also providing the ATO with an additional \$99 million over four years to address the levels of unpaid tax and superannuation in the community. This measure will return \$45 million in superannuation to Australian workers and ensure a level playing field for Australian businesses. This measure is expected to improve the underlying cash balance by \$827 million over the forward estimates.
- The Government will progress a recommendation from the Council of Financial Regulators, which includes the Reserve Bank of Australia and the Australian Prudential Regulation Authority, to establish a dedicated Financial Stability Fund to help meet any future cost of the Financial Claims Scheme (FCS), as well as the cost of other resolution activities that protect depositors. The dedicated Fund will build gradually over time to a target size of 0.5 per cent of total deposits protected

by the FCS. Establishing the Fund is expected to have a net positive impact on the budget of \$733 million over the forward estimates, from 1 January 2016.

- The threshold below which small inactive superannuation accounts, including inactive accounts of uncontactable members, are required to be transferred to the Australian Taxation Office will be increased to protect the real value of more lost superannuation accounts. The threshold will increase from \$2,000 to \$4,000 from 31 December 2015, and then to \$6,000 from 31 December 2016. This measure is estimated to have a net positive impact on the budget in underlying cash balance terms of \$582 million over the forward estimates.

There are also a small number of policy measures since the 2013-14 Budget that reduce receipts:

- The Government's decision to terminate the fixed carbon price and bring forward the start date of emissions trading by one year to 1 July 2014 has a net cost to the budget of approximately \$3.8 billion over the forward estimates, in underlying cash balance terms. This cost has been more than offset by savings measures (see Box 1 on page 38 below).
- The Government has decided to defer the introduction of the \$2,000 cap on work related education expense deductions until 1 July 2015. This will allow for further consultation on how best to target excessive claims while ensuring the impact on university enrolments and genuine continuing professional development is minimised. This measure is expected to decrease receipts by \$250 million over the forward estimates period.

Table 7 shows cash receipts by type of revenue.

**Table 7: Australian Government general government (cash) receipts**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Individuals' and other withholding taxes				
Gross income tax withholding	160,600	174,000	188,300	201,100
Gross other individuals	33,700	37,000	41,400	45,750
<i>less: Refunds</i>	27,500	28,300	30,100	31,400
Total individuals' and other withholding tax	166,800	182,700	199,600	215,450
Fringe benefits tax	4,160	4,580	4,840	5,120
Company tax	69,250	70,150	75,900	80,100
Superannuation funds	7,620	9,090	11,600	13,090
Minerals resource rent tax(a)	800	1,000	1,400	2,300
Petroleum resource rent tax	2,390	2,440	2,550	2,670
<b>Income taxation receipts</b>	<b>251,020</b>	<b>269,960</b>	<b>295,890</b>	<b>318,730</b>
Goods and services tax	50,633	53,559	56,739	59,909
Wine equalisation tax	760	810	850	900
Luxury car tax	380	350	380	400
Excise and customs duty				
Petrol	5,850	5,750	5,850	5,950
Diesel	8,980	9,180	9,370	9,680
Other fuel products	3,800	3,620	3,690	3,750
Tobacco	8,330	9,120	10,070	10,950
Beer	2,390	2,420	2,570	2,730
Spirits	2,040	2,170	2,310	2,430
Other alcoholic beverages(b)	1,010	1,060	1,120	1,180
Other customs duty				
Textiles, clothing and footwear	720	570	410	440
Passenger motor vehicles	920	980	1,060	1,140
Other imports	1,600	1,670	1,790	1,930
<i>less: Refunds and drawbacks</i>	260	260	260	260
Total excise and customs duty receipts	35,380	36,280	37,980	39,920
Carbon pricing mechanism	6,435	2,805	2,675	3,995
Agricultural levies	461	451	458	464
Other taxes	2,971	3,135	3,500	3,618
<b>Indirect taxation receipts</b>	<b>97,020</b>	<b>97,391</b>	<b>102,581</b>	<b>109,206</b>
<b>Taxation receipts</b>	<b>348,040</b>	<b>367,351</b>	<b>398,471</b>	<b>427,936</b>
Sales of goods and services	8,686	8,519	8,691	8,852
Interest received	3,768	3,676	4,123	4,338
Dividends	2,706	2,444	2,690	2,729
Other non-taxation receipts	6,164	8,170	9,312	6,882
<b>Non-taxation receipts</b>	<b>21,325</b>	<b>22,809</b>	<b>24,817</b>	<b>22,800</b>
<b>Total receipts</b>	<b>369,364</b>	<b>390,160</b>	<b>423,288</b>	<b>450,736</b>
<i>Memorandum:</i>				
<i>Total excise receipts</i>	<i>26,530</i>	<i>27,050</i>	<i>28,260</i>	<i>29,490</i>
<i>Total customs duty receipts</i>	<i>8,850</i>	<i>9,230</i>	<i>9,720</i>	<i>10,430</i>
<i>Capital gains tax(c)</i>	<i>7,900</i>	<i>10,700</i>	<i>13,200</i>	<i>15,400</i>
<i>Medicare and DisabilityCare Australia levy receipts</i>	<i>9,960</i>	<i>10,470</i>	<i>14,480</i>	<i>15,190</i>

(a) Net receipts from the MRRT are expected to be \$0.6 billion in 2013-14, \$0.7 billion in 2014-15, \$1.0 billion in 2015-16 and \$1.7 billion in 2016-17 which represent the net receipt impact across different revenue heads. These include offsetting reductions in company tax (through deductibility) and interactions with other taxes.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Capital gains tax is part of other individuals, companies and superannuation funds tax.

Since the 2013-14 Budget, non-tax receipts have increased by \$185 million in 2013-14, largely reflecting higher royalties from changes in forecast prices for crude oil and condensate; increased net receipts from unclaimed superannuation monies; and increases to the heavy vehicle road user charge and Visa Application Charge.

Appendix B provides a list of all policy decisions taken since the Budget.

### **Changes to payments since Budget**

Since the Budget, total cash payments over the four years to 2016-17 have increased by \$5.3 billion comprised of new policy decisions, which have decreased payments by \$1.4 billion, and parameter and other variations, which have increased payments by \$3.9 billion.

Major increases in expected payments as a result of parameter and other variations since the Budget include:

- Research and Development Tax Incentive payments, which are expected to be \$304 million higher in 2013-14 (\$1.2 billion over four years to 2016-17), reflecting strong claims in the first year of operation of the 45 per cent refundable tax offset for companies with a turnover of less than \$20 million. It is expected that the higher level of claims will continue across the forward estimates;
- offshore asylum seeker management costs, which are expected to be \$351 million higher in 2013-14 (\$1.3 billion over four years to 2016-17), reflecting updated actual and projected unauthorised maritime arrivals and the cost of regional processing centres;
- Private Health Insurance rebate payments, which are expected to increase by \$184 million in 2013-14 (\$769 million over the four years to 2016-17) reflecting higher take-up rates;
- child care costs, which are expected to be \$104 million higher in 2013-14 (\$512 million over the four years to 2016-17), reflecting an increase in the number of children expected to use child care;
- Tertiary Student Assistance payments for Youth Allowance and Austudy, which are expected to be \$120 million higher in 2013-14 (\$475 million over the four years to 2016-17), reflecting a higher than expected number of recipients and higher than expected average payment rates;
- payments of Family Tax Benefits (FTB) and the Schoolkids Bonus, which are expected to be \$93 million higher in 2013-14 (\$392 million over the four years to 2016-17), largely reflecting higher than previously projected numbers of eligible children for FTB Part A and Part B and the Schoolkids Bonus; and

- payments under the Natural Disaster Relief and Recovery Arrangements (NDRRA), which are expected to be \$284 million higher in 2013-14, reflecting changes in the timing of payments for the NDRRA provision, particularly payments for New South Wales.

Major reductions in expected payments as a result of parameter and other variations since the Budget, include:

- payments under the Pharmaceutical Benefits Scheme (PBS), which are expected to be \$388 million lower in 2013-14 (\$2.0 billion over the four years to 2016-17), largely reflecting higher than expected savings from existing pricing policy;
- increased payments to Defence in 2013-14 and 2014-15 of \$359 million and \$304 million respectively with an associated reduction in funding of \$89 million and \$1.0 billion in 2015-16 and 2016-17 respectively and with an increase in Defence's six-year funding guidance beyond the forward estimates of \$426 million in 2017-18 to better match expected capital acquisitions, support the purchase of important Defence capabilities and accelerate investment in critical supporting capabilities and facilities;
- Income Support for Seniors, which is expected to be \$132 million lower in 2013-14 (\$593 million over the four years to 2016-17), reflecting lower than projected recipient numbers; and
- Disability Support Pension payments, while expected to be \$41 million higher in 2013-14, will be \$457 million lower over the four years to 2016-17, resulting from a continued fall in take-up rates following the introduction of the new impairment tables on 1 January 2012.

Since the Budget, policy decisions have decreased the underlying cash balance by \$373 million in 2013-14 but increased the underlying cash balance by \$8.2 billion over the four years of the forward estimates.

Major policy decisions that have increased cash payments over the four years to 2016-17 include:

- the bring forward of the start of the Emissions Trading Scheme (Box 1 below);
- the Australian and Papua New Guinea Regional Resettlement Arrangement (Box 2 on page 40 below);
- additional Official Development Assistance to PNG (Box 3 on page 41 below); and
- new and amended listings on the Pharmaceutical Benefits Scheme and Repatriation Pharmaceutical Benefits Scheme, which are expected to increase payments by \$276 million in 2013-14 (\$1.5 billion over the four years to 2016-17).

The impact of these policy decisions on payments has been more than offset over the four years to 2016-17 by a number of other decisions that have reduced cash payments, including:

- increasing the public service efficiency dividend to 2 ¼ per cent for three years from 1 July 2014, which is expected to decrease payments by \$262 million in 2014-15 (\$1.8 billion over three years from 2014-15 to 2016-17); and
- slowing the growth rate of Australia's aid budget whilst still meeting the target of 0.5 per cent of Gross National Income by 2017-18. This measure is expected to decrease payments by \$879 million over the four years to 2016-17. Aid spending will still increase by around 26 per cent over this period.

**Box 1: Budget impacts of bringing forward the start of the Emissions Trading Scheme (ETS)**

The net cost to the budget of bringing forward emissions trading by one year is approximately \$3.8 billion over the forward estimates, in underlying cash balance terms. This reflects lower receipts from the sale of carbon permits and from the application of an equivalent carbon price to fuel taxation and synthetic greenhouse gases, partly offset by lower expenses from the carbon unit buyback facility and a reduction in expenses across a range of government programs as a result of the impact of this measure on the consumer price index.

