

# STATEMENT 6: EXPENSES AND NET CAPITAL INVESTMENT

## Contents

<b>Introduction.....</b>	<b>6-3</b>
<b>Part I: General government expenses.....</b>	<b>6-3</b>
Overview .....	6-3
Reconciliation of expenses since the 2001-02 Budget .....	6-4
Expenses by function .....	6-6
General public services .....	6-9
Defence.....	6-14
Public order and safety .....	6-16
Education .....	6-18
Health.....	6-23
Social security and welfare.....	6-28
Housing and community amenities.....	6-34
Recreation and culture .....	6-38
Fuel and energy .....	6-41
Agriculture, forestry and fishing .....	6-43
Manufacturing and mining .....	6-47
Transport and communication .....	6-49
Other economic affairs .....	6-53
Other purposes.....	6-57
<b>Part II: General government net capital investment .....</b>	<b>6-63</b>
Overview .....	6-63
Reconciliation of net capital investment since the 2001-02 Budget .....	6-63
Net capital investment by function.....	6-65
<b>Appendices</b>	
Appendix A: Expense measures .....	6-68
Appendix B: Net capital investment measures .....	6-85
Appendix C: Expenses statistics .....	6-89



# STATEMENT 6: EXPENSES AND NET CAPITAL INVESTMENT

## Introduction

Statement 6 presents estimates of general government expenses and net capital investment on a Government Finance Statistics (GFS) accrual accounting basis. The statement includes information on the allocation of Commonwealth funds to the various functions of government.

Part I of this Statement provides information on trends in expenses estimates whilst Part II presents trends in net capital investment estimates. Expense and net capital investment measures by portfolio are listed in Appendices A and B, with estimates of Commonwealth general government expenses by function and sub-function, and by economic type in Appendix C.

Further information on portfolio and agency expenses, capital movements, major outputs and administered items may be found in the respective Portfolio Budget Statements.

## Part I: General government expenses

### OVERVIEW

Commonwealth general government expenses are expected to grow moderately in 2002-03, but to remain unchanged in real terms (see Table 1). Relative to the overall size of the Australian economy, expenses are forecast to fall from 23.5 per cent of GDP in 2001-02 to 22.7 per cent of GDP in 2002-03. Further reductions in the size of expenses relative to GDP are projected over the forward estimates period to 2005-06.

**Table 1: Estimates of Commonwealth general government expenses**

	2001-02		2002-03	2003-04	2004-05	2005-06
	MYEFO	Revised	Estimate	Projections		
<b>Total expenses (\$b)</b>	<b>164.6</b>	<b>166.8</b>	<b>170.2</b>	<b>177.6</b>	<b>184.9</b>	<b>192.0</b>
Real growth on previous year(%) <sup>(a)</sup>	3.2	4.7	0.0	1.8	1.6	1.4
Per cent of GDP	23.5	23.5	22.7	22.3	21.9	21.5

(a) Real growth is calculated using the non-farm gross domestic product (GDP) deflator.

## RECONCILIATION OF EXPENSES SINCE THE 2001-02 BUDGET

Table 2 provides a reconciliation of expenses estimates between the 2001-02 Budget, 2001-02 MYEFO and the 2002-03 Budget, showing the effect of policy decisions and economic parameter and other variations.

**Table 2: Reconciliation of Commonwealth general government expense estimates**

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
<b>Expenses at 2001-02 Budget</b>	<b>160,875</b>	<b>166,813</b>	<b>173,117</b>	<b>178,959</b>
<b>Changes from 2001-02 Budget to MYEFO</b>				
Effect of policy decisions(a)	1,112	52	46	23
Effect of economic parameter variations				
Unemployment benefits	-139	350	481	470
Prices and wages	627	570	724	798
Interest and exchange rates	311	134	151	193
Total economic parameter variations	799	1,054	1,356	1,461
Public debt interest	-2	-71	-68	-52
Programme specific parameter variations	983	863	1,079	1,524
Slippage in 2001-02 Budget decisions	100	5	7	30
Other variations	726	-117	-53	31
<b>Total variations</b>	<b>3,717</b>	<b>1,786</b>	<b>2,367</b>	<b>3,017</b>
<b>Expenses at 2001-02 MYEFO</b>	<b>164,592</b>	<b>168,599</b>	<b>175,484</b>	<b>181,975</b>
<b>Changes from MYEFO to 2002-03 Budget</b>				
Effect of policy decisions(a)	470	1,042	1,551	1,499
Effect of economic parameter variations				
Unemployment benefits	-426	-497	-558	-406
Prices and wages	252	542	472	601
Interest and exchange rates	-96	-103	-100	-133
Total economic parameter variations	-270	-58	-185	62
Public debt interest	-39	-192	-269	-323
Programme specific parameter variations	1,372	732	926	1,068
Slippage in 2001-02 Budget decisions	-100	-70	-37	4
Other variations	732	138	109	603
<b>Total variations</b>	<b>2,164</b>	<b>1,593</b>	<b>2,094</b>	<b>2,914</b>
<b>Expenses at 2002-03 Budget</b>	<b>166,756</b>	<b>170,192</b>	<b>177,578</b>	<b>184,889</b>

(a) Excluding the public debt interest effect of policy measures.

### Policy decisions

Policy decisions taken since the 2001-02 MYEFO have increased estimated expenses across all years. Major new policy decisions in this Budget for 2002-03 include:

- measures to upgrade domestic security, including initiatives aimed at increasing airport security and detecting and responding to terrorist incidents, involving expenditure totalling \$265 million in 2002-03;

- additional funding for processing of unauthorised boat arrivals and border protection, totalling \$238 million in 2002-03;
- net additional Defence funding of \$194 million in 2002-03 to support Australia's participation in the war against terrorism in Afghanistan and the Persian Gulf (in addition to \$330 million provided for these operations in 2001-02);
- the outcome of the independent pricing review of the Australian Taxation Office (ATO) of \$359 million in 2002-03 to provide for the effective administration of the tax system. Enhanced compliance capabilities are expected to produce a broadly offsetting increase in taxation revenue over the forward estimates period;
- additional funding of \$105 million in 2002-03 to help address unmet need for accommodation support, respite care, day services and other disability services provided by State governments under the third Commonwealth-State-Territory Disability Agreement. This funding is contingent on the States agreeing to the Commonwealth's conditions under the new agreement; and
- provision of further assistance to families through the introduction of the Baby Bonus, providing benefits of \$85 million in 2002-03, rising to \$510 million in 2005-06.

Offsetting these increases are:

- measures to enhance the sustainability of the Pharmaceutical Benefits Scheme (PBS), resulting in decreased expenses for the PBS of \$384 million in 2002-03, increasing to \$510 million in 2005-06;
- the cessation of indexation on petroleum Revenue Replacement Payments forgone and the implementation of a National Excise Scheme for Low Alcohol Beer, decreasing budget balancing assistance grants to the States and Territories by \$202 million in 2002-03; and
- a package to improve and develop the work capacity of people with disabilities, entailing an increase in expenses in 2002-03 and 2003-04, but resulting in \$337 million of net savings over the forward estimates period.

### **Parameter and other variations**

Parameter and other variations since the 2001-02 MYEFO have increased estimated expenses across the Budget and forward years. The primary drivers in 2002-03 include:

- higher demand for family tax benefit, childcare benefit, and Disability Support Pension, increasing expenses by \$667 million in 2002-03;

- an upward revision to expenses indexed to the Consumer Price Index (CPI) including pensions and other personal benefit programmes (\$542 million in 2002-03); and
- an increase in estimated expenses for the Diesel Fuel Rebate Scheme (\$170 million) and Diesel and Alternative Fuels Grants Scheme (\$85 million) to reflect recent payments experience. The upward revision to Diesel Fuel Rebate Scheme expenses is largely due to increased demand for diesel fuel and higher collections of petroleum excise duty from eligible businesses.

These increases in expenses are partially offset in 2002-03 by:

- a reduction in forecast unemployment benefit expenses (\$497 million in 2002-03), reflecting recent unemployment outcomes and an improved employment outlook;
- the reprofiling of roads expenditure, including for the National Highways, Roads of National Importance and Roads to Recovery programmes, reducing estimated expenses in 2002-03 (\$200 million); and
- the regular draw-down of the conservative bias allowance in the Contingency Reserve (\$800 million in 2002-03).

## EXPENSES BY FUNCTION

Table 3 sets out the estimates of Commonwealth general government expenses by function for the period 2001-02 to 2005-06.

**Table 3: Estimates of Commonwealth general government expenses by function**

	Estimates		Projections		
	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
General public services	9,902	10,111	10,377	10,689	11,329
Defence	12,232	13,144	14,011	14,417	14,970
Public order and safety	1,859	2,000	2,032	2,014	2,029
Education	11,692	12,324	13,044	13,634	14,258
Health	27,461	29,054	30,514	32,245	33,819
Social security and welfare	69,637	72,894	75,979	78,979	81,597
Housing and community amenities	2,206	1,866	1,720	1,693	1,630
Recreation and culture	2,042	2,068	2,099	2,107	2,082
Fuel and energy	3,193	3,290	3,359	3,430	3,489
Agriculture, forestry and fishing	1,797	1,792	1,761	1,735	1,614
Manufacturing and mining	1,505	1,439	1,481	1,438	1,082
Transport and communications	2,872	2,263	2,096	2,204	1,731
Other economic affairs	4,128	3,863	3,929	3,985	4,056
Other purposes	16,230	14,081	15,176	16,320	18,347
<b>Total expenses</b>	<b>166,756</b>	<b>170,192</b>	<b>177,578</b>	<b>184,889</b>	<b>192,035</b>

Major movements within the estimates of expenses by function between 2001-02 and 2002-03 include increases in the following functions:

- **General Public Services** due to the increased resourcing of the ATO from 2002-03, the on-going growth in the General Research Sub-function reflecting the *Backing Australia's Ability* package announced in January 2001 as well as various one-off increases in a number of agencies;
- **Defence** due to additional funding to support Australia's participation in the war against terrorism, upgrading of domestic security, and funding increases flowing from the Government's White Paper: *Defence 2000-Our Future Defence Force*;
- **Health** due to a steady increase in the use of medical and pharmaceutical services over the period, increasing costs for the provision of medical services and a continuing trend towards newer and more expensive drugs under the PBS. The growth of the PBS will be reduced in 2002-03, and will be lower than previously expected over the forward years as a result of initiatives announced in this Budget;
- **Education** due to the effect of indexation on Commonwealth funding for schools, and the on-going impact of previously announced decisions. These decisions include: a new funding arrangement for non-government schools announced in the 1999-2000 Budget; initiatives from the *Backing Australia's Ability* package announced in January 2001; and growth funding under the Australian National Training Authority Agreement; and
- **Social Security and Welfare** due to the on-going effect of indexation of payments as well as demographic and social factors which affect demand-driven programmes.

These effects have been partially offset by decreases in expenses for the following functions:

- **Housing and Community Amenities** due to the conclusion in 2002 of the additional First Home Owners Scheme as well as the completion over the forward years of several programmes within the function;
- **Manufacturing and Mining** due to the conclusion of various industry assistance programmes;
- **Agriculture, Forestry and Fishing** due to the conclusion over the forward years of various rural assistance programmes;
- **Transport and Communications** due to the conclusion over the forward years of programmes designed to improve telecommunications service standards and broaden access to telephone and internet services in rural, regional and remote Australia; the conclusion of various rail and air transport initiatives; and the conclusion of the *Roads to Recovery* programme in 2004-05; and

- **Other Purposes** due to reduced Budget Balancing Assistance (BBA) grants to the States and Territories reflecting the cessation of indexation on petroleum Revenue Replacement Payments forgone and the implementation of a National Excise Scheme for Low Alcohol Beer.

Estimates presented in Table 3 above are more fully explained for each individual function below.



## GENERAL PUBLIC SERVICES

**Table 4: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Legislative and executive affairs	846	716	677	782	687
Financial and fiscal affairs	3,101	3,097	3,232	3,306	3,541
Foreign affairs and economic aid	2,093	2,194	2,143	2,083	2,377
General research	1,674	1,884	2,033	2,166	2,366
General services	399	420	435	443	446
Government superannuation benefits	1,789	1,799	1,856	1,910	1,912
<b>Total general public services</b>	<b>9,902</b>	<b>10,111</b>	<b>10,377</b>	<b>10,689</b>	<b>11,329</b>

This function includes expenses from the following portfolios:

- Attorney-General's;
- Defence;
- Education, Science and Training;
- Employment and Workplace Relations;
- Finance and Administration;
- Foreign Affairs and Trade;
- Health and Ageing;
- Immigration, Multicultural and Indigenous Affairs;
- Industry, Tourism and Resources;
- Parliamentary Departments;
- Prime Minister and Cabinet;
- Transport and Regional Services;
- Treasury; and
- Veterans' Affairs.

### Nature of expenses and major trends

General public services include expenses on activities concerned with the organisation and operation of government. The function covers legislative and executive affairs,

financial and fiscal affairs, foreign economic aid, general research, general services and government superannuation benefits.

A major underlying trend in this function is the increase in expenses in the *General Research Sub-function* over the budget and forward years. This is largely due to the *Backing Australia's Ability – An Innovation Action Plan for the Future* package announced in January 2001, which provides increased support for research and innovation. Other contributors to increases in the forward years are the preparations for the 2006 Census, the anticipated cost of a federal election, and the expected increases in foreign aid commitments in 2002-03 and 2005-06.

These increases are partially offset by declines (in nominal or real terms) for some years in other sub-functions, including Legislative and Executive Affairs, Foreign Affairs and Economic Aid and General Services.

### **Legislative and executive affairs**

Expenses under this sub-function cover: support services for Senators and Members of Parliament; the funding of elections; drafting of Bills by the Office of Parliamentary Counsel; and expenses of the Department of the Prime Minister and Cabinet (including support services for former Governors-General and the Prime Minister's official residences), and the Office of the Official Secretary to the Governor-General.

Expenses for the Parliamentary Departments' component of this sub-function are expected to remain stable from 2002-03 to 2005-06.

The reduction in expenses in 2002-03 reflects the conclusion of the Commonwealth Heads of Government Meeting (CHOGM) in Coolumbri in March 2002, and a reduction in expenses for the Royal Commission into the Building and Construction Industry and the Royal Commission into the Failure of the HIH Insurance Group. These Royal Commissions conclude in 2002-03.

The growth in 2004-05 reflects the additional expenses expected to be incurred by the Australian Electoral Commission for the cost of a federal election expected in that year.

### **Financial and fiscal affairs**

These expenses are related to the collection of taxes, including customs duties, management of public funds and public debt, monetary and fiscal policy, and formulation and review of government budgets. They exclude expenses related to the collection of licenses, fees and fines that are associated with a specific function, and interest payments classified to the *Public Debt Interest Sub-function (Other Purposes Function)*.

In the Budget and forward years, increased resourcing is to be provided to the ATO to improve services and compliance following the recommendations of the independent pricing review. Other factors impacting on the estimates in the forward years include

increased funding for the Australian Bureau of Statistics in 2005-06 for the preparation of the 2006 Census and a one-off increase in 2005-06 in the Commonwealth's contributions to the State and Territory governments for debt redemption, representing a final payment of debt redemption grants.

## **Foreign affairs and economic aid**

*Foreign Affairs and Economic Aid Sub-function* expenses include both aid and non-aid components. The overseas aid component covers expenses for which the primary purpose is to fund concessional and non-concessional assistance to other countries. The non-aid component covers the expenses used for the operations of the foreign service, the conduct of foreign and international trade relations (excluding trade promotion activities) and contributions to international organisations not resulting in the recognition of a financial asset. For example, expenses associated with the United Nations (UN), including for its peacekeeping operations, would be attributed to this sub-function.

The increase in expenses in 2002-03 results from expected commitments to be made by the Commonwealth to the Global Environment Facility, the Montreal Protocol Multilateral Fund, increased contributions to international organisations, including peacekeeping operations, and the recognition of the overseas property estate under this sub-function. The Global Environment Facility is designed to meet growing environmental concerns in developing countries. The Montreal Protocol is designed to undertake investment operations in developing countries to support the phaseout of production and consumption of Ozone Depleting Substances. Australia's overseas property estate is made up of all properties relating to the conduct of foreign and international trade relations, for example Australian embassies and high commissions. Previously the overseas property estate was classified under the *General Services Sub-function (General Public Services Function)*.

The expected fall in expenses between 2002-03 and 2003-04 results from the Commonwealth not expecting to enter any new multilateral aid commitments during this period. Conversely the increase in expenses from 2004-05 to 2005-06 results from further commitments expected to be made by the Commonwealth to the Global Environment Facility and the Montreal Protocol Multilateral Fund, and commitments expected to be made by the Commonwealth to the International Fund for Agricultural Development. The International Fund for Agricultural Development provides finance for agricultural development projects primarily for food production in developing countries.

This sub-function also includes the expenses of the Australian Centre for International Agricultural Research and minor expense components from the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and the Department of Health and Ageing (DoHA). The DIMIA expenses support international initiatives to address the situation of displaced Afghan and Iraqi refugees. The DoHA expenses are for payments to the World Health Organisation and the International Agency for Research on Cancer.

## General research

The *General Research Sub-function* covers expenses associated with scientific knowledge and its application. This includes the expenses incurred by Commonwealth research authorities such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Australian Nuclear Science and Technology Organisation (ANSTO). Also included are elements of the national research infrastructure and general research programmes, including grants for research in higher education institutions, both directly and through the Australian Research Council, and contributions to Cooperative Research Centres.

*General research* expenses increase by an average real rate of 5.3 per cent per annum. This increase is primarily attributable to *Backing Australia's Ability – An Innovation Action Plan for the Future* – a plan announced in January 2001 to foster research and enhance the commercialisation and diffusion of applied research to improve business productivity. The major components of the increase in research expenses, as a result of *Backing Australia's Ability*, are an additional:

- \$722 million for competitive research grants administered by the Australian Research Council;
- \$255 million for Higher Education research grants;
- \$132 million for Major National Research Facilities; and
- \$214 million for Cooperative Research Centres.

The other major components of increase in research expenses are attributable to increases in the expenses of CSIRO and ANSTO of \$374 million and \$92 million respectively. The increases reflect the implementation of CSIRO's Strategic Action Plan, realignment of ANSTO's funding from 2001-02 to forward years until 2004-05, and price adjustments to maintain funding in real terms.

Programmes supporting research in specific sectors are generally included under the relevant function. For example, health research is included in the *Other Health Services Sub-function (Health Function)*.

## General services

The *General Services Sub-function* covers expenses relating to the administrative processes of government not classified elsewhere, including the provision of real property, centralised employee compensation (provided by Comcare) and centralised insurance arrangements for Commonwealth departments and agencies.

Comcare's expenses relate to the management of occupational health and safety, rehabilitation and workers' compensation claims management for the Commonwealth jurisdiction. Expenses increase marginally over the forward years to reflect small increases in expected workers' compensation claim costs.

This sub-function also includes expenses incurred by the Department of Finance and Administration on departmental outputs allocated to improve government operations by developing whole-of-government frameworks and strategies, providing shareholder advisory services on Government Business Enterprises and managing the Commonwealth's domestic property portfolio and insurance services. These expenses are expected to increase marginally across the forward years.

This sub-function also includes:

- Expenses associated with the provision of services and infrastructure in the Indian Ocean Territories funded through the Transport and Regional Services portfolio;
- Minor administrative expenses for the Department of Veterans' Affairs; and
- Expenses relating to the operations of the Public Service and Merit Protection Commission in the Prime Minister and Cabinet portfolio.

### **Government superannuation benefits**

The *Government Superannuation Benefits Sub-function* covers the Commonwealth's superannuation schemes for its employees, military personnel and Senators and Members of Parliament. The expenses include the accruing liability in relation to current year employment and the administration of the schemes.

The major Commonwealth civilian superannuation schemes are the Public Sector Superannuation Scheme (PSS) and the Commonwealth Superannuation Scheme (CSS), and the Parliamentary Contributory Superannuation Scheme for Parliamentarians. The Military Superannuation and Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme cover military personnel.

Expenses under this sub-function are forecast to remain relatively constant over the forward years. The assumed impact of the closure of the PSS to new members and the introduction of choice from 1 July 2003 reduces estimated expenses for Commonwealth civilian schemes. This is offset by a matching increase in estimated expenses for external schemes. This sub-function does not include the nominal interest on the unfunded liabilities of the Commonwealth superannuation schemes. These expenses are included under *Nominal Superannuation Interest Sub-function (Other Purposes Function)*.

## DEFENCE

**Table 5: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Defence	12,232	13,144	14,011	14,417	14,970
<b>Total defence</b>	<b>12,232</b>	<b>13,144</b>	<b>14,011</b>	<b>14,417</b>	<b>14,970</b>

This function includes expenses from the following portfolio:

- Defence

### Nature of expenses and major trends

Expenses in this function are within the Defence portfolio and support the specific portfolio outcome of 'The defence of Australia and its National Interests'. Real growth of 5.3 per cent from 2001-02 to 2002-03 occurs despite the additional \$856 million provided in 2001-02 — for the White Paper (\$507 million see below) and supplementation of \$348.5 million including for the war against terrorism and for patrolling Australia's northern approaches.

The increase in 2002-03 reflects increased Defence spending amounting to \$216 million in 2002-03 for increased operational commitments, including contributions to the war against terrorism and border protection. A further increase of \$51 million in 2002-03 and \$167 million across the forward estimates has been included for the establishment of a second Tactical Assault Group (TAG) and a Chemical, Biological Radiological, Nuclear and Explosive (CBRNE) Incident Response Regiment, in response to the increased terrorist threat after the 11 September 2001 terrorist attacks. Additional funding has been provided to enhance protective security measures and to improve Defence's real time and secure communications systems. Funding has also been redirected to the purchase of additional war-stocks of explosive munitions to replenish stocks.

This funding increase reflects military activity beyond the operational tempo on which the additional funding commitment identified in the Government's White Paper: *Defence 2000 — Our Future Defence Force* was based. This provided for approximately 3 per cent real growth per annum on average over the next decade.

Defence has rephased \$150 million of its specialist military equipment acquisition programme from 2002-03 to 2003-04 ahead of the Defence strategic review in late 2002. As envisaged in the White Paper, the Defence Capability Plan will be revised to take account of changing strategic circumstances, new technologies and changed priorities.

## Defence

The *Defence Function* covers expenses on personnel and related benefits, military equipment and technology, stores and Defence administration.

The main components of these expenses are:

- personnel costs, which include the payment of salaries and allowances to Defence military and civilian staff (totalling \$5.9 billion in 2002-03). Expenses related to the accruing superannuation liability for current staff are shown in the *Government Superannuation Benefits Sub-function (General Public Services Function)* while the nominal interest on unfunded liabilities of the Commonwealth superannuation schemes is included under the *Nominal Superannuation Interest Sub-function (Other Purposes Function)*;
- an acquisition programme of \$4.1 billion in 2002-03 to implement the Defence Capability Plan. This includes continuing projects like Airborne Early Warning and Control aircraft, Armed Reconnaissance helicopters and ANZAC ships, as well as numerous new projects to be started in 2002-03;
- the acquisition of stores, including ammunition and fuel, required to maintain the operations of the Australian Defence Force (ADF);
- the development of bases, airfields, communications, training and other facilities; and
- housing for eligible ADF personnel and their families, largely through payment of rent to the Defence Housing Authority.

## PUBLIC ORDER AND SAFETY

**Table 6: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Courts and legal services	579	592	616	604	605
Other public order and safety	1,280	1,408	1,416	1,410	1,424
<b>Total public order and safety</b>	<b>1,859</b>	<b>2,000</b>	<b>2,032</b>	<b>2,014</b>	<b>2,029</b>

This function includes expenses from the following portfolios:

- Attorney-General's; and
- Prime Minister and Cabinet.

### Nature of expenses and major trends

Expenses for the *Public Order and Safety Function* support the administration of the Federal legal system and the provision of legal services, including legal aid, to the community. *Public Order and Safety* expenses also include law enforcement activities and the protection of Commonwealth property.

As a result of the 11 September 2001 terrorist attacks on the United States of America, the Government will introduce new domestic security arrangements and programmes. This will include new funding for the Australian Federal Police (AFP), Australian Customs Service (Customs), Attorney-General's Department and the Australian Security Intelligence Organisation (ASIO).

### Courts and legal services

Expenses under this sub-function include payments for Federal courts and tribunals. They also include expenses for the administration of bankruptcies by the Insolvency and Trustee Service Australia, and operational expenses for the Office of the Director of Public Prosecutions and the Commonwealth's contribution to funding for state legal aid commissions.

Expenses for the *Courts and Legal Services Sub-function* remain steady through to 2005-06.

### Other public order and safety

This sub-function incorporates all other expenses on public order and safety activities.

Included under this sub-function are the operations of ASIO, the Australian Secret Intelligence Service, the Office of National Assessments, and the operations of the



Office of the Inspector-General of Intelligence and Security. These agencies collect and assess information relevant to the protection of Australia against threats to its national interests and provide security at overseas posts, counter-terrorist training and equipment.

Other agencies which are part of this sub-function include, but are not limited to, the AFP, the Australian Bureau of Criminal Intelligence, the Australian Institute of Criminology, the National Crime Authority and the Australian Transaction Reports Analysis Centre.

The *Other Public Order and Safety Sub-function* incorporates the Customs activities relating to the movement of people and goods across Australia's borders. The sub-function also includes Customs' Coastwatch unit which is responsible for the aerial surveillance of Australian Coastal and Fishing Zone areas to enable detection of smuggling, illegal entry, unauthorised fishing and quarantine breaches.

The events of 11 September 2001 resulted in the implementation of increased domestic security programmes across a number of agencies. Consequently, associated expenditure will rise sharply in 2002-03 and then stabilise around this higher level in the following years.

For other significant expenses relating to domestic security see the *Defence Function*.

## EDUCATION

**Table 7: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Higher education	3,921	4,070	4,149	4,247	4,329
Vocational and other education	1,251	1,323	1,405	1,427	1,457
Non-government schools	3,710	4,021	4,420	4,740	5,091
Government schools	2,089	2,145	2,280	2,409	2,545
<i>Schools</i>	5,800	6,166	6,700	7,148	7,636
Student assistance	560	607	629	649	672
General administration	42	42	44	45	46
School education - specific funding	119	116	117	117	119
<b>Total education</b>	<b>11,692</b>	<b>12,324</b>	<b>13,044</b>	<b>13,634</b>	<b>14,258</b>

This function includes expenses from the following portfolios:

- Education, Science and Training;
- Family and Community Services;
- Immigration and Multicultural and Indigenous Affairs; and
- Veterans' Affairs.

### Nature of expenses and major trends

*Education* expenses support the delivery of education services through higher education institutions; vocational education and training providers (including technical and further education institutions); and government (State and Territory) and non-government schools.

Expenses under this function also include the ABSTUDY scheme, Assistance for Isolated Children, income support for students aged twenty-five years and over through AUSTUDY and relevant departmental costs within the Education, Science and Training portfolio.

Total expenses under the *Education* function are estimated to increase by 15.7 per cent in nominal terms over the period from 2002-03 to 2005-06, or 5.0 per cent annually on average. The major drivers of this growth are:

- indexation of Commonwealth Government spending on schools (both government and non-government), vocational education and training and higher education (further explained under individual sub-functions);
- the effect of previously announced decisions — in particular the introduction of a new funding arrangement for non-government schools announced in the 1999-2000

Budget context (which provided an additional \$800 million over a five year period from 2000-01 to 2004-05), and *Backing Australia's Ability — An Innovation Action Plan for the Future* (of which approximately \$650 million over a six-year period from 2000-01 to 2005-06 relates to the *Education Function*); and

- growth funding under the Australian National Training Authority Agreement (\$231 million over three years from 2001-02).

Over the next four decades, total Commonwealth education spending is projected to decline marginally as a proportion of GDP, mainly reflecting the generally slower growth expected in the total number of students, especially in the principal age group for education (five to twenty-four year olds). The fall in expenditure is expected to occur despite projected increases in real average funding per student and projected higher participation rates for post-secondary education. These longer term trends are discussed further in the *Intergenerational Report 2002-03*.

### **Higher education**

Higher education funding rises by about 6.4 per cent in nominal terms from 2002-03 to 2005-06. This primarily reflects the indexation of Commonwealth funding — indexation is via a Cost Adjustment Factor that takes account of movement in both salary (Safety Net Adjustment) and non-salary (CPI) costs.

Increased funding arising since 2001-02, from measures in *Backing Australia's Ability*, include the additional funding for research and training infrastructure in universities, funding for 2,000 additional targeted university places and a new loans scheme for postgraduates.

### **Vocational and other education**

The Commonwealth's funding for vocational education and training is primarily provided to the State and Territory Governments through the Australian National Training Authority under the Commonwealth, State and Territory Australian National Training Authority Agreement.

Growth in this sub-function (averaging about 3.3 per cent per annum in nominal terms from 2002-03 to 2005-06) is driven by additional funding associated with the new Australian National Training Authority Agreement. Growth in this sub-function is also driven by indexation of Commonwealth funding to the Authority to maintain real base funding levels over time. In the 2002-03 Budget, the Government will provide funding of \$33 million over three years for additional vocational education and training places for people with disabilities to provide a greater focus to developing and improving their working capacity.

Expenses under this sub-function also includes the Veterans' Children Education Scheme which provides support services and financial assistance to eligible children (of veterans) at school and tertiary levels of education.

## Schools

Commonwealth Specific Purpose Payments represent about 12 per cent of total spending on government schools with the balance being met by State and Territory governments from their own revenue sources. The Commonwealth provides about 45 per cent of total support for non-government schools with the balance being met by other governments (12 per cent) and private sources (43 per cent).

Commonwealth targeted programmes for government and non-government schools are grouped into two priority areas:

- improving learning outcomes for educationally disadvantaged students. For example, the Strategic Assistance for Improving Student Outcomes Programme aims to improve learning outcomes for educationally disadvantaged students, particularly in literacy and numeracy, and the educational participation and outcomes of students with disabilities; and
- improving outcomes in specific targeted teaching and learning areas. For example, the Languages Other Than English Programme seeks to help schools and school communities to improve the learning outcomes of students who are learning other languages.

The other major element within the sub-function is the Indigenous Education Strategic Initiatives Programme which provides supplementary funding assistance to pre-schools, government and non-government school systems, vocational education and training authorities and independent indigenous education providers to improve educational outcomes for indigenous people.

Growth in the *Schools Sub-function* averages about 7.4 per cent per annum in nominal terms from 2002-03 to 2005-06. This primarily reflects the impact of the needs-based funding arrangements (based on the socio-economic status of the school community) for non-government schools recurrent funding announced in the 1999-2000 Budget context, and the effects of indexation arrangements for both government and non-government schools. Since 1993, government and non-government schools' funding has been indexed by a sector-specific index, the Average Government Schools Recurrent Cost Index, which is based on the year-on-year change in the recurrent cost of educating a child in a government school.

## **Student assistance**

Expenses under the *Student Assistance Sub-function* include:

- payments for AUSTUDY (income support for students aged twenty-five years and over);
- the Student Financial Supplement Scheme (a voluntary loan scheme which gives some tertiary students the option of borrowing money to help cover expenses while studying);
- ABSTUDY (assistance to Aboriginal and Torres Strait Islander full-time secondary and tertiary students and some primary school students);
- the Assistance to Isolated Children programme (assistance to the families of students who do not have reasonable daily access to an appropriate government school); and
- the Adult Migrant English Programme (provides access to tuition in English as a second language for all recently arrived migrants without functional English).

For information on the Youth Allowance which replaced AUSTUDY for students aged under 25 years from 1 July 1998, see the *Common Youth Allowance Sub-function (Social Security and Welfare Function)*.

## **General administration**

Expenses under this sub-function consist almost entirely of departmental expenses associated with the administration of the Department of Education, Science and Training. Expenses are relatively stable over the forward years.

## **School education — specific funding**

Expenses under this sub-function consist of programmes that target specific initiatives or are designed specifically for the benefit of certain groups, such as:

- grants to primary school libraries and text book subsidies under the Book Industry Assistance Plan;
- information for indigenous students and/or their parents on career and education options; and
- activities aimed at improving access, participation and outcomes for indigenous school and pre-school students.