The estimated carbon price in 2014-15 is based on the same methodology used in the 2013-14 Budget. This methodology uses average market futures prices, with projections of carbon prices for 2015-16 and 2016-17 incorporating the straightforward approach of a linear transition from market prices in 2014-15 to the modelled price of \$38 in 2019-20. For further information, see Box 9 of Budget Statement 2 in the 2013-14 Budget.

This cost of bringing forward emissions trading has been more than offset by \$3.9 billion of responsible savings measures, while protecting assistance to households, the renewable energy sector and emission-intensive trade exposed industries.

**Box 1: Budget impacts of bringing forward the start of the Emissions Trading Scheme (ETS) (continued)**

Savings measures from within the Clean Energy Future Plan (CEF) include:

- amending the Energy Security Fund by bringing forward the 2015-16 free permit allocation to 2014-15 and discontinuing the program from 1 July 2015, saving \$770 million;
- returning unallocated funding from the Biodiversity Fund, saving \$213 million;
- returning unallocated funding from the Carbon Farming Futures program, saving \$143 million;
- updating the Coal Sector Jobs package allocation in 2014-15, consistent with lower expected carbon prices, saving \$186 million; and
- rephasing \$200 million of funding from the Clean Technology Program and returning \$162 million of unallocated funding to the budget.

Additional savings from outside the CEF Plan involve:

- rephasing \$224 million from the Carbon Capture and Storage program to align funding with expected expenditure on projects;
- abolishing the statutory formula method for calculating the taxable value of car fringe benefits tax for new commitments entered into after 16 July 2013, with effect from 1 April 2014, saving \$1.8 billion; and
- reforming public service management structures and more efficient procurement of agency software to generate additional public service efficiencies, saving \$248 million.

These changes were announced on 16 July 2013.

## **Box 2: Australia and Papua New Guinea Regional Resettlement Arrangement**

On 19 July 2013, the Government announced and signed a new arrangement with Papua New Guinea (PNG) – the Regional Resettlement Arrangement – for unauthorised maritime arrivals to be sent to PNG for assessment and, if found to be a refugee, to be settled there.

Major elements include:

- regional processing centres in PNG – operating costs are dependent on site configuration and topology, transport and support costs;
- support for unauthorised maritime arrivals living in community based arrangements, including ongoing support provided by service providers;
- assistance to the PNG Government to implement a refugee status determination process; and
- support for arrangements to facilitate the voluntary return of unauthorised maritime arrivals to their country of origin.

The total estimated operating cost of the Arrangement is \$175 million in 2013-14, and \$1.1 billion over four years, partially funded from a \$423 million reduction in the operating costs of the onshore detention network (a net impact of \$632 million) over the four years to 2016-17. Capital costs of \$194 million are included in 2013-14 to expand Manus Island facilities.

Included in the operating costs is support for unauthorised maritime arrivals living in community-based arrangements of \$13 million in 2013-14 and \$236 million over four years. This has been offset from a reduction in AusAID's budget. Assistance to the PNG Government to develop and implement a refugee status determination process will be funded from the provision for expanded aid funding held in the contingency reserve.

The remaining costs of this package have been offset from whole-of-government savings.

The Government will continue to review initiatives to ensure this policy is effective in sending the message that coming to Australia by boat is not the way to gain Australian residency.



### **Box 3: Additional Official Development Assistance (ODA) to PNG**

The Government will provide \$420 million over four years of additional ODA to PNG (and additional non-ODA eligible funding of \$18 million over four years for law and order). This is principally comprised of:

- Health – rebuilding the Lae hospital (\$207 million over four years);
- Education – rehabilitation of the University of PNG (\$62 million over four years);
- Justice – deployments to the PNG Department of Corrections and the Royal PNG Constabulary, as well as scoping and design for the Magisterial Services Court (\$19 million over four years);
- Transport – scoping and design for the Madang-Ramu highway (\$0.8 million over four years); and
- Law and Order – deployment of 50 Australian Federal Police officers for advisory and mentoring roles in local police stations (\$132 million of ODA).

This is in addition to the existing \$500 million per annum aid commitment to PNG (\$507 million in 2013-14).

The additional development assistance to PNG will be met from within existing AusAID resources.

### **Responsible savings**

Since the Budget, the Government has made \$17.4 billion of responsible savings decisions, including changes to the FBT treatment of car fringe benefits, increased tobacco excise, a recalibration in the rate of growth of ODA expenditure, and an increase in the public service efficiency dividend.

In this Economic Statement the Government has identified savings of \$17.4 billion across the forward estimates. These savings build on previous saves of over \$180 billion identified by the Government in the six budgets since 2008-09.

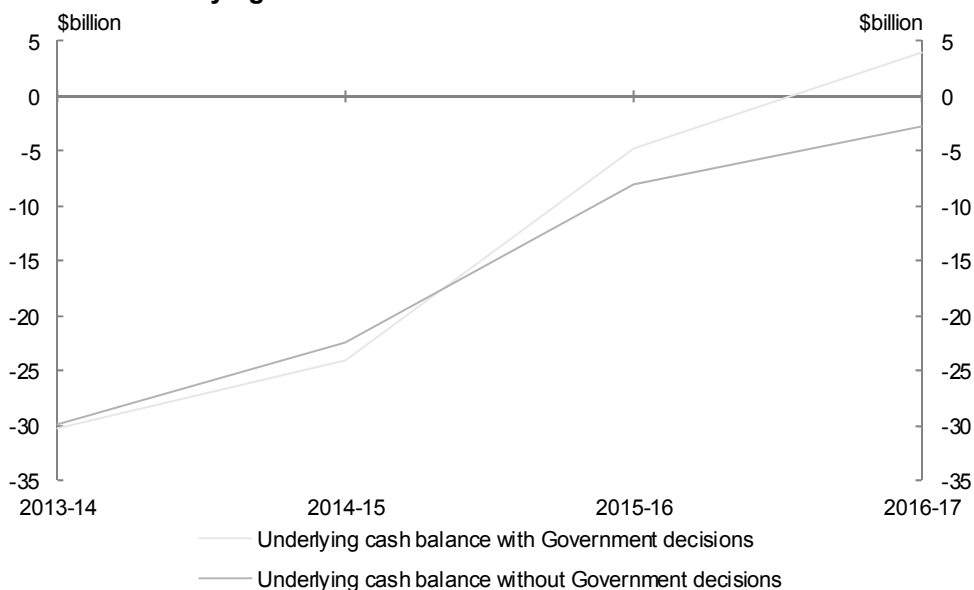
The Government's fiscal strategy includes a strong focus on the medium-term sustainability of the budget. When making decisions, the Government considers not only the financial impact on the forward estimates period, but also the longer-term budgetary and economic effects.

Since its first budget in 2008-09, the Government has made savings decisions that will continue to improve the budget position well beyond the end of the forward estimates. These include increasing the pension age to 67, increasing the Medicare Levy and reforms to the private health insurance rebate and to the family payments system. The

decisions in this Economic Statement build on these earlier decisions to help improve the structural position of the budget and provide space for significant new priorities.

Without the net impact of new policy decisions since the Budget, there would have been underlying cash deficits of \$29.8 billion in 2013-14, \$22.4 billion in 2014-15, \$8.1 billion in 2015-16 and \$2.8 billion in 2016-17 (Chart 6).

**Chart 6: Underlying cash balance with and without Government decisions**



### Fiscal balance estimates

The fiscal balance deficit is expected to be \$25.6 billion (1.6 per cent of GDP) in 2013-14, \$12.1 billion higher than the \$13.5 billion deficit expected at Budget.

Movements in accrual revenue and expenses over the forward estimates are broadly similar to the movements in cash receipts and payments. More detailed information on differences can be found in *Statement 3: Fiscal strategy and outlook of the 2013-14 Budget Paper No. 1*.

Table 8 provides a reconciliation of the fiscal balance estimates since the Budget.

**Table 8: Reconciliation of the 2013-14 Budget and ES fiscal balance estimates<sup>(a)</sup>**

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
<b>2013-14 Budget fiscal balance</b>	<b>-13,497</b>	<b>-6,255</b>	<b>5,955</b>	<b>10,819</b>
Per cent of GDP	-0.8	-0.4	0.3	0.6
<b>Changes from 2013-14 Budget to ES</b>				
Effect of policy decisions(a)(b)				
Revenue	699	-5,466	3,145	4,210
Expenses	1,129	-1,688	-1,615	-2,201
Net capital investment	317	2	0	0
Total policy decisions impact on fiscal balance	-747	-3,779	4,761	6,411
Effect of parameter and other variations(b)				
Revenue	-8,547	-8,625	-8,148	-8,229
Expenses	2,080	1,967	1,439	2,149
Net capital investment	681	1,594	-651	-713
Total parameter and other variations impact on fiscal balance	-11,308	-12,186	-8,936	-9,666
<b>ES fiscal balance</b>	<b>-25,553</b>	<b>-22,220</b>	<b>1,780</b>	<b>7,564</b>
Per cent of GDP	-1.6	-1.4	0.1	0.4

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the contingency reserve for decisions taken.

(b) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

## MEDIUM-TERM FISCAL STRATEGY

### Box 4: Government's medium-term fiscal strategy

The Government's medium-term fiscal strategy is to:

- achieve budget surpluses, on average, over the medium term;
- keep taxation as a share of GDP, on average, below the level for 2007-08 (23.7 per cent); and
- improve the Government's net financial worth over the medium term.

To ensure a timely return to surplus and recovery in the fiscal position, since the beginning of the global financial crisis the Government has further committed to:

- allow the level of tax receipts to recover naturally as the economy improves, while maintaining the Government's commitment to keep taxation as a share of GDP below the 2007-08 level on average; and
- build growing surpluses by holding real growth in spending to 2 per cent a year, on average, until the budget surplus is at least 1 per cent of GDP, and while the economy is growing at or above trend.

The Government's responsible savings decisions provide a pathway to budget surplus in 2016-17, which will improve the Government's net financial worth over the medium term.

In 2013-14, the economy is expected to grow at 2½ per cent – below trend rate. In 2014-15, the economy is expected to grow around trend. From 2014-15 onwards, real growth in payments is estimated to be less than 2 per cent per annum in each year. Average real spending growth over the five years from 2012-13 is only 1.3 per cent per annum, the same level as reported in the Budget (Table 9).