The majority of expenses arise from the Quality Outcomes Programme, which seeks to improve student learning outcomes in schools, for example through the National School Drug Education Strategy, civics and citizenship education, and training to enhance the professional role of principals and teachers. The Government has reaffirmed its support for *Teachers of the 21<sup>st</sup> Century*, announced in September 2000 by continuing funding for the Quality Teacher Programme (QTP) for a further three years from 2002-03.

## HEALTH

**Table 8: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Medical services and benefits(a)	11,156	11,889	12,356	12,890	13,308
Hospital services	1,405	1,546	1,623	1,790	1,963
Health care agreements	6,778	7,143	7,543	7,999	8,487
<i>Hospital services &amp; health care agreements</i>	<i>8,183</i>	<i>8,689</i>	<i>9,166</i>	<i>9,789</i>	<i>10,450</i>
Pharmaceutical services and benefits	5,285	5,359	5,771	6,264	6,711
Aboriginal and Torres Strait Islander health	202	231	258	265	275
Health services	606	661	684	700	668
Other health services	879	968	1,048	1,087	1,123
<i>Other health services</i>	<i>1,485</i>	<i>1,629</i>	<i>1,731</i>	<i>1,787</i>	<i>1,791</i>
General administration	1,087	1,189	1,159	1,170	1,197
Health assistance to the aged(b)	63	69	73	80	86
<b>Total health</b>	<b>27,461</b>	<b>29,054</b>	<b>30,514</b>	<b>32,245</b>	<b>33,819</b>

(a) The financial impact of premium growth on the forward estimates for the 30 per cent Private Health Insurance Rebate has been allocated to the Contingency Reserve.

(b) The bulk of Department of Health and Ageing and Department of Veterans' Affairs expenses for assistance to the aged are now classified to the *Assistance to the Aged Sub-Function (Social Security and Welfare Function)*.

This function includes expenses from the following portfolios:

- Health and Ageing; and
- Veterans' Affairs.

### Nature of expenses and major trends

The major purpose of Commonwealth health expenditure is to ensure that all Australians have access to necessary health services through a choice of providers and without excessive price barriers.

*Health Function* expenses are expected to total around \$29.1 billion in 2002-03 and grow on average by around 2.7 per cent per annum in real terms over the forward years. This growth reflects a steady per capita increase in use of medical and pharmaceutical services over the period, increasing costs for the provision of medical services, and a continuing trend toward the use of newer and more expensive drugs under the Pharmaceutical Benefits Scheme (PBS).

Over the next four decades, total Commonwealth health spending is projected to increase from around 4 per cent of GDP in 2001-02 to 8.1 per cent of GDP in 2041-42. Expenses related to health and ageing are likely to be the main contributor to increased Commonwealth government spending in the future. Much of this projected growth comes from increased use of new and expensive diagnostic procedures and medicines.

The PBS accounts for the greatest part of the projected increase in health spending. These longer term trends are discussed further in the *Intergenerational Report 2002-03*.

### **Medical services and benefits**

This sub-function includes Medicare Benefits Schedule (MBS) rebates for general practitioner (GP) and specialist attendances (\$8.3 billion in 2002-03) and the 30 per cent Private Health Insurance Rebate (\$2.3 billion in 2002-03). It also includes funding (\$0.9 billion in 2002-03) for the provision of health services to veterans and their dependants by the Department of Veterans' Affairs (DVA). Commonwealth programmes under this sub-function are intended to provide high quality health outcomes for people by enabling access to timely and appropriate health care services at reasonable cost (or, in the case of eligible veterans and their dependants, no cost).

Growth in this subfunction is largely explained by the increasing costs of medical services funded through Medicare, increasing per capita utilisation of medical services and general population growth. Declining real growth in 2005-06 represents the completion of two smaller programmes (GP IT Development and Diagnostic Imaging Reform) and the transfer of forecast premium growth for the 30 per cent Private Health Insurance Rebate to the Contingency Reserve (*Other Purposes Function*).

The underlying growth in veteran expenditure in this sub-function is largely driven by the ageing of the veteran population and the resultant increase in demand for specialist and dental services as well as rehabilitation and surgical aids. This growth is masked to some extent in 2001-02 by the gradual increase in flow-on savings as a result of the 2000-01 *Veterans' home care* measure which peaks in 2002-03 and will plateau thereafter.

### **Health care agreements**

To support free public hospital care under Medicare, the Commonwealth will provide \$7.1 billion in 2002-03 to the States and Territories under the Australian Health Care Agreements (AHCA). The current Agreements cover the period 1 July 1998 to 30 June 2003, and focus on increasing public patient access and improving the efficiency and effectiveness of service delivery. AHCA funding is forecast to grow by around 3.4 per cent per annum in real terms over the forward estimates period as a result of expected movements in the cost of medical services, growth in hospital utilisation, and expected population changes. Ongoing adjustments to funding resulting from movements in these cost drivers are incorporated in the current Agreements with the States and Territories. Growth in the forward estimates is subject to the negotiations for the next round of agreements. New Agreements are due to commence on 1 July 2003.



## **Hospital services**

The *Hospital Services Sub-function* includes funding for the provision of in-hospital treatment to eligible veterans and their dependants, and grants to public and not-for-profit hospitals to ease the costs of transition to new Fringe Benefits Tax (FBT) arrangements (announced in the 2000-01 Budget).

Expenses are forecast to be relatively stable over the Budget and forward years, apart from a decline in real growth from 2002-03 to 2003-04, which reflects the cessation of the FBT transitional arrangements.

## **Pharmaceutical services and benefits**

Expenses for this sub-function include the PBS administered by the Department of Health and Ageing (DoHA), and the Repatriation Pharmaceutical Benefits Scheme (RPBS) administered by DVA. Under these schemes, the Commonwealth provides assistance towards the cost of a wide range of pharmaceuticals.

Expenses for this sub-function are forecast to increase from \$5.4 billion in 2002-03 to \$6.7 billion in 2005-06, or an average of around 5.2 per cent per annum in real terms. The reduction in growth in 2002-03 and lower than previously expected growth in the forward years is driven primarily by measures announced in this Budget, including the increase in co-payments charged to patients and initiatives to ensure medicines are prescribed in accordance with PBS requirements.

Major components of the Pharmaceutical Benefits are examined in more detail below.

## Box 6.1: Pharmaceutical services and benefits

**Table 8.1: Trends in major components of the Pharmaceutical Benefits sub-function**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Pharmaceutical Benefits (Concessional) (a)	3,479	3,522	3,803	4,102	4,420
Pharmaceutical Benefits (General) (a)	900	789	838	913	974
Repatriation Pharmaceutical Benefits Scheme (b)	364	404	421	441	461
Highly Specialised Drugs(a)	307	345	384	417	451
Other (c)	235	298	325	391	405
<b>Total</b>	<b>5,285</b>	<b>5,359</b>	<b>5,771</b>	<b>6,264</b>	<b>6,711</b>

(a) For a detailed discussion of the Pharmaceutical Benefits Scheme, refer to Outcome 2 of Health and Ageing 2002-03 Portfolio Budget Statement.

(b) Veterans' Pharmaceutical Services are covered under Outcome 2 of the Department of Veterans' Affairs (Defence Portfolio) 2002-03 Portfolio Budget Statement.

(c) Subsumed within Outcomes 1 and 2 of Health and Ageing 2002-03 Portfolio Budget Statement.

## Aboriginal and Torres Strait Islander health

The Commonwealth funds a network of community controlled primary health care services for Aboriginal and Torres Strait Islander people. Commonwealth funding also supports a range of specialist services including mental and sexual health, and hearing services. The Commonwealth also works with State and Territory Governments and other stakeholders in the planning and funding of Aboriginal and Torres Strait Islander specific health services.

Expenses will grow significantly in 2002-03 (14.4 per cent) and 2003-04 (11.7 per cent), primarily as a result of measures to improve access to primary health care in the 1999-2000 and 2001-02 Budgets.

## Health services

Expenses under the *Health Services Sub-function* include funding for the provision of blood and blood products through the Australian Red Cross Blood Service (ARCBS) and Commonwealth Serum Laboratories Limited, population health programmes, and development of Mental Health Care strategies.

Expenses increase in 2002-03 following an increase in funding to the ARCBS and the Health component of the Budget measure *Incident Response Capability*. Expenses are then forecast to grow only slowly over the forward years to 2004-05 and to decline

slightly in 2005-06 due to the conclusion of the Alcohol Education and Rehabilitation programme.

### **Other health services**

Expenses under the *Other Health Services Sub-function* include medical research grants administered by the National Health and Medical Research Council (NHMRC), and funding for promotion of public health under the Public Health Outcome Funding Agreements between the Commonwealth and the States and Territories.

The increase in expenses for this sub-function is largely due to increased funding for health and medical research through the NHMRC. The increase arises from the Government's response to the Wills Review contained in the 1999-2000 Budget, in which the Government committed an additional \$600 million over six years (from 1999-2000) to health and medical research.

### **General administration — health**

Expenses under this sub-function include programmes to support training and education of health workers and the development of acute and primary care strategies administered by DoHA, as well as part of the general departmental expenses of DoHA, and the Health Insurance Commission (HIC).

The HIC operates under a purchaser-provider relationship with DoHA, DVA and other client agencies. It is responsible for the management of Medicare and other payments to the public, and collates and publishes data on the MBS, PBS and RPBS. The HIC also has a monitoring and enforcement role — for example, ensuring that providers of services are billing Medicare correctly and that pharmaceuticals are being prescribed in accordance with PBS criteria.

### **Health assistance to the aged**

Expenses under this sub-function include the Community Nursing Programme and Community Care Seeding Grants administered by DVA. The Community Nursing Programme provides support for veterans, war widow(er)s and their dependants in improving their health and in regaining and maintaining an optimal level of independence in their homes. The growth in expenses reflects increasing demand due to the frailty of the veteran population, and the trend towards shorter hospital stays.

## SOCIAL SECURITY AND WELFARE

**Table 9: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Assistance to the aged(a)(b)	23,342	24,656	26,074	27,418	28,818
Assistance to veterans and dependents	5,463	5,447	5,499	5,487	5,454
Assistance to people with disabilities(b)	8,946	9,646	10,092	10,176	10,436
Assistance to families with children	19,951	20,756	21,549	22,432	23,483
Assistance to the unemployed	5,920	6,108	6,255	6,776	6,597
Assistance to the sick	96	100	112	129	147
<i>Assistance to the unemployed and sick</i>	<i>6,016</i>	<i>6,208</i>	<i>6,367</i>	<i>6,906</i>	<i>6,744</i>
Common Youth Allowance	2,227	2,287	2,327	2,363	2,378
Other welfare programmes	325	345	379	413	430
Aboriginal advancement nec	1,262	1,332	1,389	1,410	1,453
General administration	2,106	2,218	2,302	2,374	2,400
<b>Total social security and welfare</b>	<b>69,637</b>	<b>72,894</b>	<b>75,979</b>	<b>78,979</b>	<b>81,597</b>

(a) The bulk of Department of Health and Ageing and Department of Veteran's Affairs expenses relating to assistance to the aged are now classified to this sub-function.

(b) Carer Allowance (Adult) and Carer Payment have been reclassified from the *Assistance to the Aged Sub-function* to the *Assistance to People with Disabilities Sub-function*.

This function includes expenses from the following portfolios:

- Attorney-General's;
- Family and Community Services;
- Health and Ageing;
- Immigration and Multicultural and Indigenous Affairs; and
- Veterans' Affairs.

### Nature of expenses and major trends

*Social Security and Welfare* expenses primarily support the promotion of a fair and cohesive society while improving the capacity of families, communities and individuals to support themselves. The function includes services to the aged, assistance to people with disabilities, a variety of assistance to families with children, income support and compensation for veterans and their dependants, and advancement programmes for reconciliation and more generally for Aboriginal and Torres Strait Islander people.

Priorities within the *Social Security and Welfare Function* have moved away from universal provision of benefits to an approach to welfare assistance that emphasises prevention, early intervention, and mutual obligation in the provision of assistance to recipients.

The Budget measure *Recognising and Improving the Capacity of People with a Disability* will continue the move towards a more active social security system tailored to addressing individual circumstances and maintaining participation in the workforce.

*Social Security and Welfare* expenses are estimated to total around \$72.9 billion in 2002-03 and grow moderately over the forward years. The major factors contributing to this growth are assistance to the aged, assistance to families with children and assistance to people with disabilities. Growth in these expense categories is due to the indexation of payments, including maintaining the single rate of age pension and disability pension at a minimum of at least 25 per cent of Male Total Average Weekly Earnings (MTAWE), as well as demographic and social factors that are altering the age, family and community profile and affecting demand-driven programmes.

Over the next four decades, age pensions and aged care (including nursing homes) could lead to increases in Commonwealth expenses of 2.8 per cent of GDP. Assistance to veterans is included in these projections. Spending on disability support pension and unemployment allowances is projected to decline. These longer term trends are discussed further in the *Intergenerational Report 2002-03*.

### **Assistance to the aged**

Expenses within this sub-function provide income support for aged people and their dependants as well as funding for residential aged care, community care for older Australians, and flexible care services for older Australians who live in regional, rural or remote areas. Carer Allowance (Adult) and Carer Payment which formed part of this sub-function in 2001-02 are now reported under the *Assistance to People with Disabilities Sub-function*.

The main contributor to growth in this sub-function is the Age Pension, with smaller growth in residential and community care expenses. The substantial annual growth in the Age Pension is primarily due to indexation, including the Government's commitment to maintain single pension rates at a minimum of at least 25 per cent of MTAWE and, to a lesser extent, increases in recipient numbers and the effect of the reduction to deeming rates for pensions (announced on 6 March 2002).

The growth in residential care expenses is driven by the ageing of the population and associated costs of providing appropriate care for older Australians in a range of care settings.

### **Assistance to veterans and dependants**

The expenses in this sub-function provide income support and compensation, in the form of pensions, to veterans and their dependants for incapacity or death resulting from war or defence service. The main contributors to expenses in this sub-function are the Service Pension, War Widows Pension and the Disability Pension administered by the Department of Veterans' Affairs.

Expenses for this sub-function exhibit virtually no growth over the forward years to 2003-04 and a subsequent decline in expenses from 2004-05 onwards. This is consistent with the increase in War Widows and Disability Pensions expenses which more than offset the fall in Service Pension expenses in the short term, as more widows become eligible due to the increasing mortality of the veteran population and as Disability Pension recipients move to higher rates of disability due to ageing and increased frailty. In 2004-05 this trend is reversed as the effects of higher expected rates of mortality impact on expenses.

For other significant expenses on veterans see the *Health Function – Medical Services and Benefits, Hospital Services, Pharmaceutical Services and Benefits and Health Assistance to the Aged Sub-Functions*.

### **Assistance to people with disabilities**

Expenses for this sub-function provide means-tested income support to people with disabilities as well as partners, parents and other carers of people with disabilities, assistance with employment-related transport costs, and services which increase the independence and employment opportunities of people with disabilities. This sub-function includes payments such as the Disability Support Pension, the Wife Pension, disability employment assistance and contributions to the States and Territories under the Commonwealth State and Territory Disability Agreement. Carer Allowance (Adult) and Carer Payment, which formed part of the *Assistance for the Aged Sub-function* for Budget 2001-02 are now reported under this sub-function.

The expenses for this sub-function exhibit growth from 2001-02 to 2002-03 due largely to increasing Disability Support Pension expenses resulting from an increase in the expected number of recipients and indexation of payments, including the Government's commitment to maintain the single rate of pension at a minimum of at least 25 percent of MTAW. This pension payment has historically experienced strong growth in the number of recipients, partly in line with the ageing of the population, as the incidence of disability increases with age.

From July 2003, the growth in this sub-function is anticipated to be reduced by measures announced in this Budget. *Recognising and Improving the Capacity of People with a Disability* will substantially reduce the number of new claims approved for the Disability Support Pension, with most unsuccessful claimants moving onto other more appropriate income support payments, such as Newstart Allowance, which is reported under the *Assistance to the Unemployed and the Sick Sub-function*. This movement will result in an increase in the expected growth of expenses in that sub-function.

Existing recipients will be assessed under the new criteria within five years of implementation, which will result in a reduction in growth of the number of Disability Support Pension recipients and an associated increase in growth in numbers of recipients of Newstart Allowance.

Expenses in this sub-function have also increased because additional funding of \$547.5 million over five years has been provided to assist the States and Territories to continue to address unmet need for disability accommodation services under the *Third Commonwealth State Territory Disability Agreement*.

### **Assistance to families with children**

Expenses under this sub-function ensure that families with children receive financial assistance towards the support of their children. The majority of these expenses are paid through Family Tax Benefit (FTB) Parts A and B, Parenting Payments (Partnered and Single) and Child Care Benefit. This Sub-function also includes provision of further assistance to families through the introduction of the Baby Bonus, providing benefits of \$85 million in 2002-03, rising to \$510 million in 2005-06.

FTB Parts A and B provide means-tested financial assistance to families with the cost of raising children while the Parenting Payment provides means-tested financial assistance for people who are primary carers of children. The Child Care Benefit payment provides assistance with the cost of child care for long day care, family day care, occasional care, outside school hours care, vacation care and registered care.

The growth in this estimate is due to a combination of indexation of the payments (FTB and Childcare Benefit) by the CPI, increasing use of child care services and increasing Parenting Payment (Single) expenses. Parenting Payment (Single) expenses are increasing due to a combination of growth in new claims for this payment and indexation of the payment, including the Government's commitment to maintain the pension at a minimum of at least 25 per cent of MTAW.

### **Assistance to the unemployed and the sick**

Income support is provided to persons who are unemployed, or unable to work because of temporary incapacity, and who have limited alternative means of support. The major payments made under this sub-function are Newstart Allowance, Partner Allowance Benefit, Mature Age Allowance and Sickness Allowance.

Expenses for this sub-function increase substantially between 2003-04 and 2004-05, largely as a result of the measure *Recognising and Improving the Capacity of People with a Disability*. This measure will result in a movement of claimants from Disability Support Pension, which is reported under the *Assistance to People with Disabilities Sub-function*, onto Newstart Allowance and a consequential increase in Newstart Allowance expenses.

These increases are partially offset by the impact of previous Budget measures reducing Newstart Allowance expenses (for example *Introduction of a preparing for work activity agreement for new claimants of unemployment benefits* and the *Compliance strategy* from the 2000-01 Budget). The slight decline in expenses exhibited between 2004-05 and 2005-06 is driven by forecasts for unemployment which show a decline between 2004-05 and 2005-06.

## **Common youth allowance**

Expenses under this sub-function relate to Youth Allowance, which is designed to provide income support payments to students under twenty-five years of age and unemployed people under twenty-one years of age. Receipt of the Allowance requires recipients to engage in education, training, job search or other activities that contribute to society.

The increase in expense growth for this sub-function in 2002-03 is driven by indexation of the Youth Allowance by the CPI and forecasts of youth unemployment for 2002-03. Unemployment numbers are estimated to increase in the Budget year and then decline from 2003-04, consistent with current economic forecasts.

The small growth in Youth Allowance expenses over the forward years is in part due to indexation as well as changes in the composition of the student population which result in increases in projected average rates.

## **Other welfare programmes**

The major expenses for this sub-function relate to Special Benefit payments and Widow B Pension. Widow B Pension is payable to previously married women who do not have dependent children and who were aged 50 years or more, or were sole parent pensioners aged 45 years or more, at 1 July 1987. Increases in 2002-03 and across the forward years are due to increased expenses for Special Benefit, which provides income support payments to those in severe financial need who do not satisfy eligibility requirements for other payments. The number of Special Benefit recipients is expected to increase over the forward years as eligibility for other payments becomes more tightly targeted and as the number of temporary protection visa holders increases.

This increase is partially offset by the trend in expenses for Widow B Pension, which was closed to new claims in 1997, as existing recipients become eligible for other payments such as Age Pension.

## **Aboriginal advancement (nec)**

A wide range of programmes targeting economic, social and cultural outcomes for indigenous people are delivered within this sub-function. Many of the programmes are intended to supplement, support or accelerate the delivery of services to indigenous people where prime responsibility for service delivery rests within Commonwealth agencies and/or State, Territory and Local Governments.

The majority of expenses relate to programmes delivered by the Aboriginal and Torres Strait Islander Commission, in particular the Community Development Employment Projects scheme (\$484 million in 2002-03) and the Community Housing and Infrastructure Programme (\$251 million in 2002-03).



Expenses are expected to increase over the Budget and forward years. Measures announced in the 2001-02 Budget targeting housing, native title and FBT supplementation for Aboriginal and Torres Strait Islander organisations are a driver for much of the increase in the forward years. Growth within the Community Development Employment Projects Scheme of 550 participants per annum, together with the addition of 1,500 participant places provided in the 2000-01 Budget, contributes to approximately half of the increased expenses within this sub-function.

For other significant expenses on aboriginal programmes see the following sub-functions: *Schools (Education Function)*, *Aboriginal and Torres Strait Islander Health (Health Function)*, *Housing (Housing and Community Amenities Function)* and *Labour Market Assistance to Jobseekers (Other Economic Affairs Function)*.

### **General administration**

Expenses within this sub-function consist almost entirely of administration costs associated with the *Social Security and Welfare Function* spread across agencies, mainly Centrelink, the Department of Family and Community Services, and a proportion of expenses of the Department of Health and Ageing.

## HOUSING AND COMMUNITY AMENITIES

**Table 10: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Housing	1,628	1,331	1,218	1,213	1,198
Urban and regional development(a)	213	248	205	178	140
Environment protection	364	288	296	302	293
<b>Total housing and community amenities</b>	<b>2,206</b>	<b>1,866</b>	<b>1,720</b>	<b>1,693</b>	<b>1,630</b>

(a) Refinement of the functional attribution of the Departmental Expenses of the Department of Transport and Regional Services has led to a reclassification to this sub-function of expenses previously classified to the *General Services Sub-Function (General Public Services Function)* and *Other Transport and Communications Sub-Function (Transport Function)*.

This function includes expenses from the following portfolios:

- Defence (Defence Housing Authority);
- Education, Science and Training;
- Environment and Heritage;
- Family and Community Services;
- Industry, Tourism and Resources;
- Transport and Regional Services;
- Treasury; and
- Veterans' Affairs.

### Nature of expenses and major trends

*Housing and Community Amenities Function* expenses support the Commonwealth's housing policies, regional development and environmental protection.

Total expenses decline from 2001-02 to 2002-03 reflecting the conclusion of the additional First Home Owners Scheme (FHOS) grant in the *Housing Sub-function*.

Overall expenses across all years for the *Environment Protection Sub-function* have reduced from expenses published in the 2001-02 Budget primarily due to the rescheduling of Australian Greenhouse Office programme expenditure in line with anticipated levels of activity.

Also contributing to the decline in expenses in 2002-03 from 2001-02 levels are the changes to the programme structure of the Natural Heritage Trust (NHT), which

reprioritise expenditure across four broad themes resulting in a changed pattern of expenditure across functions.

The decline in expenses from this peak in the forward years reflects the completion of several programmes within the *Housing* and *Urban and Regional Development* sub-functions.

## **Housing**

This sub-function includes grants under the Commonwealth-State Housing Agreement (CSHA) as well as the operations of the Defence Housing Authority (DHA). The CSHA, in conjunction with contributions from the States, assists in the expansion and maintenance of the public rental housing stock by State governments. The DHA provides housing services for members of the Australian Defence Force and their families. This sub-function also includes grants paid to first home owners who contracted to buy or build a new dwelling in 2001-02 under the additional First Home Owners Scheme.

The decline in expenses from 2001-02 to 2002-03 largely reflects the end of the additional FHOS grant. Under temporary arrangements that commenced on 9 March 2001, a \$7,000 additional FHOS grant funded by the Commonwealth was available to eligible recipients who purchased or built a new dwelling. The additional grant payment was to end on 31 December 2001 but was extended to 30 June 2002 at a reduced rate of \$3,000 per eligible recipient. This grant was available in addition to the \$7,000 grant available since 1 July 2000 to eligible first home owners purchasing either new or established homes.

Expenses also decline from 2003-04, largely as a result of the cessation in 2002-03 of the goods and services tax (GST) transitional funding provided under the CSHA.

DHA expenses remain relatively constant across the forward years.

## **Urban and regional development**

This sub-function covers programmes that aim to support sustainable economic development of communities. It includes the Stronger Regions, Regional Solutions, Rural Transaction Centre and Regional Flood Mitigation Programmes.

The Stronger Regions Programme provides assistance to eight identified regions facing economic, social and environmental change. The Regional Solutions Programme has a broader focus and provides funding for individual projects that provide communities with local solutions to local challenges. The Rural Transaction Centres Programme helps small communities establish their own access to services such as financial, post, phone, fax and internet. The Regional Flood Mitigation Programme provides for flood mitigation works and measures in rural, regional and outer metropolitan Australia.

Funding for the Stronger Regions Programme peaks in 2002-03 before tapering off across the forward years and concluding in 2004-05, contributing to the decline in expenses in 2005-06. In addition, the conclusion of the Regional Solutions and Rural Transactions Centre Programmes in 2003-04 contributes to the 2004-05 decline. The completion of the Regional Flood Mitigation Programme in 2004-05 contributes to the 2005-06 decline.

## **Environment protection**

This sub-function includes funding for the environment primarily provided through the *Measures for a Better Environment Package* and through the *Natural Heritage Trust*. Also included are departmental expenses for the Department of Environment and Heritage, the Australian Greenhouse Office and the National Oceans Office, who administer most of the programmes within this sub-function. These programmes contribute to the sustainable management of the environment including greenhouse gas abatement, protection of the marine environment and promotion of sustainable development of environmental resources.

Departmental expenses for the Department of Environment and Heritage and the Australian Greenhouse Office, which make up the greater part of expenses for this sub-function, are relatively stable over the budget and forward years.

Australian Greenhouse Office programme expenditure has been rescheduled to take into account delays in industry gearing up to undertake projects that would qualify for funding. This has resulted in a reduction in the expense profile for this sub-function of \$104 million in 2001-02, \$76 million in 2002-03, \$47 million in 2003-04, \$13 million in 2004-05 and increases of \$84 million in 2005-06, and \$152 million in the years beyond 2005-06 to 2012-13.

Expenses show a decline in 2002-03 from 2001-02 levels, which has been partially offset by increases in expenditure in the *National Estate and Parks* and *Natural Resource Development* sub-functions. This is a result of the Government's decision to extend the operation of the NHT and reprioritise expenditure across four broad themes of action (as shown in Table 10.1 below). Expenses increase again in 2003-04 due to the peak in expenditure for the *Measures for a Better Environment* package. In 2004-05, expenses show a slight increase before plateauing from 2005-06, reflecting the profile of the extended NHT. (Refer to Table 10.1 in Box 6.2 for more information).

For other significant expenses on conservation and sustainable use and repair of Australia's natural environment see the *National Estates and Parks Sub-function (Recreation and Culture Function)* and the *Natural Resources Development Sub-function (Agriculture, Forestry and Fishing Function)*. NHT funding, which is spread across these various sub-functions is summarised in Table 10.1 in Box 6.2 below.

### Box 6.2: Natural Heritage Trust

**Table 10.1: Natural Heritage Trust Expenses (across all functions)**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
	(a)				
Environment Protection (Housing and Community Amenities)					
Bushcare		11	13	16	16
Rivercare		7	7	8	8
Landcare		7	7	8	8
Coastcare		13	11	14	14
Air Pollution in Major Cities		5	0	0	0
Sub-function total	129	42	37	46	46
National Estates and Parks (Recreation and Culture)					
Bushcare		49	60	74	74
Rivercare		7	7	8	8
Landcare		7	7	8	8
Coastcare		11	10	12	12
Sub-function total	33	74	83	102	102
Natural Resources Development (Agriculture, Forestry and Fishing)					
Bushcare		11	13	16	16
Rivercare		52	54	67	67
Landcare		56	52	64	64
Coastcare		13	11	14	14
Waste Management Awareness		2	0	0	0
Sub-function total	113	134	130	161	161
<b>Total NHT Expenses (b)</b>	<b>275</b>	<b>250</b>	<b>250</b>	<b>310</b>	<b>310</b>

(a) Expenses in 2001-02 were split against multiple programmes and are not directly comparable to the structure of the NHT extension from 2002-03 onwards, which targets the four broad themes identified. Various NHT projects are discussed in Outcome 1 of the Environment and Heritage 2002-03 Portfolio Budget Statement

(b) NHT Expenses include estimated interest earnings (on the annual balance of the Trust Special Account) and therefore may vary according to the actual interest rate and annual account balance.

## RECREATION AND CULTURE

**Table 11: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Broadcasting	967	1,008	1,016	1,047	1,040
Arts and cultural heritage	719	685	658	640	648
Sport and recreation	143	149	206	180	154
National estate and parks	213	225	218	239	240
<b>Total recreation and culture</b>	<b>2,042</b>	<b>2,068</b>	<b>2,099</b>	<b>2,107</b>	<b>2,082</b>

This function includes expenses from the following portfolios:

- Communications, Information Technology and the Arts;
- Environment and Heritage;
- Industry, Tourism and Resources; and
- Veterans' Affairs.

### Nature of expenses and major trends

*Recreation and Culture Function* expenses support public broadcasting, the regulatory framework for Australia's broadcasting sector, cultural institutions, funding for the arts and film industry, assistance to sport and recreation activities, and the management and protection of national parks and other world heritage areas. This function also includes expenses relating to the protection and preservation of historic sites and buildings, including war graves.

Total expenses for the *Recreation and Culture Function* are relatively stable across the forward period although there will be some changes within the sub-functions. Expenses for the *National Estate and Parks Sub-function* increase over the forward years in line with the expenditure profile for the NHT.

### Broadcasting

The majority of expenses on broadcasting fund the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS). The ABC provides domestic and overseas radio and television services. The SBS provides a domestic multilingual radio and television service.

The slight increase in expenses over the forward years for the *Broadcasting Sub-function* reflects the Government's support for services to the Asia Pacific region and the rollout of digital television by the ABC and SBS.

## **Arts and cultural heritage**

The most significant component of this sub-function is the funding provided for the collection institutions such as the National Library of Australia, the National Archives of Australia, the National Gallery of Australia, the Australian National Maritime Museum, the National Museum of Australia and the Australian War Memorial.

The Government also provides direct financial support for a wide range of arts, cultural and heritage organisations. These include the Australian Film, Television and Radio School, the Office of Australian War Graves, the Australian Film Finance Corporation Limited, the Australian Film Commission, Film Australia Pty Ltd and the Australia Council, which provides funding to bodies such as the Australian National Opera and Symphony Australia Limited. Funding for arts and cultural activities is also provided through the provision of grants from the Cultural Development Programme, administered by the Department of Communications, Information Technology and the Arts (DCITA). ScreenSound Australia and the National Science and Technology Centre (trading as Questacon) are also components of this sub-function. ScreenSound and Questacon operate as separate business units within DCITA.

The expenses for this sub-function decline in 2002-03 due to the cessation of expenses associated with the Federation Fund. The decline in expenditure in the forward years for this sub-function is due to the cessation of the Book Industry Assistance Package and the Regional Arts Fund in 2003-04.

## **Sport and recreation**

The Commonwealth provides financial assistance to encourage community interest and participation in sport and recreational activities and to assist Australian athletes competing at major sporting events such as the Commonwealth Games, the Olympics and the Paralympic Games. These funds are delivered through the Australian Sports Commission and the Australian Sports Drug Agency. The Australian Sports Commission promotes and facilitates the pursuit of excellence in sport, sports development and participation. The Australian Sports Drug Agency promotes a drug-free environment within Australian sports.

*Backing Australia's Sporting Ability – A More Active Australia*, announced in April 2001, provided increased base level funding for sport at all levels. Expenses for the *Sports and Recreation Sub-function* increase in 2003-04 due to assistance being provided for the redevelopment of the Melbourne Cricket Ground (MCG) in preparation for the 2006 Commonwealth Games.

## **National estate and parks**

This sub-function covers funding provided for the management and protection of national parks and world heritage areas including Uluru-Kata Tjuta and Kakadu National Parks and the Great Barrier Reef. These activities are delivered by agencies within the Environment and Heritage Portfolio, which include the Director of National

Parks, the Sydney Harbour Federation Trust, the Great Barrier Reef Marine Park Authority and the Australian Heritage Commission. The National Heritage Trust (NHT) has provided additional funding for programmes addressing the management and protection of national wetlands and reserve systems and world heritage areas above and beyond funds committed on an ongoing basis by the Government for these activities.