In years where economic growth is more constrained, due to the challenges facing the Australian economy, the Government is not making drastic cuts to payments which would come at a significant cost to households, services, jobs and growth.

**Table 9: Real spending growth**

	2012-13(a)	2013-14	2014-15	2015-16	2016-17
Real payment growth	-3.2	5.7	1.6	0.8	1.8
Average real growth in payments	1.3				

(a) Based on 2013-14 Budget data.

## NET DEBT, NET FINANCIAL WORTH AND NET WORTH

Table 10 provides a summary of the Australian Government general government sector net financial worth, net worth, net debt and net interest payments.

**Table 10: Australian Government general government sector net worth, net financial worth, net debt and net interest payments**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
Financial assets	261.2	280.1	306.8	345.3
Non-financial assets	113.6	116.7	118.9	120.4
<b>Total assets</b>	<b>374.7</b>	<b>396.9</b>	<b>425.6</b>	<b>465.6</b>
<b>Total liabilities</b>	<b>555.1</b>	<b>596.4</b>	<b>622.5</b>	<b>655.5</b>
<b>Net worth</b>	<b>-180.4</b>	<b>-199.6</b>	<b>-196.9</b>	<b>-189.9</b>
<b>Net financial worth(a)</b>	<b>-294.0</b>	<b>-316.3</b>	<b>-315.8</b>	<b>-310.3</b>
Per cent of GDP	-18.8	-19.3	-18.3	-17.0
<b>Net debt(b)</b>	<b>184.1</b>	<b>212.2</b>	<b>219.1</b>	<b>217.6</b>
Per cent of GDP	11.7	13.0	12.7	12.0
<b>Net interest payments</b>	<b>8.4</b>	<b>9.5</b>	<b>11.5</b>	<b>10.0</b>
Per cent of GDP	0.5	0.6	0.7	0.5

(a) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(b) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Net debt for the Australian Government general government sector is estimated to be \$184.1 billion (11.7 per cent of GDP) in 2013-14, compared to \$178.1 billion estimated at Budget.

As a share of GDP, net debt is expected to peak at 13.0 per cent in 2014-15, and then reduce to 12.0 per cent by 2016-17.

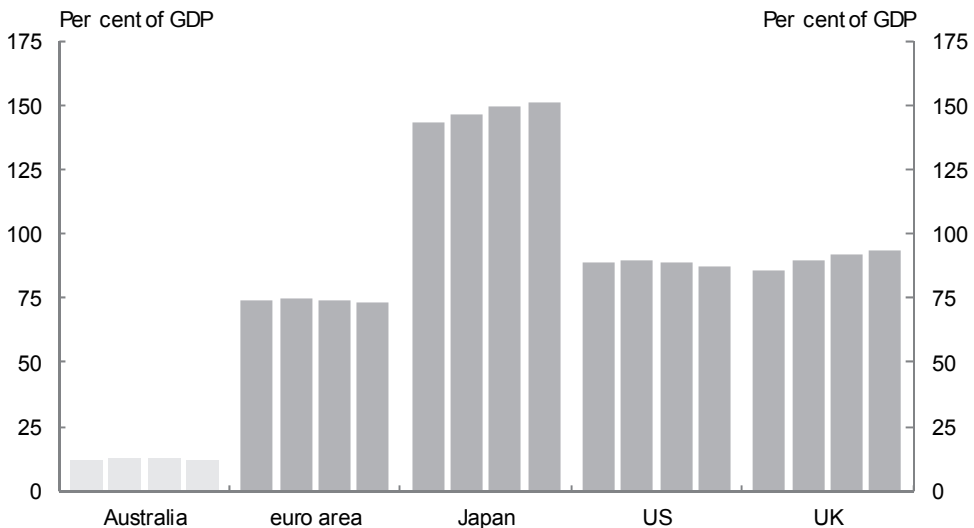
The increase in 2013-14 net debt since the Budget is primarily driven by more issuance of Commonwealth Government Securities (CGS). This increase has been partially offset by higher yields (interest rates) on CGS on issue than were assumed at the time of the Budget, which results in a lower market value of CGS on issue.

The changes to net debt also impact on net financial worth and net worth.

- Net financial worth is estimated to be -\$294.0 billion in 2013-14, compared to the Budget estimate of -\$286.1 billion.
- Net worth is forecast to be -\$180.4 billion in 2013-14, compared to the Budget estimate of -\$173.5 billion.

Australian Government net debt remains very low by international standards. The expected peak in net debt as a share of GDP in 2014-15 is a fraction of the average net debt in major advanced economies (Chart 7).

**Chart 7: Comparison of Government net debt for selected economies, 2013-2016**



Note: Australian data are for the Australian Government general government sector and refer to financial years beginning 2013-14. Data for all other economies are total government and refer to calendar years beginning 2013.

Source: IMF *Fiscal Monitor* April 2013 and Treasury.

## Commonwealth Government Securities

The Australian Government issues debt securities to the public in the form of Treasury Bonds, Treasury Indexed Bonds (TIBs) and Treasury Notes, collectively known as Commonwealth Government Securities (CGS). CGS are reported on the balance sheet in market value terms, consistent with the relevant accounting standards. The market value of CGS reflects prices in the secondary market, which are constantly changing with market conditions.

The face value of CGS on issue is the amount that the Government owes to investors, and is independent of fluctuations in market prices. The face value of CGS on issue fluctuates depending on the issuance of new securities and maturities of securities outstanding. The 'peak' amount of CGS on issue in any given year will depend on the timing of revenue, expenditure and CGS maturities.

The *Commonwealth Inscribed Stock Act 1911* places a limit of \$300 billion on the face value of CGS outstanding. As stated in the 2013-14 Budget, the Government will legislate to increase the limit as it becomes necessary.

Based on current estimates, CGS outstanding is expected to reach the limit within the 2013-14 financial year (around December 2013) and will remain around that level from December 2013 onwards. CGS on issue is expected to increase over the forward estimates.

Table 11 contains projections of the face value of CGS on issue subject to the legislative limit. It is important to note that there is a debt issuance strategy for the budget year only. Projections beyond the budget year are based on a set of technical assumptions and will vary significantly with changes to budget estimates and projections

**Table 11: Projected face value of Commonwealth Government Securities<sup>(a)(b)</sup>**

	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
End-of-year amount	290	330	350	370
Within-year peak(c)	300	350	370	Not available
<i>Month of peak</i>	<i>Dec-13</i>	<i>Apr-15</i>	<i>Apr-16</i>	<i>Not available</i>

(a) Data in this table are rounded to the nearest \$10 billion.

(b) These figures exclude TIBs issued before July 2008 which are not subject to the legislative limit. \$4.6 billion of TIBs are not subject to the legislative limit in 2013-14 and 2014-15, and following a maturity in August 2015, \$2.5 billion of TIBs will not be subject to the limit in 2015-16 and 2016-17.

(c) The precise within-year timing of cash outlays and receipts are not known. Estimates of projected peaks of CGS on issue are therefore subject to considerable uncertainty.

Source: Australian Office of Financial Management.

## APPENDIX A: FINANCIAL STATEMENTS

The financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS).

The *Charter of Budget Honesty Act 1998* (the Charter) requires reports to be based on external reporting standards and departures from applicable external reporting standards to be identified.

The external standards used for reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, (cat no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- the Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on the same basis as the budget papers. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

Fiscal reporting focuses on the GGS. The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated.

**Table A1: Australian Government general government sector operating statement**

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
<b>Revenue</b>				
Taxation revenue	358,898	376,258	410,503	441,096
Sales of goods and services	8,638	8,569	8,750	8,903
Interest income	3,990	4,025	4,437	4,924
Dividend income	2,252	2,409	2,657	2,771
Other	6,123	6,260	6,746	6,856
<b>Total revenue</b>	<b>379,900</b>	<b>397,521</b>	<b>433,094</b>	<b>464,549</b>
<b>Expenses</b>				
Gross operating expenses				
Wages and salaries(a)	19,543	19,494	20,087	21,091
Superannuation	4,095	4,119	4,229	4,211
Depreciation and amortisation	5,840	6,117	6,405	6,600
Supply of goods and services	76,426	78,084	81,803	84,696
Other operating expenses(a)	5,706	5,953	6,201	6,266
<i>Total gross operating expenses</i>	<i>111,610</i>	<i>113,768</i>	<i>118,724</i>	<i>122,864</i>
Superannuation interest expense	8,462	8,839	9,160	9,496
Interest expenses	14,230	15,269	16,030	16,189
Current transfers				
Current grants	118,981	125,421	130,587	139,470
Subsidy expenses	15,206	12,988	13,463	14,828
Personal benefits	122,716	129,150	134,342	143,872
<i>Total current transfers</i>	<i>256,903</i>	<i>267,560</i>	<i>278,391</i>	<i>298,170</i>
Capital transfers				
Mutually agreed write-downs	2,277	2,457	2,648	2,823
Other capital grants	8,028	8,049	5,886	5,153
<i>Total capital transfers</i>	<i>10,305</i>	<i>10,506</i>	<i>8,533</i>	<i>7,976</i>
<b>Total expenses</b>	<b>401,510</b>	<b>415,941</b>	<b>430,839</b>	<b>454,695</b>
<b>Net operating balance</b>	<b>-21,610</b>	<b>-18,421</b>	<b>2,255</b>	<b>9,854</b>
<b>Other economic flows - included in operating result</b>				
Net write-downs of assets (including bad and doubtful debts)	-7,565	-6,631	-7,618	-8,609
Assets recognised for the first time	560	587	613	640
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	132	106	65	11
Net swap interest received	0	0	0	0
Market valuation of debt	397	956	511	325
Other gains/(losses)	3,672	3,793	6,511	3,412
<b>Total other economic flows - included in operating result</b>	<b>-2,803</b>	<b>-1,189</b>	<b>81</b>	<b>-4,219</b>
<b>Operating result(b)</b>	<b>-24,413</b>	<b>-19,609</b>	<b>2,336</b>	<b>5,635</b>
<b>Non-owner movements in equity</b>				
Revaluation of equity investments	-2,223	0	0	0
Actuarial revaluations	-936	181	218	252
Other economic revaluations	568	258	91	1,124
<b>Total other economic flows - included in equity</b>	<b>-2,591</b>	<b>440</b>	<b>309</b>	<b>1,376</b>
<b>Comprehensive result - Total change in net worth</b>	<b>-27,005</b>	<b>-19,170</b>	<b>2,645</b>	<b>7,011</b>



**Table A1: Australian Government general government sector operating statement (continued)**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
<b>Net operating balance</b>	<b>-21,610</b>	<b>-18,421</b>	<b>2,255</b>	<b>9,854</b>
<b>Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	10,251	9,729	9,479	8,880
<i>less</i> Sales of non-financial assets	357	264	2,626	227
<i>less</i> Depreciation	5,840	6,117	6,405	6,600
<i>plus</i> Change in inventories	274	236	323	369
<i>plus</i> Other movements in non-financial assets	-386	216	-297	-131
<b>Total net acquisition of non-financial assets</b>	<b>3,943</b>	<b>3,800</b>	<b>475</b>	<b>2,290</b>
<b>Fiscal balance (Net lending/borrowing)(c)</b>	<b>-25,553</b>	<b>-22,220</b>	<b>1,780</b>	<b>7,564</b>

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Operating result under AAS.