The increase in expenses from 2001-02 to 2002-03 is offset by decreases to expenses in the *Environment Protection Sub-function (Housing and Community Amenities Function)*. This is a result of the Government's decision to extend the operation of the NHT and reprioritise funding across four broad themes of action (as shown in Table 10.1, Box 6.2 *Environment Protection Sub-function* section). Expenses continue to increase reflecting the funding profile of the extended NHT.

For other significant expenses on conservation and sustainable use and repair of Australia's natural environment see the *Environment Protection Sub-function (Housing and Community Amenities Function)* and the *Natural Resources Development Sub-function (Agriculture, Forestry and Fishing Function)*.



## FUEL AND ENERGY

**Table 12: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Fuel and energy	3,193	3,290	3,359	3,430	3,489
<b>Total fuel and energy</b>	<b>3,193</b>	<b>3,290</b>	<b>3,359</b>	<b>3,430</b>	<b>3,489</b>

This function includes expenses from the following portfolios:

- Environment and Heritage;
- Industry, Tourism and Resources; and
- Treasury.

### Nature of expenses and major trends

This function includes expenses on the Diesel Fuel Rebate Scheme (DFRS), the Diesel and Alternative Fuels Grants Scheme (DAFGS) and the Fuels Sales Grants Scheme as administered by the Australian Taxation Office (ATO). This function also includes expenses of the Australian Greenhouse Office (AGO) for programmes funded through the *Measures for a Better Environment Package*.

In nominal terms expenditure by the Commonwealth for this function will grow slowly across the forward estimates period, with total expenses expected to increase from 2001-02 until 2005-06 by \$296 million (9.3 per cent). However, in real terms expenditure for this function is expected to decline by 0.5 per cent from 2001-02 until 2005-06. This primarily reflects reduced rebate payments due to lower demand for diesel fuel. Nominal growth in this function relates solely to growth in demand for diesel following the removal by the Government of indexation arrangements for diesel fuel.

Expenditure for programmes administered by the ATO is expected to grow in line with economic growth. Expenditure for programmes administered by the AGO will remain relatively constant across the forward estimates.

### Fuel and energy

The DFRS provides a rebate to off-road users of diesel fuel. Recipients of the grants include the farming and mining industries, rail and shipping and remote power generation units that use diesel. The Government has expanded this scheme to provide a rebate for diesel fuel used for electricity generation by the hospitality and retailing industries in remote areas. The DAFGS pays grants for the business-related, on-road use of diesel and alternative fuels. The Fuel Sales Grants Scheme is a tiered grant

scheme paid to distributors and retailers of petrol and diesel in non-metropolitan and remote regions. The grant scheme was introduced to ensure that the introduction of *The New Tax System* did not widen the difference in fuel prices between city and regional areas.

Also included in this function are programmes funded through the *Measures for a Better Environment* Package. These programmes are administered by the AGO and include the Alternative Fuels Conversion Programme, the Renewable Energy Commercialisation Programme, the Remote Renewable Power Generation Programme and the Photovoltaic Rebate Programme. These programmes are intended to meet national environmental requirements by supporting the development and further use of renewable and alternative energy.

## AGRICULTURE, FORESTRY AND FISHING

**Table 13: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Wool industry	80	72	78	79	79
Grains industry	120	124	125	128	131
Dairy industry	271	275	276	277	279
Cattle, sheep and pig industry	119	110	106	106	103
Fishing, horticulture and other agriculture	163	163	159	163	161
General assistance not allocated to specific industries	318	328	336	329	266
Rural assistance	238	146	115	39	27
Natural resources development	367	450	439	484	471
General administration	122	125	128	130	98
<b>Total agriculture, forestry and fishing</b>	<b>1,797</b>	<b>1,792</b>	<b>1,761</b>	<b>1,735</b>	<b>1,614</b>

This function includes expenses from the following portfolios:

- Agriculture, Fisheries and Forestry;
- Environment and Heritage; and
- Transport and Regional Services.

### Nature of expenses and major trends

*Agriculture, Forestry and Fishing Function* expenses support forestry, fishing, land and water resources management, quarantine services and contributions to research and development. Approximately half the expenses in this function are funded by levies and charges collected by the Government on behalf of industry.

Expenses decline progressively over the forward years primarily reflecting declining expenses within the *Rural Assistance Sub-function*.

### Wool industry

This sub-function consists of payments to Australian Wool Services Ltd for research and development, commercial branding and technical assistance activities. These expenses are funded by a wool levy on producers, with a matching Government contribution for research and development of up to 0.5 per cent of the gross value of wool production per annum.

Expenses decline in 2002-03 due to lower production levels. However, they increase from 2003-04 due to a projected rise in production, which will increase the Government's contributions for research and development.

## **Grains industry**

Expenses in this sub-function predominantly relate to Government support of the wheat industry. The wheat levy funds the commercial and regulatory activities of the Australian Wheat Board (International) Ltd, the Wheat Export Authority and the Grains Research and Development Corporation (GRDC). The Government also provides a matching contribution for research and development to the GRDC of up to 0.5 per cent of the gross value of wheat production per annum.

Expenses in this sub-function gradually increase over the forward estimates period in line with a projected rise in production, which will increase the Government's contributions for research and development.

## **Dairy industry**

The Government supports dairy industry promotion, administration, market support and research and development. The bulk of the expenses in this sub-function relate to levy-funded grants paid to the Australian Dairy Corporation (ADC) for the \$1.78 billion *Dairy Structural Adjustment Package*.

Expenses are forecast to remain relatively stable over the forward years.

## **Cattle, sheep and pig industry**

Expenses in this sub-function consist of contributions to the meat, livestock, lamb and pork industries, through Meat and Livestock Australia and Australian Pork Limited, for market promotion, research and development, and the control of cattle diseases. These expenses are funded primarily through industry levies, with the Government providing a matching contribution for research and development of up to 0.5 per cent of the gross value of meat and livestock production per annum.

Expenses decline from 2001-02 due to the completion of a number of animal disease and industry development programmes.

## **Fishing, horticulture and other agriculture**

This sub-function includes expenses associated with the Australian Fisheries Management Authority (AFMA), the Fisheries Research and Development Corporation, the Grape and Wine Research and Development Corporation, and Horticulture Australia Limited. AFMA recovers costs attributable to industry while the Government funds community service obligations and fisheries research.

Industry levies fund the activities of the Fisheries Research and Development Corporation, the Grape and Wine Research and Development Corporation and Horticulture Australia Limited. The Government provides a matching contribution for

research and development activities in these industries up to a maximum of 0.5 per cent of the gross value of production in each industry.

Expenses are forecast to remain relatively stable over the forward years.

### **General assistance not allocated to specific industries**

The expenses in this sub-function predominantly relate to the operations of the Australian Quarantine and Inspection Service (AQIS) and plant and animal pest and disease eradication programmes. AQIS conducts inspection services for the export and import of animals, animal products, plant and plant products, and the quarantine surveillance of arriving vessels, persons and goods.

Expenses are relatively stable over the forward years, but are expected to decline from 2004-05 due to the conclusion of enhanced quarantine border control initiatives and a plant pest eradication programme.

### **Rural assistance**

This sub-function includes expenses for Government support of rural producers and rural industry adjustment initiatives. The key expense in this sub-function are the *Agriculture — Advancing Australia* (AAA) programmes, complemented by rural industry assistance programmes, which provide funding to address specific events adversely affecting farmers. These programmes provide assistance to farmers through a variety of means such as income support, interest rate subsidies, grants for structural adjustment, financial counselling, training and innovation grants.

Expenses in the forward years for this sub-function are expected to decline with the conclusion of the Sugar Industry and NSW Flood Assistance packages, and the completion of AAA programmes in 2003-04.

### **Natural resources development**

Expenses in this sub-function include water, land and forest management programmes which are administered by the Department of Agriculture, Fisheries and Forestry and largely funded through the Natural Heritage Trust (NHT).

The increase in expenses from in 2001-02 to 2002-03 largely reflects the funding profile of the National Action Plan for Salinity and Water Quality.

Expenses remain relatively stable from 2002-03 to 2003-04, then increase from 2004-05 reflecting the Government's decision to extend the operation of the NHT and reprioritise expenditure across four broad themes of action (as shown in Table 10.1). Expenses for the National Action Plan for Salinity and Water Quality have been rescheduled over the forward years to meet anticipated major project funding requirements emanating from Bilateral Agreements with States and Territories. This

rescheduling has the effect of reducing expenses by \$34 million in 2001-02, \$49 million in 2002-03, \$52 million in 2003-04 and \$13 million in 2004-05, while increasing expenses by \$59 million in 2005-06 and \$89 million in 2006-07.

For other significant expenses on conservation and sustainable use and repair of Australia's natural environment see the *Environment Protection Sub-function (Housing and Community Amenities Function)* and the *National Estate and Parks Sub-function (Recreation and Culture Function)*. NHT funding, which is spread across these various sub-functions is summarised Table 10.1 in Box 6.2 appearing at the end of the *Environment Protection Sub-function* section.

### **General administration**

This sub-function comprises expenses relating to the administration of relevant programmes in the Department of Agriculture, Fisheries and Forestry.

Expenses remain relatively stable over the forward years. However, they decline from 2005-06 due to the conclusion of a range of programmes.

## MANUFACTURING AND MINING

**Table 14: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Mining and mineral resources other than fuel; manufacturing and construction	1,505	1,439	1,481	1,438	1,082
<b>Total mining and mineral resources</b>	<b>1,505</b>	<b>1,439</b>	<b>1,481</b>	<b>1,438</b>	<b>1,082</b>

This function includes expenses from the following portfolios:

- Education, Science and Training;
- Foreign Affairs and Trade; and
- Industry, Tourism and Resources.

### Nature of expenses and major trends

Expenses under this function relate to the mining, manufacturing and export sectors, and are designed to improve the efficiency and competitiveness of Australian industries. The major expenses in the Industry, Tourism and Resources portfolio include programmes specific to the automotive, textile clothing and footwear (TCF) and pharmaceutical industries, a general programme providing research and development grants to small to medium enterprises and a programme of strategic investment incentives. Commonwealth assistance to exporters through the Foreign Affairs and Trade portfolio includes direct financial assistance for the development of export markets, information and promotional assistance, finance and insurance services, and the development of trade policy.

The decline in expenses in 2002-03 is mainly due to R&D Start grants returning to planned levels following additional spending to meet the high demand for the programme in 2001-02. The decline in 2004-05 is driven by the conclusion of the Pharmaceutical Industry Investment Programme. In 2005-06 expenses decline by 25 per cent due primarily to the termination of the Automotive Competitiveness and Investment Scheme (ACIS), in December 2005.

All activities relating to mineral fuels, and manufacturing relating to the production of fuel and energy, are classified in the *Fuel and Energy Function*.

### Mining and mineral resources (other than fuel), manufacturing and construction

The main drivers of these expenses are ACIS, R&D Start, the Export Market Development Grants Scheme (EMDG), the Textile Clothing and Footwear Strategic

Investment Programme (TCF SIP), Strategic Investment Coordination and the Pharmaceutical Industry Investment Programme.

- ACIS provides import duty credits to registered automotive industry participants and is aimed at encouraging new investment and innovation in the automotive industry. ACIS is capped at \$2 billion over five years to December 2005.
- R&D Start provides grants to small to medium enterprises for research and development and the commercialisation of new products and technologies. Funding was increased and extended in the Government's innovation action plan *Backing Australia's Ability*, announced in January 2001, and will total \$850 million over the five years 2001-02 to 2005-06.
- The EMDG scheme pays cash rebates to small and medium sized Australian based businesses that have promoted their products in overseas markets.
- The TCF SIP is providing \$678 million over the five years from 2001-02 through to 2005-06 through a competitive grants programme to promote investment and innovation in the industry and the development of sustainable jobs.
- The Strategic Investment Coordination process aims to attract to Australia projects with significant net economic and employment benefits that would otherwise locate offshore.
- The Pharmaceutical Industry Investment Programme is a competitive grants programme designed to promote greater investment in pharmaceutical research and development in Australia. This is a five year \$300 million programme operating from 1999-2000 to 2003-04.



## TRANSPORT AND COMMUNICATION

**Table 15: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Communication(a)	548	468	354	251	231
Rail transport	206	24	14	1	6
Air transport	219	152	139	118	104
Road transport	1,602	1,327	1,316	1,573	1,127
Sea transport	209	191	173	175	176
Other transport and communication(b)	89	100	100	86	87
<b>Total transport and communication</b>	<b>2,872</b>	<b>2,263</b>	<b>2,096</b>	<b>2,204</b>	<b>1,731</b>

(a) Refinement of the functional attribution of the Departmental Expenses of the Department of Communications, Information Technology and the Arts has led to a reclassification to this sub-function of expenses previously classified to the *Recreation and Culture Function*

(b) Refinement of the functional attribution of the Departmental Expenses of the Department of Transport and Regional Services has led to a reclassification of expenses from this sub-function to the *Urban and Regional Development Sub-function (Housing and Community Amenities Function)*

This function includes expenses from the following portfolios:

- Communications, Information Technology and the Arts;
- Industry, Tourism and Resources; and
- Transport and Regional Services.

### Nature of expenses and major trends

*Transport and Communication Function* expenses support the infrastructure and regulatory framework for Australia's transport and communications sectors. Expenses are expected to peak in 2001-02 and then fluctuate over the forward years due mainly to movements in expenses in the *Communication, Road Transport, Air Transport and Rail Transport Sub-functions*.

### Communication

This sub-function includes the expenses of the Australian Communications Authority and the National Office for the Information Economy as well as programmes associated with the past partial sale of the Government's shareholding in Telstra and in response to the Telecommunications Service Inquiry (Besley Report).

Expenses are forecast to decline in 2002-03 and the forward years due to the conclusion of programmes which were associated with the sale of 49.9 per cent of Telstra through two sales of shares in 1997 and 1999. Funding of \$250 million was allocated to these programmes over five years from 1997-98 and a further \$670 million over five years was allocated in 1999-2000 to improve telecommunications service standards and

broaden access to telephone and internet services in rural, regional and remote Australia. In excess of \$750 million of the total of \$920 million is expected to be committed to projects by the end of 2001-02.

The decline in expenses is partially offset by funding on new programmes announced as part of the *Backing Australia's Ability* initiatives, announced in January 2001, to improve innovation in information technology and through the Government's response to the Besley Report, which will further strengthen telecommunications performance in Australia, particularly in rural and regional areas.

### **Rail transport**

Expenses decline significantly after 2001-02 due to the conclusion of the initial funding for the Alice Springs to Darwin Railway. Further funding of \$26 million for the Alice Springs to Darwin Railway will be provided over the period 2002-03 to 2006-07.

Expenses decline further in 2004-05 due to the conclusion of the Upgrade of the Mainline Interstate Rail Track Programme in 2003-04. Activity in the rail sector will continue in the form of an equity injection of \$111 million in 2002-03 provided to the Australian Rail Track Corporation for rail track initiatives — as this is not an expense it is not reflected in the forward year profile.

### **Air transport**

This sub-function includes expenses for the operations of the Civil Aviation Safety Authority, the provision of aviation infrastructure, and noise amelioration programmes around selected airports.

Funding declines sharply in 2002-03 partly due to the termination of temporary assistance of \$48 million provided in 2001-02 to stranded passengers and regional aircraft owners/operators affected by the collapse of the Ansett Group in September 2001. The conclusion of the Sydney Airport Noise Amelioration Programme, and of the airport infrastructure upgrades as part of Australia's response to Foot and Mouth Disease and other quarantine risks in 2002-03, also contributes to the decline in funding in 2003-04. The decline in expenses in 2004-05 is a direct result of the completion of the Adelaide Airport Noise Amelioration Programme in 2003-04.

The regional aviation industry will be assisted by the Government's payment of enroute air traffic control charges on regional Regular Public Transport aircraft with a maximum take-off weight of 15 tonnes or less, and on aeromedical aircraft, at a cost of \$21 million from 2001-02 to 2004-05.

Air safety operations will be strengthened through additional funding of \$24 million from 2001-02 to 2004-05 to the Civil Aviation Safety Authority. A pricing subsidy for the provision of location-specific air traffic control tower services will be continued in 2002-03 to support affordable transport access in regional Australia.

## Road transport

The Government funds the National Highway System and contributes to the capital cost of State/Territory roads that have been identified to be of national importance. The Government is providing additional funding of \$137.6 million from 2002-03 to 2005-06 through the National Highway and Roads of National Importance Programme to upgrade and maintain Australia's roads. The Government will also extend the Federal Road Safety Black Spot Programme for a further four years, with funding of \$45 million per annum from 2002-03 to 2005-06.

Special assistance of \$1.2 billion over five years from 2001-02 is being provided directly to local councils through the Roads to Recovery Programme for the construction, upgrade and maintenance of local roads.

Expenses fluctuate from 2001-02 to 2005-06 mainly due to rescheduling of projects in the National Highway and Roads of National Importance Programme and the Roads to Recovery Programme. This rescheduling reduced expenses by \$200 million in 2002-03 and \$100 million in 2003-04, with an increase in expenses of \$300 million in 2004-05. The significant decline in expenses in 2005-06 reflects the rescheduling of projects and the conclusion of the Roads to Recovery Programme in 2004-05.

The Government also provides untied funding to local government through Financial Assistance Grants that are identified for roads — see the *General Purpose Inter-Government Transactions Sub-Function (Other Purposes Function)*.

Major components of the Road Transport function are outlined in further detail in Box 6.3 below.

### Box 6.3: Components of Road Transport Funding

**Table 15.1: Trends in major components of the Road Transport sub-function**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
National Highway and Roads of National Importance(a)	1,093	981	929	1,245	1,050
Road Safety Black Spot Programme	49	45	45	45	45
Roads to Recovery	418	202	302	252	0
Other	41	99	40	32	32
<b>Total (b)</b>	<b>1,602</b>	<b>1,327</b>	<b>1,316</b>	<b>1,573</b>	<b>1,127</b>

(a) Largely Specific Purpose Payment funding to States and Territories but with a small additional component for land transport research.

(b) See Outcome 1 of Transport and Regional Services 2002-03 Portfolio Budget Statement.

## **Sea transport**

The key components of this sub-function include the Tasmanian Freight Equalisation Scheme, the Bass Strait Passenger Vehicle Equalisation Scheme and funding for the Australian Maritime Safety Authority.

Expenses fall after 2001-02 following final Commonwealth contributions from the Federation Fund for the development of marine facilities in Jervoise Bay, Western Australia. From 2002-03, additional funding will be provided to the Bass Strait Passenger Vehicle Equalisation Scheme to remove the current seasonal variation in the passenger vehicle rebate by introducing a year round rebate for eligible passenger vehicles.

## **Other transport and communication**

This sub-function covers expenses relating to the administration of relevant programmes in the Transport and Regional Services portfolio and the expenses for the construction of the Asia Pacific Space Centre on Christmas Island through the Industry, Tourism and Resources portfolio. The fluctuation in expenses across this sub-function reflects the funding profile for this project, which concludes in 2003-04.

## OTHER ECONOMIC AFFAIRS

**Table 16: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Tourism and area promotion	159	136	130	133	136
Vocational and industry training	439	473	508	535	568
Labour market assistance to job seekers and industry	1,512	1,653	1,701	1,707	1,730
Industrial relations	720	268	269	272	274
Immigration	770	807	787	798	803
<i>Total labour and employment affairs</i>	<i>3,441</i>	<i>3,200</i>	<i>3,266</i>	<i>3,313</i>	<i>3,375</i>
Other economic affairs nec(a)	529	527	533	539	545
<b>Total other economic affairs</b>	<b>4,128</b>	<b>3,863</b>	<b>3,929</b>	<b>3,985</b>	<b>4,056</b>

(a) Departmental expenses of the Australian Prudential Regulation Authority are now being classified to this sub-function.

This function includes expenses from the following portfolios:

- Education, Science and Training;
- Employment and Workplace Relations;
- Environment and Heritage;
- Immigration and Multicultural and Indigenous Affairs;
- Industry, Tourism and Resources;
- Treasury; and
- Veterans' Affairs

### Nature of expenses and major trends

The *Other Economic Affairs Function* includes expenses on tourism and area promotion, labour market assistance, immigration and other economic affairs not elsewhere classified (nec). Expenses are projected to increase over the Budget and forward years due mainly to increases in the *Labour and Employment Affairs Sub-function* relating to labour market assistance to job seekers and industry.

Changes in expenses trends in this function are mainly attributable to one-off assistance in 2001-02 to former Ansett Group employees, additional activity under the Job Network programme, the *Dairy Structural Adjustment Package* (which concludes in 2003-04) and the Government's *Australians Working Together* initiatives. Additionally, the *Immigration Sub-function* is projected to increase due to initiatives relating to the offshore reception and processing of asylum seekers.

## **Tourism and area promotion**

Commonwealth expenses contribute to tourism research and analysis, policy development, international and domestic tourism marketing and funding for specific tourism programmes and projects. Funding for tourism in 2001-02 was increased substantially to counteract the effects of national (Ansett collapse) and international events that severely affected the domestic tourism industry. The apparent decline in 2002-03 masks the fact that expenses have stabilised at a level that is higher than that projected at the 2001-02 MYEFO. Tourism-related measures announced at this Budget are one of the drivers of this change.

## **Labour and employment affairs**

### ***Vocational and industry training***

Expenses largely cover wage subsidies and incentive payments to employers, and allowances to apprentices and trainees. Expenses also cover pre-apprenticeship and traineeship training for people who are disadvantaged in the labour market.

The increase in expenses of 11.7 per cent in real terms from 2002-03 to 2005-06 is driven by a higher number of incentive payments made to employers of apprentices/trainees. This reflects a strong rise in apprenticeship/traineeship commencements since 1997-98. The increase in commencements was due in part to the introduction of the New Apprenticeship System from 1 January 1998, and the introduction of new flexibilities such as user choice in training providers. Growth over subsequent years is driven by estimated increases in New Apprentice commencements and the take-up by employers of incentive payments.

Expenses on vocational education and training (mainly relating to the national Technical and Further Education system) are recorded under the *Vocational and Other Education Sub-Function (Education Function)*.

### ***Labour market assistance to job seekers and industry***

The majority of expenses under this sub-function cover programmes aimed at helping people gain employment. This includes expenses under the following programmes: Job Network, Work for the Dole, Regional Assistance, Indigenous Employment, Area Consultative Committees and Return to Work. It also includes expenses incurred in New Apprentice Centres that provide information on New Apprenticeships options to job seekers and employers.

Overall expenses are expected to increase in 2002-03. This increase is mainly attributable to the *Australians Working Together* initiatives announced in the last Budget, including: *Helping People Find Jobs*, *A Fair Go for Mature Age Workers* and *Promoting Self-reliance for Indigenous People*, which will add to this sub-function a net \$68 million in 2002-03, \$74 million in 2003-04 and \$83 million in 2004-05. Additional activity under the Job Network programme is also expected to contribute to the

increase in expenses. This will be partly offset by the termination of the Dairy Regional Assistance Programme in 2003-04.

### ***Industrial relations***

The *Industrial Relations Sub-function* includes expenses associated with improving the industrial framework and its operation. These include the costs of advice provided by the Department of Employment and Workplace Relations, and operations of the Australian Industrial Relations Commission and the Australian Industrial Registry.

The sub-function also includes the General Employee Entitlements and Redundancy Scheme (GEERS) and in 2001-02, the Special Employee Entitlements Scheme for Ansett Group Employees (SEESA). Both schemes are designed to assist employees who suffer a loss of employee entitlements as a result of their employer being insolvent.

The high level of expenses in 2001-02 and their sharp decline in 2002-03 reflects the one-off impact of SEESA. While in GFS terms these are expenses, they are neutral in their underlying cash impact as cash payments are balanced by receipts from the Air Passenger Ticket Levy which has been put in place to fund these arrangements.

### ***Immigration***

The *Immigration Sub-function* covers a significant proportion of the expenses incurred by the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) in administering Australia's immigration programme. This includes the management of the Migration and Humanitarian Programmes, temporary entry programmes, and the enforcement of immigration law and citizenship programmes.

The increase in expenses in 2002-03 is predominantly due to the development of initiatives for the offshore reception and processing of asylum seekers. These initiatives include the maintenance of a purpose built permanent Immigration Reception and Processing Centre on Christmas Island. They also include reception and processing costs at other offshore locations and other preventative strategies, such as the 2002-03 Budget Measure *Regional Cooperation Agreement* against people smuggling and illegal migration.

Other expenses incurred by DIMIA associated with migrant settlement and indigenous affairs are reported under the *Other Welfare Programmes* and *Aboriginal Advancement nec* sub-functions (*Social Security and Welfare Function*) and the *Foreign Economic Aid Sub-function* (*General Public Service Function*).

### ***Other economic affairs (nec)***

This sub-function covers economic services provided by the Commonwealth which are not included in other functional classifications. Expenses mainly comprise the operational costs of a number of advisory and regulatory agencies, including the Productivity Commission, the Australian Competition and Consumer Commission (ACCC), the Australian Securities and Investments Commission (ASIC), Standards

Australia, Australian Government Analytical Laboratories, IP Australia, the National Competition Council, the Bureau of Meteorology, and the Ionospheric Prediction Service, the Commonwealth Grants Commission and the National Standards Commission.

Expenses in this sub-function are projected to decline between 2001-02 and 2002-03, largely due to the cessation of one-off funding for legal expenses provided to the ACCC in 2001-02. Expenses are projected to increase over the forward estimates as a result of additional funding the Government has provided to the Australian Securities and Investments Commission (ASIC). These funds were provided for ASIC to administer the *Financial Services Reform Act 2001* and enable it to increase its corporate law enforcement activities.



## OTHER PURPOSES

**Table 17: Summary of expenses**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
Interest on Commonwealth behalf	4,947	4,490	3,933	3,525	2,994
Interest on behalf of States and Territories	38	32	20	11	1
Interest received on Commonwealth stock	0	0	0	0	0
<i>Public debt interest</i>	4,984	4,522	3,953	3,536	2,994
Nominal Superannuation Interest	5,239	4,945	5,104	5,054	5,299
General revenue assistance -					
States & Territories	4,027	2,496	1,867	1,361	1,481
General capital assistance -					
States & Territories	0	0	0	0	0
Debt assistance	0	0	0	0	0
Local government assistance	1,386	1,436	1,488	1,541	1,596
Revenue assistance to the States and Territories	148	153	157	161	165
Assistance to other governments	431	364	405	441	471
<i>General purpose inter-government transactions</i>	5,993	4,449	3,916	3,504	3,713
Natural disaster relief	108	133	104	94	94
Contingency reserve	-141	18	1,881	3,915	6,029
Asset sales	48	15	218	218	218
<b>Total other purposes</b>	<b>16,230</b>	<b>14,081</b>	<b>15,176</b>	<b>16,320</b>	<b>18,347</b>

This function includes expense from the following portfolios:

- Finance and Administration;
- Industry, Tourism and Resources;
- Transport and Regional Services; and
- Treasury.

### Nature of expenses and major trends

The *Other Purposes Function* includes expenses incurred in the servicing of public debt interest, and assistance to the State and Territory Governments and local government. The function also includes items classified to natural disaster relief, the Contingency Reserve, and costs of asset sales.

The decline in expenses from 2001-02 to 2002-03 is largely due to reductions in General Revenue Assistance to the States and Territories, reflecting reduced BBA associated with the cessation of indexation on petroleum Revenue Replacement Payments forgone and the implementation of a National Excise Scheme for Low Alcohol Beer;

reductions in Public Debt Interest due to reductions in the expected level of Commonwealth net debt on issue; and reductions in Nominal Superannuation Interest largely driven by a change in the nominal interest rate.

The increase in expenses over the forward years is largely due to growth in the *Contingency Reserve Sub-function*. The increase in the Contingency Reserve from 2002-03 over the forward years is largely due to the conservative bias allowance — an allowance that compensates for the trend in expenses on existing Commonwealth programmes to be underestimated by agencies in the forward years.

### **Public debt interest**

This sub-function includes expenses relating to the cost of servicing the stock of Commonwealth debt incurred to meet budget financing and other borrowing requirements. All expenses relating to public debt interest are expenses of the Australian Office of Financial Management (AOFM), which is responsible for managing and reporting on the Commonwealth's net debt portfolio. This sub-function does not include interest on instalment purchase of buildings, overpayment of tax and other interest not associated with borrowings.

Expenses on public debt interest are governed by the volume of outstanding Commonwealth debt, and the average cost of debt service (the net effect of interest and exchange rate movements), which is in turn influenced by the mix of debt instruments and the term structure of the debt. The balance of influence of these factors on total public debt interest expenses will vary over time.

Public Debt Interest expenses also include interest expenses on debt issued by the Commonwealth on behalf of the State and Territory governments. Since 1990 the State and Territory governments have been borrowing on their own behalf. These interest expenses are offset by payments from the State and Territory governments. Interest expenses on debt issued by the Commonwealth on behalf of the State and Territory governments are projected to decline as the debt is extinguished.

Expenses in this sub-function are forecast to decrease over 2002-03 and the forward years largely to projected reductions in the volume of Commonwealth debt on issue.

### **Nominal superannuation interest**

The *Nominal Superannuation Interest Sub-function* includes expenses relating to the cost of the accumulated and unfunded liability of the superannuation schemes provided by the Government for its civilian and defence personnel — including the Public Sector Superannuation scheme (PSS), the Commonwealth Superannuation Scheme (CSS), the Military Superannuation and Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme. The interest expenses reflect the cost of not fully funding the superannuation liability. The Government is viewed as compulsorily borrowing the funds and incurs a nominal interest expense.

Nominal superannuation interest expenses are estimated to increase over time in line with increases in the unfunded liability of the superannuation schemes. Year-by-year fluctuations reflect the nominal interest rate assumptions in particular years. Expenses are projected to decline between 2001-02 and 2002-03, reflecting a reduction in the nominal interest rate.

Superannuation expenses relating to current year employment in relation to these schemes are included in the *Government Superannuation Benefits Sub-function (General Public Services Function)*.

### **General purpose inter-government transactions**

This sub-function includes grants and advances to the States and Territories and local government authorities, which are not classifiable to other functions. Detailed information on the Commonwealth's financial relations with State, Territory and local governments is provided in *Budget Paper No. 3, Federal Financial Relations 2002-03*.

The Commonwealth's estimates do not include GST payments to the States and Territories, as accrued GST revenues and associated payments to the States and Territories are treated as a state tax.

The *General revenue assistance to the States and Territories* component comprises payments made by the Commonwealth Government to the State and Territory Governments. These include BBA paid to ensure that State and Territory budgets are no worse off as a result of taxation reform, and National Competition Policy Payments which are paid subject to satisfactory progress with the implementation of specific National Competition Policy and related reforms.

The *Local government assistance* component relates to the provision of assistance to local government authorities through general purpose Financial Assistance Grants and untied local road grants. The increase in expenses for *Local government assistance* each year reflects the application of an escalation factor determined by the Treasurer with reference to the underlying movements in the CPI and population growth.

The *Revenue assistance to the States and Territories* component includes payments to compensate the States and Territories for the loss of companies' fees and fines that are now collected by the Commonwealth.

The *Assistance to other governments* component consists primarily of Offshore Petroleum Royalties/Fees to Western Australia for administration of petroleum exploration and production leases within Commonwealth jurisdiction. This payment is expected to decline between 2001-02 and 2002-03 due to a projected reduction in production. The payment is expected to increase over the forward years, largely due to projected increases in production (including from the Yodel gas field) and projected increases in crude oil, Liquid Nitrogen Gas (LNG) and Liquid Petroleum Gas (LPG) prices.

This component also includes compensation to the Australian Capital Territory for special fiscal needs arising from Canberra's status as the National Capital.

Expenses for the *General Purpose Inter-Government Transactions Sub-function* are projected to decrease over the years to 2004-05, largely due to projected increases in GST revenues causing corresponding decreases in BBA. BBA is projected to increase in 2005-06 as the loss of State and Territory revenue resulting from the abolition of debit taxes in that year will be included in the BBA calculation.

### **Natural disaster relief**

This sub-function comprises expenses associated with natural disaster relief. Following the Administrative Arrangement Orders of December 2001, responsibility for this sub-function transferred from the Finance and Administration portfolio to the Transport and Regional Services portfolio.

Under the Natural Disaster Relief Arrangements (NDRA), the Commonwealth reimburses part of the States' expenses on restoration payments and payments for other eligible disaster relief measures where the expenses exceed certain funding thresholds. A large part of NDRA payments are made as partial reimbursement for the relief of personal hardship and distress and the repair and restoration of essential State and local government assets.