(c) The term fiscal balance is not used by the ABS.

**Table A2: Australian Government general government sector balance sheet**

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
<b>Assets</b>				
Financial assets				
Cash and deposits	2,560	2,740	3,018	3,253
Advances paid	40,698	46,621	52,936	61,188
Investments, loans and placements	111,337	114,497	120,451	135,454
Other receivables	44,838	45,086	50,490	57,005
Equity investments				
Investments in other public sector entities	26,287	32,925	38,632	43,688
Equity accounted investments	331	334	337	340
Investments - shares	35,105	37,932	40,888	44,348
<i>Total financial assets</i>	<i>261,155</i>	<i>280,135</i>	<i>306,753</i>	<i>345,276</i>
Non-financial assets				
Land	8,719	8,663	8,634	8,603
Buildings	25,158	25,729	25,920	26,232
Plant, equipment and infrastructure	55,890	58,426	60,756	61,991
Inventories	7,210	7,045	6,975	6,931
Intangibles	5,426	5,422	5,472	5,612
Investment property	182	182	182	182
Biological assets	37	37	37	37
Heritage and cultural assets	10,463	10,474	10,486	10,499
Assets held for sale	83	121	83	83
Other non-financial assets	409	624	327	197
<i>Total non-financial assets</i>	<i>113,576</i>	<i>116,724</i>	<i>118,872</i>	<i>120,366</i>
<b>Total assets</b>	<b>374,731</b>	<b>396,858</b>	<b>425,624</b>	<b>465,643</b>
<b>Liabilities</b>				
Interest bearing liabilities				
Deposits held	192	192	192	192
Government securities	324,358	362,499	382,179	404,382
Loans	12,581	12,001	11,786	11,672
Other borrowing	1,529	1,412	1,361	1,282
<i>Total interest bearing liabilities</i>	<i>338,659</i>	<i>376,104</i>	<i>395,519</i>	<i>417,528</i>
Provisions and payables				
Superannuation liability	149,786	155,143	160,562	166,077
Other employee liabilities	14,891	15,080	15,104	15,556
Suppliers payable	4,266	4,316	4,365	4,394
Personal benefits provisions and payable	13,879	14,142	14,392	14,848
Subsidies provisions and payable	3,614	3,605	4,223	5,224
Grants provisions and payable	15,592	13,105	11,640	12,275
Other provisions and payables	14,436	14,925	16,735	19,645
<i>Total provisions and payables</i>	<i>216,463</i>	<i>220,315</i>	<i>227,021</i>	<i>238,019</i>
<b>Total liabilities</b>	<b>555,122</b>	<b>596,419</b>	<b>622,540</b>	<b>655,547</b>
<b>Net worth(a)</b>	<b>-180,391</b>	<b>-199,561</b>	<b>-196,916</b>	<b>-189,904</b>
<i>Net financial worth(b)</i>	<i>-293,967</i>	<i>-316,284</i>	<i>-315,787</i>	<i>-310,271</i>
<i>Net financial liabilities(c)</i>	<i>320,254</i>	<i>349,209</i>	<i>354,420</i>	<i>353,959</i>
<i>Net debt(d)</i>	<i>184,065</i>	<i>212,246</i>	<i>219,114</i>	<i>217,634</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

**Table A3: Australian Government general government sector cash flow statement<sup>(a)</sup>**

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
<b>Cash receipts from operating activities</b>				
Taxes received	348,040	367,351	398,471	427,936
Receipts from sales of goods and services	8,686	8,519	8,691	8,852
Interest receipts	3,768	3,676	4,123	4,338
Dividends and income tax equivalents	2,706	2,444	2,690	2,729
Other receipts	5,748	5,941	6,686	6,654
<b>Total operating receipts</b>	<b>368,948</b>	<b>387,931</b>	<b>420,662</b>	<b>450,509</b>
<b>Cash payments for operating activities</b>				
Payments for employees	-26,736	-26,892	-28,030	-29,003
Payments for goods and services	-76,901	-78,045	-81,918	-84,938
Grants and subsidies paid	-142,093	-148,191	-149,672	-157,014
Interest paid	-12,119	-13,161	-15,631	-14,307
Personal benefit payments	-123,444	-129,199	-134,432	-143,567
Other payments	-5,458	-5,791	-6,002	-5,793
<b>Total operating payments</b>	<b>-386,750</b>	<b>-401,280</b>	<b>-415,684</b>	<b>-434,622</b>
<b>Net cash flows from operating activities</b>	<b>-17,802</b>	<b>-13,349</b>	<b>4,978</b>	<b>15,886</b>
<b>Cash flows from investments in non-financial assets</b>				
Sales of non-financial assets	416	2,229	2,626	227
Purchases of non-financial assets	-9,342	-9,890	-9,122	-8,693
<b>Net cash flows from investments in non-financial assets</b>	<b>-8,926</b>	<b>-7,661</b>	<b>-6,496</b>	<b>-8,466</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>-9,966</b>	<b>-12,575</b>	<b>-12,491</b>	<b>-13,541</b>
<b>Cash flows from investments in financial assets for liquidity purposes</b>				
Increase in investments	-786	-3,899	-6,077	-14,758
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-786</b>	<b>-3,899</b>	<b>-6,077</b>	<b>-14,758</b>
<b>Cash receipts from financing activities</b>				
Borrowing	39,474	40,035	22,839	24,252
Other financing	0	0	0	0
<b>Total cash receipts from financing activities</b>	<b>39,474</b>	<b>40,035</b>	<b>22,839</b>	<b>24,252</b>
<b>Cash payments for financing activities</b>				
Borrowing	0	0	0	0
Other financing	-2,011	-2,371	-2,474	-3,139
<b>Total cash payments for financing activities</b>	<b>-2,011</b>	<b>-2,371</b>	<b>-2,474</b>	<b>-3,139</b>
<b>Net cash flows from financing activities</b>	<b>37,463</b>	<b>37,663</b>	<b>20,365</b>	<b>21,113</b>
<b>Net increase/(decrease) in cash held</b>	<b>-17</b>	<b>180</b>	<b>278</b>	<b>235</b>

**Table A3: Australian Government general government sector cash flow statement (continued)<sup>(a)</sup>**

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
<b>Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))</b>	<b>-26,727</b>	<b>-21,010</b>	<b>-1,518</b>	<b>7,421</b>
Finance leases and similar arrangements(b)	-469	0	0	0
<b>GFS cash surplus(+)/deficit(-)</b>	<b>-27,196</b>	<b>-21,010</b>	<b>-1,518</b>	<b>7,421</b>
less Net Future Fund earnings	2,946	2,962	3,189	3,393
<b>Equals underlying cash balance(c)</b>	<b>-30,142</b>	<b>-23,972</b>	<b>-4,708</b>	<b>4,027</b>
plus Net cash flows from investments in financial assets for policy purposes	-9,966	-12,575	-12,491	-13,541
plus Net Future Fund earnings	2,946	2,962	3,189	3,393
<b>Equals headline cash balance</b>	<b>-37,162</b>	<b>-33,585</b>	<b>-14,009</b>	<b>-6,120</b>

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(c) The term underlying cash balance is not used by the ABS.

# APPENDIX B: POLICY DECISIONS TAKEN SINCE THE 2013-14 BUDGET

**Table B1: Revenue measures since the 2013-14 Budget<sup>(a)</sup>**

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>					
<i>Department of Agriculture, Fisheries and Forestry</i>					
Agricultural production levies					
– changes to banana levy(b)	-	-	-	-	-
– changes to sugar levy(b)	-	17.4	17.4	17.9	17.9
<b>Portfolio total</b>	-	<b>17.4</b>	<b>17.4</b>	<b>17.9</b>	<b>17.9</b>
<b>ATTORNEY-GENERAL'S</b>					
<i>Australian Customs and Border Protection Service</i>					
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(b)(c)	-	-	..	-	-
Import duty exemption — mastectomy bras	-	-0.1	-0.1	-0.1	-0.1
Staged increase in the excise and excise-equivalent customs duty on tobacco products(b)	-	130.0	360.0	550.0	740.0
<b>Portfolio total</b>	-	<b>129.9</b>	<b>359.9</b>	<b>549.9</b>	<b>739.9</b>
<b>CROSS PORTFOLIO</b>					
<i>Various Agencies</i>					
Establishment of a Financial Stability Fund(b)	-	-	-	407.9	325.0
<b>Portfolio total</b>	-	-	-	<b>407.9</b>	<b>325.0</b>
<b>EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS</b>					
<i>Department of Education, Employment and Workplace Relations</i>					
Fraud Prevention and Compliance — increase compliance of customers with earned income(b)	-	-	6.6	6.6	6.6
<b>Portfolio total</b>	-	-	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
<b>FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>					
<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>					
Fraud Prevention and Compliance — increase compliance of customers with earned income(b)	-	-	-	-	-
<b>Portfolio total</b>	-	-	-	-	-
<b>HEALTH AND AGEING</b>					
<i>Department of Health and Ageing</i>					
Pharmaceutical Benefits Scheme — new and amended listings(b)	nfp	nfp	nfp	nfp	nfp
<b>Portfolio total</b>	-	-	-	-	-
<b>HUMAN SERVICES</b>					
<i>Department of Human Services</i>					
Fraud Prevention and Compliance — increase compliance of customers with earned income(b)	-	-	-	-	-
<b>Portfolio total</b>	-	-	-	-	-