Commonwealth assistance towards natural disaster relief reflects the unpredictability of these events in terms of incidence and severity. The peak in expenses in 2002-03 is driven largely by reimbursement of other governments for assistance provided to the victims of the 2001 Christmas bushfires in New South Wales. The forward estimates are based on a broad average of annual net payments over recent years.

Drought assistance is included within *Rural Assistance Sub-function (Agriculture, Forestry and Fishing Function)*.

### **Contingency reserve**

The Contingency Reserve is used in budget estimates reporting to reflect anticipated events that cannot be allocated to specific agency or functional areas. All items in the Contingency Reserve are allocated to specific agencies and functions for outcome reporting.

The Contingency Reserve affects the budget balances in the same manner as other expense categories. The Contingency Reserve is therefore not a reserve to fund unanticipated events or new policy decisions.

Items in the Contingency Reserve include:

- a regular conservative bias allowance to adjust for the historical tendency of forward year expense estimates for existing programmes to be understated in

aggregate. The conservative bias allowance is intended to improve the accuracy of the forward estimates by increasing estimated expenses in each of the forward years;

- a provision for underspends in the current year, adjusting for the historical tendency of agencies to overestimate expenses for the current financial year;
- commercial-in-confidence and national-security-in-confidence items that cannot be disclosed separately in agency and functional categories; and
- the effect of economic parameter revisions received too late in the process to be allocated against individual agency or functional classifications. The effect of these revisions is included as an aggregate item. An example of a late parameter revision would be the estimated impact of the Australian Industrial Relations Commission's Living Wage Case Decision released on 9 May 2002.

## **Asset sales**

The *Asset Sales Sub-function* includes expenses associated with the Government's major asset sales and associated administration costs.

The estimates for 2001-02 and 2002-03 reflect funding for a range of previously announced asset sales, including the Kingsford Smith and Sydney Basin Airports and scoping studies. The estimates in the later years relate to the assumed timing of the proposed sale of Telstra.

## Part II: General government net capital investment

### OVERVIEW

In 2002-03, forecast net capital investment has increased by \$326 million since the 2001-02 MYEFO, largely reflecting the construction of a purpose-built permanent immigration reception and processing centre on Christmas Island and lower than forecast net proceeds from sales of Defence and Defence Housing Authority (DHA) property.

Net capital investment estimates for the period from 2001-02 to 2005-06 are provided in Table 18.

**Table 18: Estimates of total Commonwealth general government net capital investment**

	2001-02		2002-03	2003-04	2004-05	2005-06
	MYEFO	Revised	Estimate	Projection		
<b>Total net capital investment (\$m)</b>	<b>-812</b>	<b>-550</b>	<b>-725</b>	<b>-634</b>	<b>-537</b>	<b>-370</b>
Real growth on previous year%(a)	-31.6	-53.7	29.2	-14.7	-17.2	-32.7
Per cent of GDP	-0.1	-0.1	-0.1	-0.1	-0.1	0.0

(a) Real growth is calculated using the non-farm gross domestic product (GDP) deflator.

Negative net capital investment of \$725 million is expected in 2002-03, largely reflecting the ongoing property sales programmes of the Department of Defence and the DHA.

### RECONCILIATION OF NET CAPITAL INVESTMENT SINCE THE 2001-02 BUDGET

Table 19 provides a reconciliation of the 2001-02 Budget, 2001-02 MYEFO and 2002-03 Budget net capital investment estimates, showing the effect of policy decisions and economic parameter and other variations since the estimates were published in the 2001-02 Budget.

**Table 19: Reconciliation of Commonwealth general government net capital investment**

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
<b>Net capital investment at 2001-02 Budget</b>	<b>-1,201</b>	<b>-364</b>	<b>-266</b>	<b>-236</b>
<b>Changes between 2001-02 Budget and MYEFO</b>				
Effect of policy decisions	506	-748	-160	-171
Effect of economic parameter and other variations	-118	61	28	30
<b>Total variations</b>	<b>388</b>	<b>-687</b>	<b>-132</b>	<b>-141</b>
<b>Net capital investment at 2001-02 MYEFO</b>	<b>-812</b>	<b>-1,051</b>	<b>-398</b>	<b>-377</b>
<b>Changes between MYEFO and 2002-03 Budget</b>				
Effect of policy decisions	184	186	81	103
Effect of economic parameter and other variations	79	140	-317	-263
<b>Total variations</b>	<b>262</b>	<b>326</b>	<b>-236</b>	<b>-160</b>
<b>Net capital investment at 2002-03 Budget</b>	<b>-550</b>	<b>-725</b>	<b>-634</b>	<b>-537</b>

## Policy decisions

Policy decisions since the 2001-02 MYEFO affecting net capital investment estimates include a number of initiatives associated with the introduction of new domestic security arrangements and programmes:

- \$27.5 million over four years (with \$5.1 million in associated depreciation) to Customs for provision of additional container and pallet x-ray machines and the development of database and analysis tools for border control authorities with access to international airline reservation and departure control systems;
- \$12.9 million over five years (with \$5.8 million in associated depreciation) to the Australian Federal Police (AFP) to enable a doubling of the AFP strike team capacity, provide enhanced access to telecommunications infrastructure in remote locations, provide equipment for use in close personal protection to enhance counter-terrorism capacity and enable an expansion of the Law Enforcement Cooperation Programme through placing additional AFP officers overseas; and
- \$136 million over four years for the Department of Defence for construction of training facilities for a permanent Tactical Assault Group; to build facilities for a permanent Incident Response Regiment to respond to chemical, biological, radiological, nuclear and explosive (CBRNE) incidents, to improve security infrastructure around military bases and improve IT equipment within the Defence Signals Directorate.

Other policy decisions since the 2001-02 MYEFO affecting net capital investment estimates, include:



- \$74.7 million in 2001-02 for the Department of and Immigration, Multicultural and Indigenous Affairs (DIMIA) and \$120.3 million (excluding depreciation of \$3.9 million) in 2002-03 provided to DIMIA and the Department of Transport and Regional Services for the construction of a purpose-built permanent immigration reception and processing centre on Christmas Island;
- \$65.4 million over four years (from 2003-04) to improve the facilities at the Australian Institute of Sport's Canberra Campus;
- A reduction of \$12 million over four years for capital funding for the National Archives of Australia;
- \$152 million over four years to enable the Department of Defence to make up an expected shortfall in its non-property sales programme proceeds, which were being invested in Defence capability;
- \$3.9 million in 2002-03 (with associated depreciation of \$3.4 million over four years) to the Department of Employment and Workplace Relations to enhance IT underpinning the Job Network; and
- Provision of an additional \$6.4 million to the ATO to enable modifications to IT systems to support administration of Superannuation Guarantee provisions. An additional \$2.8 million is also being provided to the ATO in 2001-02 to support the implementation of the baby bonus.

### **Parameter and other variations**

Since the 2001-02 MYEFO, parameter and other variations have led to an increase in estimated net capital investment of \$140 million in 2002-03. Variations in the Budget and forward years are largely due to:

- Revised forecasts of proceeds from planned Defence property sales;
- Lower levels of net property investment proceeds from the DHA (including sale and leaseback programme); and
- Reduction in certain classes of inventory by Defence.

### **NET CAPITAL INVESTMENT BY FUNCTION**

Table 20 provides estimates for Commonwealth general government net capital investment by function for the period 2001-02 to 2005-06.

**Table 20: Estimates of Commonwealth net capital investment by function**

	Estimates		Projections		
	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
General public services	-157	48	43	-48	-93
Defence	-384	-890	-400	-300	-223
Public order and safety	46	58	5	-5	-15
Education	-2	-1	0	8	0
Health	47	18	19	31	10
Social security and welfare	69	36	-24	-9	-16
Housing and community amenities	-239	-120	-61	-128	-9
Recreation and culture	-66	26	-4	12	9
Fuel and energy	0	1	0	0	0
Agriculture, forestry and fishing	2	0	-1	-2	-3
Manufacturing and mining	3	5	-2	1	-1
Transport and communications	20	53	17	2	-2
Other economic affairs	139	68	-6	-29	-26
Other purposes	-28	-27	-220	-70	0
<b>Net capital investment</b>	<b>-550</b>	<b>-725</b>	<b>-634</b>	<b>-537</b>	<b>-370</b>

Net capital investment is expected to fall between 2001-02 and 2002-03, largely due to movements within the *Defence* and *Housing and Community Amenities* functions. This largely reflects the rephasing of property sales by the Department of Defence from 2001-02 to 2002-03 and a change to the Defence Housing Authority's building and sales programme.

The remaining functions are expected to record positive net capital investment in 2002-03. This includes:

*General public services*, a net increase in estimated net capital investment to reflect:

- Investment by the ANSTO in a new nuclear reactor at Lucas Heights; investment by the ATO in IT infrastructure; the Department of Foreign Affairs and Trade's investment in an updated secure communications system; CSIRO's investment in finance leases for accommodation and the ABS's fitout for its new headquarters.
- Largely offset by property sales by the Department of Finance and Administration and CSIRO, and the run-off of the Commonwealth motor vehicle fleet finance leases as the fleet is moving onto operating leases.

*Public order and safety*, the purchase of additional container and pallet x-ray machines by the Australian Customs Service and other equipment related to new domestic security measures.

*Health*, the investment in IT infrastructure by the Department of Veterans' Affairs and the Health Insurance Commission.

*Social Security and Welfare*, the investment in IT infrastructure for Centrelink and the Department of Veterans Affairs.

*Recreation and Culture*, the completion of ABC building works at Ultimo in Sydney and at East Perth, the divestment of ABC properties at Adelaide Terrace in Perth and at Gore Hill in Sydney, the ongoing digital television conversion program by the ABC and SBS and the refurbishment of the National Gallery of Australia and capital works at the Australian Institute of Sport.

*Transport and Communications*, the construction of common use infrastructure by the Department of Transport and Regional Services, to support the Asia Pacific Space Centre project on Christmas Island.

*Other Economic Affairs*, the investment by DIMIA in enhanced detention facilities on mainland Australia and the construction of a purpose built permanent immigration reception and processing centre on Christmas Island.

## Appendix A: Expense measures

**Table A1: Expense measures since the 2001-02 MYEFO**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
A Stronger Tasmania	-	1.0	1.1	1.1
Beef Expo 2003 and Gracemere Saleyards	3.9	-	-	-
Boosting rural veterinary services	0.3	0.4	0.5	0.6
Enhancing animal health infrastructure	2.5	2.5	2.5	2.5
Exceptional Circumstances in the northern wheatbelt region in WA	9.5	6.3	-	-
Incentives for Environmental Management Systems in agriculture	-	-	-	-
Northern Australia Quarantine Strategy	-	-	-	4.7
Northern Mallee Pipeline - Stage 7 South	-	-	-	-
Reprioritisation of funding for the Southern Bluefin Tuna Scientific Research Programme	-1.2	-1.8	-	-
Reprioritising funding for the National Food Industry Strategy	-3.5	-5.8	-	-10.8
Southern Bluefin Tuna Scientific Research Programme	1.0	1.0	1.0	-
<b>Portfolio total</b>	<b>12.5</b>	<b>3.6</b>	<b>5.1</b>	<b>-1.9</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Attorney-General's Department</i>				
Australian Law Online	1.3	-	-	-
Continue to support community legal services	1.3	1.3	1.3	1.4
Enhanced aviation security	-	-	-	-
Enhancement of guarding services by the Australian Protective Service	-	-	-	-
Enhancement of national security coordination and counter-terrorism capabilities	3.6	3.6	3.6	3.6
E-security national agenda	0.9	0.9	0.9	0.9
Expanding the capacity of Crime Stoppers	0.2	0.2	0.3	0.3
Incident response capability	8.4	8.4	0.5	0.5
Increased funding for HIH Royal Commission	9.8	-	-	-
Keeping people out of the courts	7.0	6.6	6.7	6.9
<i>Australian Customs Service</i>				
Additional container x-ray machines	-	5.2	8.0	12.8
Additional funding to address unauthorised arrivals	-	-	-	-
Additional pallet x-ray machines	-	0.8	1.3	2.7
Doubling of Customs' National Marine Unit surveillance and response capacity	14.8	20.2	20.2	22.2
Enhanced Coastwatch communications capability	2.0	2.0	2.0	2.1
High frequency surface wave radar	3.0	3.2	3.2	3.4
Improved data access for border control agencies	6.6	7.0	13.0	6.4
Increased Coastwatch surveillance	9.5	9.5	9.5	-

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>ATTORNEY-GENERAL'S (continued)</b>				
<i>Australian Federal Police</i>				
Additional funding to address unauthorised arrivals	-	-	-	-
Australian Federal Police rapid response capability	0.9	1.4	2.2	-
Double the strike team capacity of the Australian Federal Police	5.0	13.6	12.7	12.7
Enhanced analytical and predictive crime capability for the Australian Bureau of Criminal Intelligence	1.4	2.8	2.9	3.9
Enhanced aviation security	30.5	30.8	31.2	31.6
Enhanced technical capacity	3.1	3.1	2.8	2.0
Enhancement of protective security services	27.1	27.4	27.7	27.9
E-security national agenda	1.7	1.7	1.7	1.7
Expand the research and development capability of the Australian Federal Police	0.3	0.4	0.4	0.5
Expansion of the Law Enforcement Cooperation Programme	3.8	11.8	13.7	13.7
Extension of Project Axiom	3.8	4.5	4.9	5.1
Extension of the National Heroin Signature Programme (NHSP) to cocaine and amphetamines	1.2	1.2	1.2	1.1
Increased number of explosive detector dogs at Australian airports	1.1	1.1	1.1	1.1
Provision of five boats to the Indonesian Police	0.9	0.2	0.2	0.2
<i>Australian Security Intelligence Organisation</i>				
Enhanced technical capacity	9.6	7.1	7.0	5.3
E-security national agenda	1.4	1.4	1.5	1.5
Increased funding to intelligence agencies	6.0	9.2	14.6	14.9
<i>High Court of Australia</i>				
Additional funding for the centenary celebrations of the High Court of Australia	0.2	0.7	-	-
<i>National Crime Authority</i>				
Enhanced technical capacity	2.5	1.8	1.7	0.9
<b>Portfolio total</b>	<b>168.7</b>	<b>189.1</b>	<b>197.9</b>	<b>187.3</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australia Council</i>				
A national media-based youth arts festival	1.0	1.0	-	-
Continuation of funding for the Major Festivals Initiative	0.8	0.8	0.8	0.8
Continuation of funding for the Young and Emerging Artists Initiative	1.3	1.3	1.3	1.3
<i>Australian Sports Commission</i>				
Enhanced facilities at the Australian Institute of Sport	-	-	-	0.7

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued)</b>				
<i>Department of Communications, Information Technology and the Arts</i>				
Additional funding for the National Institute of Dramatic Art	0.7	-	-	-
Australia Business Arts Foundation	1.6	1.6	1.6	1.6
Better targeting of the telecommunications needs of indigenous communities	-8.3	-	-	-
Commercial Radio Black Spots Programme	1.0	2.0	2.0	-
Continuation of funding for heritage collections	0.3	0.3	0.3	0.3
Continuation of funding for the Australian Museums Online Programme	0.2	0.2	0.2	0.2
Continuation of funding for the Contemporary Music Touring Programme	0.3	0.3	0.3	0.3
Continuation of funding for the National Institute of Circus Arts	0.7	1.4	1.4	1.4
E-security national agenda	-	-	-	-
Maintaining community broadcasting infrastructure and multicultural funding	1.6	1.6	1.7	1.7
Reprioritisation of funding from the Online Technical Assistance Programme	-1.0	-1.0	-	-
Telecommunications Action Plan for remote indigenous communities	2.3	3.8	2.2	-
Television Black Spots - alternative technical solutions	3.9	7.0	2.4	-
<i>National Archives of Australia</i>				
Reprioritisation of funding from the National Archives of Australia	-1.0	-1.0	-1.0	-1.0
<i>National Museum of Australia</i>				
Additional funding for the National Museum of Australia	9.0	9.2	9.4	9.6
<i>Special Broadcasting Service Corporation</i>				
Extension of SBS Television to population areas with 5,000 to 10,000 people	0.3	1.4	2.0	2.0
<b>Portfolio total</b>	<b>14.5</b>	<b>29.8</b>	<b>24.4</b>	<b>18.8</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
Additional funding for increased coastal surveillance	22.3	-	-	-
Additional funding for the War Against Terrorism	194.0	-	-	-
Commonwealth Heads of Government Meeting (CHOGM) in Queensland	-	-	-	-
Counter-terrorism: improving operational capacity	10.2	-	-	-
Defence Communications Project	26.3	18.5	25.3	38.5
Enhanced protective security	27.9	-	-	-