**Table B1: Revenue measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<b>IMMIGRATION AND CITIZENSHIP</b>					
<i>Department of Immigration and Citizenship</i>					
Reform of the Migration Zone for offshore workers	-	0.5	0.5	0.5	0.5
Visa Application Charges — increase	-	114.9	140.5	142.6	144.5
<b>Portfolio total</b>	-	<b>115.4</b>	<b>141.0</b>	<b>143.1</b>	<b>145.0</b>
<b>INDUSTRY, INNOVATION, CLIMATE CHANGE, SCIENCE, RESEARCH AND TERTIARY EDUCATION</b>					
<i>Clean Energy Regulator</i>					
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(b)(c)	-	-	-6,970.0	-	-
<b>Portfolio total</b>	-	-	<b>-6,970.0</b>	-	-
<b>SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND COMMUNITIES</b>					
<i>Department of Sustainability, Environment, Water, Population and Communities</i>					
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(b)(c)	-	-	-150.0	-	-
<b>Portfolio total</b>	-	-	<b>-150.0</b>	-	-
<b>TREASURY</b>					
<i>Australian Office of Financial Management</i>					
South Australian Government housing stimulus assistance(b)	-	-16.7	-16.0	-15.4	-14.6
<i>Australian Prudential Regulation Authority</i>					
MoneySmart teaching and online MoneySmart program(b)	-	-	-	-	-
<i>Australian Securities and Investments Commission</i>					
Banks accounts — further reform of arrangements relating to transfer of unclaimed monies(b)	-	-7.4	-8.1	-8.8	-8.8
<i>Australian Taxation Office</i>					
Addressing the level of unpaid tax and superannuation in the community(b)(d)	-	-	-	-	-
Allow new companies to carry back losses against first year profits	-	-	-	-	-
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(b)(c)	-	-	-200.0	-	-
Fairer excess contributions tax — refinements to exposure draft	-	-	15.0	26.0	26.0
Fringe benefits tax — better targeting actual business use for car fringe benefits(b)	-	75.0	410.0	750.0	960.0
GST refund amendments — new transitional rules(b)	-	..	..	-	-
Indirect Tax Concession Scheme — diplomatic and consular privileges(b)(e)	-	-	-	-	-
International tax — revised Australia-Switzerland tax treaty	-	-	-10.0	-10.0	20.0
Managed investment trust withholding tax — providing certainty for foreign pension funds	-	-	-	-	-
Native Title Benefits — Clarifying eligible trusts	..	..	..	..	..

**Table B1: Revenue measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Offshore Banking Unit reforms — fairer alignment of start dates	-	*	*	-	-
Personal income tax					
– deferring the cap on work-related self-education expenses(b)(c)	-	-	-	-250.0	-
– exemption of pay and allowances for Operation PALATE II personnel	-	-0.1	-0.1	-	-
Philanthropy — updating the list of specifically listed deductible gift recipients(f)(g)	-	-	..	..	..
Staged increase in the excise and excise-equivalent customs duty on tobacco products(b)	-	280.0	810.0	1,230.0	1,670.0
Superannuation — reform of arrangements relating to transfer of lost member accounts to the ATO(b)(h)	-	-	-	155.0	165.0
<b>Portfolio total</b>	<b>-</b>	<b>330.8</b>	<b>1,000.8</b>	<b>1,876.8</b>	<b>2,817.5</b>
<b>VETERANS' AFFAIRS</b>					
<i>Department of Veterans' Affairs</i>					
Fraud Prevention and Compliance — increase compliance of customers with earned income(b)	-	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Decisions taken but not yet announced</b>	<b>-</b>	<b>105.2</b>	<b>128.6</b>	<b>142.9</b>	<b>157.6</b>
<b>Total impact of revenue measures(i)</b>	<b>-</b>	<b>698.7</b>	<b>-5,465.8</b>	<b>3,145.0</b>	<b>4,209.6</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the capital measures summary table.

(d) The impact of this measure is a net gain of \$826.5 million in underlying cash terms over the forward estimates.

(e) Provision for this measure was included as a 'decision taken but not yet announced' in the 2013-14 Budget which includes a negligible cost to revenue over the forward estimates period.

(f) Since the 2013-14 Budget, the following organisations have been approved as deductible gift recipients (DGRs): Social Traders Limited and Make a Mark Australia.

(g) The following organisations were approved as DGRs prior to the 2013-14 Budget: Australian Neighbourhood Houses and Centres Association; Layne Beachley — Aim for the Stars Foundation Limited; The Australia Foundation in support of Human Rights Watch Limited; Australian Council for Social Service; The Charlie Perkins Scholarship Trust; Roberta Sykes Indigenous Education Foundation; Aurora Education Foundation Limited; Bali Peace Park Association Inc and the Schools Philanthropy Fund. Provision for these DGRs was included as a 'decision taken but not yet announced' in the 2013-14 Budget which includes a cost to revenue of \$10.2 million over the forward estimates period.

(h) The impact of this measure is a net gain of \$582.5 million in underlying cash terms over the forward estimates.

(i) Measures may not add due to rounding.

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup>**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>					
<i>Department of Agriculture, Fisheries and Forestry</i>					
Agricultural Cooperation and Investment in Indonesia — additional funding(b)	nfp	nfp	nfp	nfp	nfp
Agricultural production levies					
– changes to banana levy(c)	-	-	-	-	-
– changes to sugar levy(c)	-	18.4	18.4	18.7	18.7
Beef Australia 2015 — Rockhampton — contribution	-	2.5	-	-	-
Carbon Farming Futures — return of unallocated funds	-	-29.2	-30.9	-43.2	-39.7
Farm Finance — concessional loans — administration	nfp	nfp	nfp	nfp	nfp
Foreign Ownership Register for Agricultural Land — establishment(d)(e)	-	-	-	-	-
Independent Inspector General of Animal Welfare and Live Animal Exports — establishment	-	1.0	1.0	1.0	1.0
Live Animal Exports — business assistance — reduced funding	-2.5	-	-	-	-
Murray-Darling Basin Plan — South Australian River Murray Sustainability Program — establishment(f)	-	-	-	-	-
National Food Plan — initiatives(g)	-	-	-	-	-
<b>Portfolio total</b>	<b>-2.5</b>	<b>-7.3</b>	<b>-11.5</b>	<b>-23.5</b>	<b>-20.1</b>
<b>ATTORNEY-GENERAL'S</b>					
<i>Attorney-General's Department</i>					
National Partnership Agreement and trials between Commonwealth and Queensland for natural disaster recovery — extension	-	-	-	-	-
Natural Disaster Recovery and Rebuilding — Port of Bundaberg(f)	-	-	-	-	-
<i>Australian Commission for Law Enforcement Integrity</i>					
Australian Commission for Law Enforcement Integrity — strengthening investigative capabilities	-	1.2	2.2	2.3	2.3
<i>Australian Customs and Border Protection Service</i>					
Papua New Guinea Regional Resettlement Arrangement — communication campaign	-	5.0	-	-	-
<i>Australian Federal Police</i>					
Official development assistance — Papua New Guinea expanded aid package(b)	-	29.1	37.7	42.6	40.4
People smugglers — bounties for arrest and conviction	-	-	-	-	-
People smuggling operational capabilities in Indonesia — enhancement	-	-	-	-	-
<i>Family Court and Federal Circuit Court</i>					
Reform of Australia's Protection Status Determination System	-	-	0.8	0.8	0.3
<i>Federal Court of Australia</i>					
Reform of Australia's Protection Status Determination System	-	-	0.4	0.4	0.2
<i>Insolvency and Trustee Service Australia</i>					
Australian Commission for Law Enforcement Integrity — strengthening investigative capabilities	-	-1.2	-2.2	-2.3	-2.3
<b>Portfolio total</b>	<b>-</b>	<b>34.1</b>	<b>39.0</b>	<b>43.8</b>	<b>40.9</b>



**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<b>BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY</b>					
<i>Department of Broadband, Communications and the Digital Economy</i>					
Community broadcasting — additional funding	-	2.8	1.9	1.4	-
Digital business kits — establishment	-	-	-	-	-
Digital careers — establishment	-	-	-	-	-
National ICT Australia — funding extension	-	-	-	21.0	-
Townsville telehealth trial — extension	-	0.7	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>3.4</b>	<b>1.9</b>	<b>22.4</b>	<b>-</b>
<b>CROSS PORTFOLIO</b>					
<i>Various Agencies</i>					
Efficiency Dividend — temporary increase in the rate	-	-	-261.5	-588.8	-972.0
Reforms to APS management and efficient procurement of agency software	-	-37.9	-56.3	-83.9	-70.2
<b>Portfolio total</b>	<b>-</b>	<b>-37.9</b>	<b>-317.8</b>	<b>-672.7</b>	<b>-1,042.2</b>
<b>DEFENCE</b>					
<i>Department of Defence</i>					
Military Superannuation — higher indexation for DFRB and DFRDB pensioners over 65 years of age(h)(i)	-	-	68.0	70.0	75.2
Papua New Guinea Regional Resettlement Arrangement — accommodation support services	-	15.0	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>15.0</b>	<b>68.0</b>	<b>70.0</b>	<b>75.2</b>
<b>EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS</b>					
<i>Asbestos Safety and Eradication Agency</i>					
National Strategic Plan for Asbestos Awareness and Management in Australia and asbestos safety assurance model — implementation	-	2.1	2.2	1.0	1.0
<i>Comcare</i>					
National Strategic Plan for Asbestos Awareness and Management in Australia and asbestos safety assurance model — implementation	-	1.4	1.4	1.5	-
<i>Department of Education, Employment and Workplace Relations</i>					
<i>Better Schools</i>					
– National Plan for School Improvement — Centre for Quality Teaching and Learning	-	-	-	-	-
– National Plan for School Improvement — funding for independent schools	-	-	-	-	-
– National Plan for School Improvement — new school funding model — updated data	-	-	-	-	-
– treatment of payments for non-participating States and Territories	nfp	nfp	nfp	nfp	nfp
Community Development and Employment Projects — extension	-	-1.3	-	-	-
Early Childhood Education — additional support for Tasmania(f)	-	-	-	-	-
Ford Australia — assistance to workers	-	1.0	1.4	1.4	1.4

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Fraud Prevention and Compliance — increase compliance of customers with earned income	-	-	0.1	0.1	0.1
Improving educational outcomes — various grants	-	-	-	-	-
Mature Age Participation — job seeker assistance — early cessation	-	-	-	-10.7	-
Migrant Communities' Employment Fund	-	3.4	3.2	-	-
Tasmanian Government — economic assistance(f)	-	-30.0	-	-	-
<b>Portfolio total</b>	-	<b>-23.5</b>	<b>8.3</b>	<b>-6.8</b>	<b>2.5</b>
<b>FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS</b>					
<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>					
Aboriginal and Torres Strait Islander Healing Foundation — continuation	-	-	-	-	-
Community Development and Employment Projects — extension	-	1.3	-	-	-
DisabilityCare Australia — full scheme implementation assistance	-	-	-	-	-
Fraud Prevention and Compliance — increase compliance of customers with earned income	-	-	-6.7	-8.3	-8.9
Fringe benefits tax — better targeting actual business use for car fringe benefits(c)	-	-	-20.9	-37.2	-51.8
<b>Portfolio total</b>	-	<b>1.3</b>	<b>-27.6</b>	<b>-45.5</b>	<b>-60.7</b>
<b>FINANCE AND DEREGULATION</b>					
<i>Department of Finance and Deregulation</i>					
Bureau of Meteorology — supercomputing capability — second pass business case(g)	-	-	-	-	-
Standard terms and conditions for procurement contracts — implementation cost	-	1.2	0.8	0.6	0.6
<b>Portfolio total</b>	-	<b>1.2</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>
<b>FOREIGN AFFAIRS AND TRADE</b>					
<i>AusAID</i>					
Agricultural Cooperation and Investment in Indonesia — additional funding(b)	-	-	-	-	-
Official development assistance					
– further Australian support for polio eradication(b)	-	-	-	-	-
– Papua New Guinea expanded aid package(b)	-	-17.2	-28.6	-21.3	-20.6
– slowing growth to 2017-18	-	-	-	-168.4	-710.1
Papua New Guinea Regional Resettlement Arrangement — processing and resettlement(d)	-	-	-	-	-
<b>Portfolio total</b>	-	<b>-17.2</b>	<b>-28.6</b>	<b>-189.7</b>	<b>-730.7</b>
<b>HEALTH AND AGEING</b>					
<i>Department of Health and Ageing</i>					
Aboriginal and Torres Strait Islander Suicide Prevention strategy funding	-	-	-	-	-
Aged Care — transition of Home and Community Care in Victoria to the Commonwealth(f)	-	1.4	2.3	-	-
Australian Neighbourhood Houses and Centres Association — granting Deductible Gift Recipient status	-0.4	-	-	-	-

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Charles Sturt University — dental and oral health clinic developments in New South Wales	-	-	-	-	-
Dental Reform — communications	-3.3	3.2	-	-	-
Female Genital Mutilation — education and awareness — additional funding	-	-	-	-	-
Health and Hospitals Fund — facilities at the Chris O'Brien Lifehouse cancer treatment centre	-4.1	7.6	-	-	-
Healthy Communities — Casino District and Memorial Hospital	-	-	-	-	-
Living Longer. Living Better					
– Commonwealth Home Support Program — nationally fair and consistent fee policy	-	-	0.2	-43.8	-127.4
– expanding eligibility for Dementia and Veterans' Supplements	-	0.5	0.4	0.4	0.5
– Homeless Supplement	-	4.2	6.2	6.9	7.4
– improved consistency in leave arrangements for residential care	-	-3.5	-7.6	-8.0	-8.4
– improving the operation of the Workforce Supplement	-	-	-	-	-
Medicare Benefits Schedule — new and amended listings	-	-1.1	-0.3	0.3	0.9
Pharmaceutical Benefits Scheme					
– additional funding for legal action seeking compensation	-	nfp	-	-	-
– new and amended listings	-	276.3	340.2	379.5	420.4
– price changes	-	4.1	5.1	5.3	5.7
– simplified price disclosure(j)	-	-	-	-	-
Rheumatic Fever Strategy — inclusion of South Australia(f)	-	-0.4	-0.4	-0.4	-
Tobacco plain packaging — compliance, enforcement and litigation — additional funding	nfp	nfp	nfp	nfp	nfp
Type 1 Diabetes Insulin Pump Program — waiting list reduction funding	-	-	-	-	-
World Leading Cancer Care package — additional funding for prostate cancer nurses	-	-	-	-	-
<i>Independent Hospital Pricing Authority</i>					
Health and Hospitals Fund — facilities at the Chris O'Brien Lifehouse cancer treatment centre	-3.5	-	-	-	-
<b>Portfolio total</b>	<b>-11.3</b>	<b>292.3</b>	<b>346.1</b>	<b>340.2</b>	<b>299.1</b>
<b>HUMAN SERVICES</b>					
<i>Department of Human Services</i>					
Call Centre — supplementation	-	-	20.0	20.0	20.0
Fraud Prevention and Compliance — increase compliance of customers with earned income	-	-	2.6	2.5	2.6
Living Longer. Living Better					
– Homeless Supplement	-	1.1	-	-	-
– improved consistency in leave arrangements for residential care	-	0.6	-	-	-
Medicare Benefits Schedule — new and amended listings	-	..	..	..	..
Pharmaceutical Benefits Scheme — new and amended listings	-	0.4	..	-0.1	..
<b>Portfolio total</b>	<b>-</b>	<b>2.0</b>	<b>22.5</b>	<b>22.5</b>	<b>22.5</b>

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<b>IMMIGRATION AND CITIZENSHIP</b>					
<i>Department of Immigration and Citizenship</i>					
Building Socially Inclusive Communities — additional funding	-	10.0	-	-	-
Capacity Building Program for Indonesia	-	22.8	28.3	-	-
Humanitarian Settlement Services — reduction of support for those already in the community	-	-28.4	-30.6	-31.2	-31.7
Immigration Detention Network					
– Blaydin Point	-	58.6	27.9	-	-
– short-term onshore contingency	-	55.3	5.1	-	-
– Singleton(d)	-	43.5	-	-	-
Management of Unauthorised Maritime Arrivals — failed asylum seekers	-	0.2	0.3	0.3	0.3
Papua New Guinea Regional Resettlement Arrangement					
– communication campaign	-	7.0	-	-	-
– processing and resettlement(d)	-	42.9	91.0	84.0	163.2
Reform of Australia's Protection Status Determination System	-	0.5	1.3	5.0	5.6
Reform of the Migration Zone for offshore workers(c)	-	0.2	0.2	0.2	0.2
<i>Migration Review Tribunal and Refugee Review Tribunal</i>					
Reform of Australia's Protection Status Determination System	-	-	-0.8	-0.8	-0.8
<b>Portfolio total</b>	<b>-</b>	<b>212.7</b>	<b>122.6</b>	<b>57.6</b>	<b>136.8</b>
<b>INDUSTRY, INNOVATION, CLIMATE CHANGE, SCIENCE, RESEARCH AND TERTIARY EDUCATION</b>					
<i>Australian Research Council</i>					
National ICT Australia — funding extension	-	-	-	12.8	-
<i>Clean Energy Regulator</i>					
Carbon Pricing Mechanism — reforms to Energy Security Fund(k)	-	-	245.2	-513.0	-781.1
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(c)	-	3.7	-3,137.8	0.7	-
<i>Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education</i>					
Australian Apprenticeships Incentives Program — better targeting	-	-24.4	-67.6	-66.1	-83.5
Bindaree Beef — assistance	-	-	-	-	-
Clean Technology Programs — reduce and reprofile funding	-	20.0	-240.0	-138.0	-4.0
Ford assistance					
– Automotive New Markets Program — additional funding(l)	-	-	-	-	-
– Innovation and Investment Funds for Geelong and Melbourne North — establishment(l)	-	-	-	-	-
Higher Education Loan Program — access for New Zealand Special Category Visa holders brought to Australia as dependent minors	-	-	-	-	-
Latrobe Valley economic diversification	-	-	-	-	-

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Lowy Institute — Engaging Asia Project — contribution	-	-	-	-	-
National Centre for Asia Capability — establishment	-	-	-	-	-
South Australian Health and Biomedical Precinct — contribution	100.0	-	-	-	-
Tasmanian Economic Diversification Projects(f)(g)	-	-	-	-	-
Textile, Clothing and Footwear Structural Adjustment Program — closure of the Restructuring Initiative Grants Scheme and increase in Employment Fund Pathway credits	-	-	-	-	-
<i>IP Australia</i>					
IP Australia — Patent Audit Committee — establishment	-	-	-	-	-
<b>Portfolio total</b>	<b>100.0</b>	<b>-0.7</b>	<b>-3,200.1</b>	<b>-703.6</b>	<b>-868.6</b>
<b>INFRASTRUCTURE AND TRANSPORT</b>					
<i>Department of Infrastructure and Transport</i>					
Building Australia Fund					
– rail infrastructure — bring forward(f)	-	-	-	-	-
– road infrastructure — bring forward(f)	-	-	-	-	-
Nation Building Program					
– rail infrastructure projects — bring forward(f)	-	-	-	-	-
– road infrastructure projects — bring forward(f)	-	-	-	-	-
Regional Development Australia Fund — additional funding(f)(m)	-	-	-7.5	-	-
Regional Infrastructure Fund — road infrastructure — bring forward(f)	-	-	-	-	-
Sustainable Australia — Liveable Communities Program — additional funding and bring forward(f)	-	20.0	20.0	-10.0	-20.0
<b>Portfolio total</b>	<b>-</b>	<b>20.0</b>	<b>12.5</b>	<b>-10.0</b>	<b>-20.0</b>
<b>REGIONAL AUSTRALIA, LOCAL GOVERNMENT, ARTS AND SPORT</b>					
<i>Department of Regional Australia, Local Government, Arts and Sport</i>					
Bellambi Surf Club — contribution	-	-	-	-	-
Darrel Baldock Memorial — contribution	-	-	-	-	-
Hanging Rock Sports Precinct — contribution	-	-	-	-	-
Indian Ocean Territories — essential air services	-	nfp	-	-	-
Latrobe Valley economic diversification	-	-	-	-	-
Longford Velodrome upgrades — contribution	-	-	-	-	-
Lord Howe Island aerodrome improvement works	-	-	-	-	-
Murray-Darling Basin Plan — South Australian River Murray Sustainability Program — establishment(f)	-	-	-	-	-
National Live Music Office — establishment	-	-	-	-	-
Netball Australia — contribution	-	-	-	-	-
New sporting facilities for Fraser Park Football and Social Club — contribution	-	-	-	-	-
Parramatta Stadium — contribution(f)(g)	-	-	-	-	-
Referendum on recognition of local government	-	0.5	-	-	-
Regional Development Australia Fund — additional funding(f)(m)	-	-	15.0	-	-
Regional Development Projects in Northern Australia	-	-	-	-	-

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Rockhampton Stadium Development — feasibility assessment	-	-	-	-	-
Special Olympics Asia Pacific Games — contribution	-	-	-	-	-
Surfing Australia High Performance Centre	-	-	-	-	-
Tasmanian Economic Diversification Projects(f)(g)	-	-	-	-	-
Tasmanian Jobs and Growth Package	-	-	-	-	5.0
Zodiac Gymnastics — contribution	-	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>0.5</b>	<b>15.0</b>	<b>-</b>	<b>5.0</b>
<b>RESOURCES, ENERGY AND TOURISM</b>					
<i>Department of Resources, Energy and Tourism</i>					
Carbon Capture and Storage Flagships — deferral of funding	-	-12.0	-112.0	-100.0	-
Coal Sector Jobs Package — reduction in funding	-	-	-186.4	-	-
Cooperative Research Centre for Greenhouse Gas Technologies — additional funding	-	5.0	-5.0	-	-
Domestic gas market — study(g)	-	-	-	-	-
Former Rum Jungle uranium mine site — rehabilitation(f)(g)	-	-	-	-	-
National Low Emissions Coal Initiative — additional funding	-	13.0	-	-	-13.0
<b>Portfolio total</b>	<b>-</b>	<b>6.0</b>	<b>-303.4</b>	<b>-100.0</b>	<b>-13.0</b>
<b>SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND COMMUNITIES</b>					
<i>Bureau of Meteorology</i>					
Bureau of Meteorology					
– increased frontline capabilities and National Centre for Extreme Weather(d)(g)	-	-	-	-	-
– supercomputing capability — second pass business case(g)	-	-	-	-	-
<i>Department of Sustainability, Environment, Water, Population and Communities</i>					
Biodiversity Fund — reduction in funding and termination	-	-32.9	-59.9	-55.2	-64.6
Caring for our Country — redirection of funding	-	-1.1	-0.6	-1.1	-1.1
International Whale and Marine Mammal Conservation Initiative — extension(g)	-	-	-	-	-
Murray-Darling Basin Plan — South Australian River Murray Sustainability Program — establishment(f)	-	-	-	-100.0	-20.0
Tasmanian Economic Diversification Projects(f)(g)	-	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-34.0</b>	<b>-60.5</b>	<b>-156.4</b>	<b>-85.7</b>
<b>TREASURY</b>					
<i>Australian Office of Financial Management</i>					
South Australian Government housing stimulus assistance	283.9	-	-	-	-
<i>Australian Securities and Investments Commission</i>					
Banks accounts — further reform of arrangements relating to transfer of unclaimed monies	-	-4.3	-4.7	-5.1	-5.1
MoneySmart teaching and online MoneySmart program(n)	-	-	-	-	-

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<i>Australian Taxation Office</i>					
Addressing the level of unpaid tax and superannuation in the community(c)	-	15.6	34.8	44.8	49.1
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(c)	-	-	350.0	-	-
Personal income tax — deferring the cap on work-related self-education expenses(c)	-	-	-0.7	-1.2	-
Superannuation — reform of arrangements relating to transfer of lost member accounts to the ATO(c)	-	-	..	12.8	9.6
<i>Department of the Treasury</i>					
Addressing the level of unpaid tax and superannuation in the community(c)	-	69.3	74.2	122.5	153.1
Aged Care — transition of Home and Community Care in Victoria to the Commonwealth(f)	-	-1.4	-2.3	-	-
Australian Neighbourhood Houses and Centres Association — granting Deductible Gift Recipient status	-	-	-	-	-
<i>Building Australia Fund</i>					
– rail infrastructure — bring forward(f)	-	100.0	100.0	-200.0	-
– road infrastructure — bring forward(f)	-	-	20.0	-20.0	-
DisabilityCare Australia — full scheme implementation assistance	-	-	-	-	-
Early Childhood Education — additional support for Tasmania(f)	-	1.0	-	-	-
Establishment of a Financial Stability Fund(c)	-	-	-	0.1	0.3
Foreign Ownership Register for Agricultural Land — establishment(d)(e)	-	-	-	-	-
Former Rum Jungle uranium mine site — rehabilitation(f)(g)	-	-	-	-	-
Fringe benefits tax — better targeting actual business use for car fringe benefits(c)	-	-	100.0	170.0	240.0
Group of 20 meeting in 2014 — contribution to the Queensland Government communications network(f)	-	nfp	-	-	-
GST refund amendments — new transitional rules(c)	-	..	-	-	-
Indirect Tax Concession Scheme — diplomatic and consular privileges(c)	-	-	-	-	-
Living Longer. Living Better — Commonwealth Home Support Program — nationally fair and consistent fee policy	-	-	-	-20.0	-50.4
Murray-Darling Basin Plan — South Australian River Murray Sustainability Program — establishment(f)	-	28.0	51.0	70.0	45.0
<i>Nation Building Program</i>					
– rail infrastructure projects — bring forward(f)	-	65.0	200.0	-265.0	-
– road infrastructure projects — bring forward(f)	-	25.0	194.6	96.4	-190.1
Natural Disaster Recovery and Rebuilding — Port of Bundaberg(f)	-	-	6.0	-	-
Parramatta Stadium — contribution(f)(g)	-	-	-	-	-
Regional Development Australia Fund — additional funding(f)(m)	-	-	-7.5	-	-
Regional Infrastructure Fund — road infrastructure — bring forward(f)	-	20.0	143.9	-102.4	-61.5

**Table B2: Expense measures since the 2013-14 Budget<sup>(a)</sup> (continued)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Rheumatic Fever Strategy — inclusion of South Australia(f)	-	0.4	0.4	0.4	-
Staged increase in the excise and excise-equivalent customs duty on tobacco products(c)	-	30.0	100.0	150.0	210.0
Super Council — funding	-	1.8	1.9	1.9	1.9
Sustainable Australia — Liveable Communities Program — additional funding and bring forward(f)	-	-	-	-	-
Tasmanian Economic Diversification Projects(f)(g)	-	-	-	-	-
Tasmanian Government — economic assistance(f)	-	30.0	-	-	-
<b>Portfolio total</b>	<b>283.9</b>	<b>380.3</b>	<b>1,361.6</b>	<b>55.1</b>	<b>401.8</b>
<b>VETERANS' AFFAIRS</b>					
<i>Department of Veterans' Affairs</i>					
Avenue of Honour Memorial — contribution	-	0.1	-	-	-
Fraud Prevention and Compliance — increase compliance of customers with earned income	-	-	-0.2	-0.5	-0.6
Living Longer. Living Better					
– Homeless Supplement	-	0.7	1.1	1.2	1.3
– improved consistency in leave arrangements for residential care	-	-0.6	-1.3	-1.4	-1.5
Medicare Benefits Schedule — new and amended listings	-	..	..	..	..
Pharmaceutical Benefits Scheme					
– new and amended listings	-	12.7	15.4	17.3	19.2
– price changes	-	0.5	0.5	0.5	0.5
– simplified price disclosure(j)	-	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>13.3</b>	<b>15.4</b>	<b>17.0</b>	<b>18.9</b>
<b>Decisions taken but not yet announced</b>	<b>-2.3</b>	<b>267.7</b>	<b>247.5</b>	<b>-336.5</b>	<b>-363.2</b>
<b>Total impact of expense measures(o)</b>	<b>367.7</b>	<b>1,129.4</b>	<b>-1,688.4</b>	<b>-1,615.5</b>	<b>-2,201.0</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(b) The cost of this measure will be met from within existing AusAID resources.

(c) These measures can also be found in the revenue measures summary table.

(d) These measures can also be found in the capital measures summary table.

(e) The impact of this measure is a cost of \$3.2 million over four years (\$1.2 million for the Department of the Treasury and \$2.0 million for DAFF). This measure has been funded by the removal of a previous decision taken but not yet announced.

(f) Funding is provided to Treasury as payment to states and territories.

(g) Provision for this funding has already been included in the forward estimates.

(h) The impact of this measure is \$19.2 million in underlying cash terms over the forward estimates.

(i) DFRB refers to the Defence Forces Retirement Benefits Scheme and DFRDB refers to the Defence Force Retirement and Death Benefits Scheme.

(j) This decision will save \$835.0 million over four years.

(k) The impact of this measure is a net gain to receipts of \$770.0 million in underlying cash terms over the forward estimates.

(l) The cost of this measure will be met from within the existing resources of the New Car Plan for a Greener Future package.

(m) The 2013-14 Budget included re-profiled net savings of \$62.9 million from the program between 2013-14 and 2017-18 from a 'decision taken but not yet announced'. The Government has since redirected \$45.0 million (\$30.0 million beyond the forward estimates) from the Liveable Cities program to the RDAF to support Round 5 of the Fund.



- (n) This measure provides \$22.1 million over four years for ASIC. This is fully offset by levies and therefore has no net impact on the budget. This measure was previously recorded as a decision taken but not yet announced.
- (o) Measures may not add due to rounding.

**Table B3: Capital measures since the 2013-14 Budget<sup>(a)</sup>**

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>					
<i>Department of Agriculture, Fisheries and Forestry</i>					
Foreign Ownership Register for Agricultural Land — establishment(b)	-	-	-	-	-
<b>Portfolio total</b>	-	-	-	-	-
<b>HEALTH AND AGEING</b>					
<i>Department of Health and Ageing</i>					
Pharmaceutical Benefits Scheme — simplified price disclosure(b)	-	-	-	-	-
<b>Portfolio total</b>	-	-	-	-	-
<b>IMMIGRATION AND CITIZENSHIP</b>					
<i>Department of Immigration and Citizenship</i>					
Immigration Detention Network					
– Blaydin Point(b)	-	2.6	-	-	-
– short-term onshore contingency(b)	-	10.9	-	-	-
– Singleton	-	14.5	-	-	-
Management of Unauthorised Maritime Arrivals — failed asylum seekers(b)	-	0.5	-	-	-
Papua New Guinea Regional Resettlement Arrangement — expansion of regional processing centre capacity	-	194.4	-	-	-
<b>Portfolio total</b>	-	<b>222.9</b>	-	-	-
<b>INDUSTRY, INNOVATION, CLIMATE CHANGE, SCIENCE, RESEARCH AND TERTIARY EDUCATION</b>					
<i>Clean Energy Regulator</i>					
Carbon pricing mechanism — replacing fixed price with an emissions trading scheme from 1 July 2014(c)	-	5.3	2.0	-	-
<b>Portfolio total</b>	-	<b>5.3</b>	<b>2.0</b>	-	-
<b>SUSTAINABILITY, ENVIRONMENT, WATER, POPULATION AND COMMUNITIES</b>					
<i>Bureau of Meteorology</i>					
Increased frontline capabilities and National Centre for Extreme Weather(b)	-	-	-	-	-
<i>Department of Sustainability, Environment, Water, Population and Communities</i>					
International Whale and Marine Mammal Conservation Initiative — extension(b)	-	-	-	-	-
<b>Portfolio total</b>	-	-	-	-	-
<b>TREASURY</b>					
<i>Australian Taxation Office</i>					
Personal income tax — deferring the cap on work-related self-education expenses(c)	-	-	-0.3	-	-
<b>Portfolio total</b>	-	-	<b>-0.3</b>	-	-
<b>Decisions taken but not yet announced</b>	<b>-0.2</b>	<b>88.4</b>	-	-	<b>-0.2</b>
<b>Total capital measures(d)</b>	<b>-0.2</b>	<b>316.6</b>	<b>1.7</b>	-	<b>-0.2</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

- (a) A minus sign before an estimate indicates a reduction in capital, no sign before an estimate indicates increased capital.
- (b) These measures can also be found in the expense measures summary table.
- (c) These measures can also be found in the revenue measures summary table.
- (d) Measures may not add due to rounding.



# APPENDIX C: HISTORICAL AUSTRALIAN GOVERNMENT DATA

Appendix C reports historical data for selected fiscal aggregates of the Australian Government general government sector.

## DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS) and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards, and cash data and net debt data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998-1999 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics 2003-04* in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates 1999-2000* and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities 1998* in 1987-88 to 1997-98, and Treasury estimates (see Treasury's Economic Roundup, Spring 1996, pages 97-103) prior to 1987-88.

## COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies applying Australian Accounting Standards (AAS) which includes International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005-06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS;
- most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998-1999, ensuring that data are

consistent across the accrual period from 1998-1999 onwards. However, because of data limitations, these changes have not been back-cast to earlier years;

- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards is derived from an accrual accounting framework.<sup>1</sup> Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- changes in arrangements for transfer payments, where tax concessions or rebates have been replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts; and
- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards).

## **REVISIONS TO PREVIOUSLY PUBLISHED DATA**

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

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1 Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was used up to and including 1998-99. In the 2008-09 Budget, cash data prior to 1998-99 was replaced by ABS data derived from the accrual framework.

## **DEFLATING REAL SPENDING GROWTH BY THE CONSUMER PRICE INDEX**

The 2013 Economic Statement, including the historical series, calculates real spending growth using the Consumer Price Index (CPI) as the deflator. This is also the benchmark against which the Government's fiscal strategy is based. Prior to the 2008-09 Budget the non-farm GDP (NFGDP) deflator was used and has therefore been shown in this appendix for comparative purposes.

The use of the CPI, rather than the non-farm GDP deflator, provides a more accurate depiction of real government spending growth, especially in the current economic climate. The non-farm GDP deflator incorporates fluctuations in global commodity prices which are not relevant for Government expenditures. Therefore, deflating government spending by the non-farm GDP deflator distorts trends in real spending growth.

## **DATA SOURCE FOR 2012-13**

The fiscal estimates for 2012-13 in the historical series are as published in the 2013-14 Budget. The 2012-13 outcome will be published in the 2012-13 Final Budget Outcome by 30 September 2013.

**Table C1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance<sup>(a)</sup>**

	Receipts(b)		Payments(c)				Net Future	Underlying	
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP	Fund	cash	
							earnings	balance(d)	
							\$m	Per cent of GDP	
1970-71	8,290	20.6	7,389	na	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	4.7	18.6	-	886	2.0
1972-73	9,735	19.6	9,388	7.7	7.8	18.9	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	3.6	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	14.5	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	13.5	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	1.9	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	3.3	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	2.8	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	2.1	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	3.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	0.5	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	6.2	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	9.7	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	8.4	27.5	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	3.4	27.4	-	-5,122	-2.0
1986-87	74,724	26.2	77,158	-1.1	0.8	27.0	-	-2,434	-0.9
1987-88	83,491	25.7	82,039	-0.9	-0.3	25.3	-	1,452	0.4
1988-89	90,748	24.7	85,326	-3.1	-4.3	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	1.7	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	3.8	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	6.0	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	5.9	26.0	-	-18,118	-4.1
1993-94	103,824	22.2	122,009	3.5	4.3	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	2.6	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	3.3	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	1.5	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	-0.6	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	4.7	23.8	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	0.8	23.1	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	10.7	25.1	-	5,872	0.8
2001-02	187,588	24.8	188,655	3.5	4.2	25.0	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	1.6	24.6	-	7,370	0.9
2003-04	217,775	25.3	209,785	3.9	2.9	24.4	-	7,990	0.9
2004-05	235,984	25.6	222,407	3.5	1.9	24.1	-	13,577	1.5
2005-06	255,943	25.7	240,136	4.6	2.8	24.1	51	15,757	1.6
2006-07	272,637	25.2	253,321	2.5	0.6	23.4	2,127	17,190	1.6
2007-08	294,917	25.1	271,843	3.8	2.7	23.1	3,319	19,754	1.7
2008-09	292,600	23.3	316,046	12.7	10.3	25.2	3,566	-27,013	-2.2
2009-10	284,662	22.0	336,900	4.2	5.6	26.1	2,256	-54,494	-4.2
2010-11	302,024	21.5	346,102	-0.4	-3.1	24.7	3,385	-47,463	-3.4



**Table C1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance<sup>(a)</sup> (continued)**

	Receipts(b)		Payments(c)				Net Future Fund earnings	Underlying cash balance(d)					
	\$m	Per cent of GDP	\$m	Per cent real growth (CPI)	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP	\$m	\$m	Per cent of GDP				
										Per cent		Per cent	
										real growth		real growth	
2011-12	329,874	22.4	371,032	4.8	5.4	25.2	2,203	-43,360	-2.9				
2012-13(e)	350,410	23.2	367,286	-3.2	-0.4	24.3	2,501	-19,377	-1.3				
<b>2013-14(e)</b>	<b>369,364</b>	<b>23.6</b>	<b>396,560</b>	<b>5.7</b>	<b>6.7</b>	<b>25.3</b>	<b>2,946</b>	<b>-30,142</b>	<b>-1.9</b>				
2014-15(e)	390,160	23.8	411,170	1.6	2.3	25.1	2,962	-23,972	-1.5				
2015-16(p)	423,288	24.6	424,806	0.8	1.0	24.6	3,189	-4,708	-0.3				
2016-17(p)	450,736	24.8	443,315	1.8	2.0	24.4	3,393	4,027	0.2				

(a) Data have been revised in the 2013 Economic Statement to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, net Future Fund earnings should be added back to the underlying cash balance.

(e) Estimates.

(f) Real spending growth using the non-farm GDP deflator has not been used as the relevant measure of real spending growth since 2007-08, and is included for comparative purposes only.

(p) Projections.

**Table C2: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts<sup>(a)</sup>**

	Taxation receipts		Non-taxation receipts		Total receipts <sup>(b)</sup>	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.6
1971-72	7,895	17.8	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.6
1973-74	10,832	18.0	1,396	2.3	12,228	20.3
1974-75	14,141	19.9	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.6	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.3	8,257	2.9	74,724	26.2
1987-88	75,076	23.1	8,415	2.6	83,491	25.7
1988-89	83,452	22.7	7,296	2.0	90,748	24.7
1989-90	90,773	22.4	7,852	1.9	98,625	24.4
1990-91	92,739	22.3	7,488	1.8	100,227	24.1
1991-92	87,364	20.6	8,476	2.0	95,840	22.6
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.2
1994-95	104,921	21.1	8,537	1.7	113,458	22.9
1995-96	115,700	21.8	8,729	1.6	124,429	23.5
1996-97	124,559	22.4	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.9	14,887	2.2	166,199	25.1
2000-01	170,354	24.1	12,641	1.8	182,996	25.9
2001-02	175,108	23.2	12,481	1.7	187,588	24.8
2002-03	192,131	24.0	12,482	1.6	204,613	25.5
2003-04	206,091	24.0	11,683	1.4	217,775	25.3
2004-05	223,314	24.2	12,669	1.4	235,984	25.6
2005-06	241,215	24.2	14,728	1.5	255,943	25.7
2006-07	257,392	23.8	15,245	1.4	272,637	25.2
2007-08	278,376	23.7	16,540	1.4	294,917	25.1
2008-09	272,627	21.7	19,973	1.6	292,600	23.3
2009-10	260,973	20.2	23,689	1.8	284,662	22.0
2010-11	280,839	20.0	21,185	1.5	302,024	21.5
2011-12	309,943	21.0	19,931	1.4	329,874	22.4
2012-13(e)	326,297	21.6	24,113	1.6	350,410	23.2
<b>2013-14(e)</b>	<b>348,040</b>	<b>22.2</b>	<b>21,325</b>	<b>1.4</b>	<b>369,364</b>	<b>23.6</b>
2014-15(e)	367,351	22.5	22,809	1.4	390,160	23.8
2015-16(p)	398,471	23.1	24,817	1.4	423,288	24.6
2016-17(p)	427,936	23.6	22,800	1.3	450,736	24.8

(a) Data have been revised in the 2013 Economic Statement to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(e) Estimates.

(p) Projections.

**Table C3: Australian Government general government sector net debt and net interest payments<sup>(a)</sup>**

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	6.0	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	53,869	8.1	7,514	1.1
2000-01	42,719	6.0	6,195	0.9
2001-02	38,180	5.1	5,352	0.7
2002-03	29,047	3.6	3,758	0.5
2003-04	22,639	2.6	3,040	0.4
2004-05	10,741	1.2	2,502	0.3
2005-06	-4,531	-0.5	2,303	0.2
2006-07	-29,150	-2.7	228	0.0
2007-08	-44,820	-3.8	-1,015	-0.1
2008-09	-16,148	-1.3	-1,196	-0.1
2009-10	42,283	3.3	2,386	0.2
2010-11	84,551	6.0	4,608	0.3
2011-12	147,334	10.0	6,609	0.4
2012-13(e)	161,603	10.7	8,238	0.5
<b>2013-14(e)</b>	<b>184,065</b>	<b>11.7</b>	<b>8,351</b>	<b>0.5</b>
2014-15(e)	212,246	13.0	9,485	0.6
2015-16(p)	219,114	12.7	11,508	0.7
2016-17(p)	217,634	12.0	9,969	0.5

(a) Data have been revised in the 2013 Economic Statement to improve accuracy and comparability through time.

(b) Net debt is equal to the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

(e) Estimates.

(p) Projections.