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>DEFENCE (continued)</b>				
Enhancement to Defence's tactical response capability	32.6	37.8	28.8	33.4
E-security national agenda	2.0	2.0	2.0	2.0
Incident response capability	18.0	21.0	22.0	24.0
Increased funding to intelligence agencies	7.4	4.3	4.3	4.3
Increased munitions war-stocks	-	-	-	-
Reprioritisation of Defence administrative spending to operational requirements	-97.0	-	-	-
Rescheduling of major capital equipment acquisitions	-150.0	153.8	-	-
<b>Portfolio total</b>	<b>93.7</b>	<b>237.3</b>	<b>82.4</b>	<b>102.2</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Department of Education, Science and Training</i>				
Actuarial assessment of unfunded higher education superannuation	-	-	-	-
Australia's radioactive waste management strategy	2.3	2.3	5.3	-
Expanding School Based New Apprenticeships	4.2	9.1	9.2	9.2
Extension of the English as a Second Language - New Arrivals Programme	3.2	3.5	3.7	3.9
Improving information technology skills for older workers	5.8	5.8	5.8	5.8
Increase in the permanent migrant intake	7.2	13.3	19.7	27.1
Innovation New Apprenticeship Incentive	2.5	6.6	6.6	6.6
Maintaining funding to the Anglo-Australian Telescope Board	-	-	-	0.4
Quality Teacher Programme	-	-	-	-
Rationalisation of funding for State and Territory Industry Training Advisory Bodies	-5.1	-2.5	-5.3	-2.5
Recognising and improving the capacity of people with a disability	-	14.4	10.4	10.9
Reprioritisation of portfolio resourcing	-8.2	-	-	-
Review of Australia's veterinary profession to address the shortage of rural based large livestock veterinarians	0.1	-	-	-
The General Sir John Monash Awards	-	-	-	-
University of Tasmania - Graduate Diploma in Environment and Planning	0.2	0.1	0.1	-
<b>Portfolio total</b>	<b>12.2</b>	<b>52.6</b>	<b>55.3</b>	<b>61.3</b>
<b>EMPLOYMENT AND WORKPLACE RELATIONS</b>				
<i>Australian Industrial Registry</i>				
Funding to support the appointment of additional Members to the Australian Industrial Relations Commission	2.2	2.3	2.4	2.5
<i>Department of Employment and Workplace Relations</i>				
Arrangements for the Third Employment Services Contract	-	-0.3	-20.4	-44.0
Recognising and improving the capacity of people with a disability	-	12.4	12.9	13.5
<b>Portfolio total</b>	<b>2.2</b>	<b>14.4</b>	<b>-5.1</b>	<b>-28.0</b>

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>ENVIRONMENT AND HERITAGE</b>				
<i>Australian Greenhouse Office</i>				
Expansion of the market for Biofuels	-	-	-	-
Rationalisation of Australian Greenhouse Office Programmes	-5.7	-	-	-
<i>Department of the Environment and Heritage</i>				
Development of sewerage schemes for Boat Harbour and Sisters Beach, Tasmania	1.0	1.0	1.0	-
<i>National Oceans Office</i>				
National Oceans Policy	-	-	-	-
<i>Sydney Harbour Federation Trust</i>				
Additional funding for the Sydney Harbour Federation Trust	10.5	-	-	-
<b>Portfolio total</b>	<b>5.8</b>	<b>1.0</b>	<b>1.0</b>	<b>-</b>
<b>FAMILY AND COMMUNITY SERVICES</b>				
<i>Department of Family and Community Services</i>				
Additional funding for changes to social security arrangements with New Zealand	0.2	2.1	1.6	1.9
Better monitoring of preparing for Work Activity Agreements	-27.9	-67.1	-53.4	-55.6
Changes to the indexation provisions for Commonwealth support of the child care sector	-	-	-	-
Compliance Package - assurance, research and development	0.6	-3.2	-3.7	-4.1
Compliance Package - prevention and detection	-62.9	-60.6	-74.3	-76.1
Exceptional Circumstances in the northern wheatbelt region in WA	0.4	0.4	-	-
Ex-gratia payments to volunteer firefighters for lost income - New South Wales bushfires 2001-02	-	-	-	-
Extension of funding to support family relationships	5.3	-	-	-
Extension of the Family and Community Networks Initiative	-1.4	-	-	-
Extension of waiver provision for Newstart recipients	0.7	0.7	0.7	0.7
Four new international social security agreements	-	3.2	1.9	1.5
Implementation of certain Australians Working Together measures	-39.2	16.6	1.7	-
Index the ceiling rate of income support supplement for war widows	-0.5	-0.6	-0.5	-0.5
Increase in the permanent migrant intake	16.5	45.1	79.3	117.4
National reciprocal transport concessions for State Seniors Card holders	7.4	5.7	5.9	6.4
Prime Minister's Community Business Partnership	-	2.5	2.6	-
Recognising and improving the work capacity of people with a disability	7.2	-13.9	-120.0	-279.2
Reduced penalties for non-attendance at interviews	34.0	30.0	33.3	35.0
Reprioritisation of departmental resources	-5.0	-	-	-



**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>FAMILY AND COMMUNITY SERVICES (continued)</b>				
Restricting activity test exemptions for Newstart Allowance and Youth Allowance recipients	-	-	-	-
Revised funding for the Stronger Families and Communities Strategy	-10.0	-6.5	-	-
Third Commonwealth State Territory Disability Agreement	105.3	107.3	109.4	111.6
<b>Portfolio total</b>	<b>30.6</b>	<b>61.7</b>	<b>-15.5</b>	<b>-141.0</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Department of Finance and Administration</i>				
Continuation of resourcing for asset sales function	12.3	-	-	-
Deferral of the sale of the Commonwealth's shareholding in the Australian Submarine Corporation - sale costs	-7.9	-	-	-
More efficient administration of the Australian Antarctic Southern Ocean Profiling Project	-3.0	-	-	-
<b>Portfolio total</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FOREIGN AFFAIRS AND TRADE</b>				
<i>Australian Agency for International Development</i>				
Additional funding to address unauthorised arrivals	-	-	-	-
Australia's contribution to the Heavily Indebted Poor Countries (HPIC) Initiative	-	-	-	-
Funding under the Memorandum of Understanding with Nauru to address unauthorised arrivals	7.0	-	-	-
<i>Australian Secret Intelligence Service</i>				
Increased funding to intelligence agencies	1.7	5.8	6.6	6.7
<i>Australian Trade Commission</i>				
Increase in the Export Market Development Grants minimum grant	0.4	0.4	0.4	0.4
Integration and expansion of TradeStart and Export Access Programmes	5.0	5.5	5.5	5.5
<i>Department of Foreign Affairs and Trade</i>				
Ambassador for People Smuggling Issues	-	-	-	-
Continuation of Australia's temporary presence on Nauru	2.1	-	-	-
Research and development of a biometric identifier for the Australian passport	3.0	-	-	-
<b>Portfolio total</b>	<b>19.2</b>	<b>11.7</b>	<b>12.5</b>	<b>12.6</b>
<b>HEALTH AND AGEING</b>				
<i>Department of Health and Ageing</i>				
Additional Commonwealth support for the Royal Flying Doctor Service	-	-	-	-
Additional support for carers of older Australians	4.9	7.4	7.6	10.1

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>HEALTH AND AGEING (continued)</b>				
Adjustment of the Reciprocal Health Care Agreement with New Zealand	-	-	-	-
Allowing new aged care residents a 28 day period of grace from income testing	-	-	-	-
Asthma Management Programme - restoration of funding	1.0	-	-	-
Better arthritis care	1.5	3.0	3.5	3.5
Better treatment for cancer patients	13.1	18.8	20.4	20.4
Capital assistance for aged care in rural and remote Australia	8.3	18.0	25.9	26.6
Capital works at the Children's Cancer Research Institute	-	-	-	-
Community partnerships initiative	2.0	4.0	4.0	4.0
Croc Festivals	0.3	0.3	0.3	0.3
Delisting of Caverject from the Pharmaceutical Benefits Scheme	-7.4	-7.6	-7.0	-6.5
Enhanced assessment of concessional residential status	-5.6	-13.2	-13.6	-13.9
Exceptional Circumstances in the northern wheatbelt region in WA	0.4	0.3	-	-
Extend the Gold Card to Australian veterans over 70 years of age with post World War II qualifying service	-15.8	-17.5	-19.9	-22.3
Incident response capability	10.7	0.2	0.2	0.2
Increase in the permanent migrant intake	6.9	20.3	35.0	50.8
Increased access to Medicare claiming through pharmacies	-	-	-	-
Increased funding for aged care administration	7.5	8.2	2.1	2.8
Increased funding for drug treatment	-	-	-	-
Increased residential aged care subsidies	45.1	45.9	46.9	47.9
Investment in preventive health	-	-	-	-
Listing of Glivec on the Pharmaceutical Benefits Scheme	23.4	27.0	27.7	28.7
Medical Specialist Outreach Assistance Programme - restoration of funding	4.0	-	-	-
More aged care nurses	3.2	5.9	8.5	8.7
More care services in retirement villages	1.2	2.9	4.9	5.8
More community aged care packages	1.6	6.1	17.1	44.0
More doctors for outer metropolitan areas	12.0	18.0	25.0	25.0
More support for ageing carers of people with disabilities	5.4	6.9	7.7	10.1
More support for carers of people with dementia	2.2	5.3	6.2	6.3
National Illicit Drug Strategy	-	-	-	-
Palliative care in the community	10.0	15.0	15.0	15.0
Productive Ageing Centre	0.3	0.3	0.3	0.3
Recognising and improving the capacity of people with a disability	-	-0.1	-1.5	-3.5

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>HEALTH AND AGEING (continued)</b>				
Reduction in funding for No or Known Gaps information programme to fund capital works at the Children's Cancer Research Institute	-	-	-	-
Retractable needles and syringes	1.5	6.0	8.0	12.0
Review of pricing arrangements for residential aged care subsidies	3.7	3.4	..	..
Staying at home - care and support for older Australians	-	-	-	-
Support for aged care training	3.2	4.8	5.9	7.2
Support for Human Pituitary Hormone recipients	-	-	-	-
Sustaining the Pharmaceutical Benefits Scheme - facilitating the use of generic medicines	-17.7	-27.2	-28.4	-30.4
Sustaining the Pharmaceutical Benefits Scheme - improved data analysis and compliance activities	-	-	-	-
Sustaining the Pharmaceutical Benefits Scheme - increased information provision to doctors by industry	-25.7	-35.1	-36.7	-40.0
Sustaining the Pharmaceutical Benefits Scheme - realigning patient co-payments and safety nets	-284.3	-266.4	-256.9	-247.9
Sustaining the Pharmaceutical Benefits Scheme - reductions in pharmacy fraud	-23.3	-52.1	-53.7	-58.0
Sustaining the Pharmaceutical Benefits Scheme - reinforcing the commitment to evidence based medicine	-9.5	-61.6	-82.2	-91.4
Sustaining the Pharmaceutical Benefits Scheme - restrictions on doctor shopping	-1.8	-4.6	-4.4	-4.4
Visudyne Therapy	23.8	29.6	26.6	24.8
Withdrawal of funding for 'GP House'	-	-	-	-
<b>Portfolio total</b>	<b>-193.7</b>	<b>-227.9</b>	<b>-205.5</b>	<b>-163.8</b>
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
<i>Aboriginal and Torres Strait Islander Commission</i>				
Enhanced training of directors of indigenous organisations	-	-	-	-
<i>Department of Immigration and Multicultural and Indigenous Affairs</i>				
Additional funding to address unauthorised arrivals	-	-	-	-
Australian Citizenship promotion	1.0	1.0	1.0	1.0
Construction of a purpose built permanent immigration reception and processing centre on Christmas Island	9.5	8.3	8.3	8.3
Continuation of the Adult Migrant English Programme special initiatives	-	4.5	4.5	4.5
Continuation of the Living in Harmony initiative	3.5	3.5	3.5	3.5
Extension of Safehaven allowance	-	-	-	-
Extension of Temporary Protection Visa allowance	-	-	-	-
Funding package to the Afghan Interim Authority	10.0	-	-	-

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS (continued)</b>				
Increase in the permanent migrant intake	0.6	5.4	6.2	6.3
Location of new detention facility in South-East Queensland: offsetting reduction in costs	nfp	nfp	nfp	nfp
Long term strategy for immigration detention facilities in Australia	2.5	0.3	0.3	0.3
Maintain funding for the Integrated Humanitarian Settlement Strategy	-	-	-	-
Onshore savings flowing from the offshore processing strategy	-85.8	-86.9	-88.0	-89.3
Reception and administration of successful asylum seekers	1.4	1.4	1.4	1.4
Reception and processing of asylum seekers at offshore locations (Australian external territories)	81.9	122.8	124.4	126.0
Reception and processing of asylum seekers at offshore locations (third countries)	129.3	99.3	100.5	101.7
Regional Cooperation Agreement	18.4	18.7	19.0	19.3
Reintegration assistance for Afghans	2.3	1.7	1.1	-
Reintegration assistance for non-Afghans	0.7	-	-	-
Response to the Senate Inquiry for Child Migration	-	-	-	-
Settlement services for migrants and humanitarian entrants	-	-	-	-
<b>Portfolio total</b>	<b>175.4</b>	<b>180.0</b>	<b>182.2</b>	<b>183.0</b>
<b>INDUSTRY, TOURISM AND RESOURCES</b>				
<i>Australian Tourist Commission</i>				
Further funding for the Australian Tourist Commission	6.0	4.0	4.0	4.0
<i>Department of Industry, Tourism and Resources</i>				
Additional funding for the See Australia Domestic Tourism Initiative	1.5	1.5	2.5	2.5
Assistance to the Methanex Corporation	20.0	65.0	-	-
Assistance to Mitsubishi Motors Corporation	-	-	35.0	-
Assistance to Rio Tinto to commercialise new iron smelting technology	-	-	50.0	50.0
Australian Stockman's Hall of Fame and Outback Heritage Centre	-	-	-	-
Back of Bourke Exhibition Centre	-	-	-	-
Cairns Foreshore Promenade Development project	2.0	2.0	2.0	3.0
Derby Hydrogen Tidal Study	0.7	0.3	-	-
Development of a National Offshore Safety Authority	-	2.5	-	-
Fishing Hall of Fame and World Heritage Fraser Island Interpretive Centre Project	-	-	-	-
Funding for the Travel Compensation Fund	-	-	-	-
Increased funding for the Regional Tourism Programme	1.5	1.5	2.5	2.5
Increased industry assistance to small and medium enterprises	3.1	-	-	-
Invest Australia - investment promotion and attraction	11.0	11.0	11.0	11.0

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>INDUSTRY, TOURISM AND RESOURCES (continued)</b>				
Mentor Resources	0.1	0.1	0.1	-
Rationalisation of assistance to the printing industry	-10.3	-8.9	-	-
Rationalisation of assistance to the Textiles, Clothing and Footwear (TCF) industry	-11.0	-6.9	-4.9	4.6
Rationalisation of assistance to the tourism industry	-	-0.5	-0.5	-0.5
Rationalisation of funding for international organisations contributions	-	-0.2	-0.2	-0.2
Signage for Magnetic Island	-	-	-	-
Small Business Assistance Programme	8.9	10.0	10.0	10.0
Tasmanian regional tourism infrastructure initiatives	0.5	0.6	0.4	-
Wine Industry Programme	-	-	-	-
<i>Geoscience Australia</i>				
New geoscience funding for securing Australia's oil supply	7.0	-	-	-
<b>Portfolio total</b>	<b>40.9</b>	<b>82.0</b>	<b>111.9</b>	<b>86.9</b>
<b>PRIME MINISTER AND CABINET</b>				
<i>Department of the Prime Minister and Cabinet</i>				
Commonwealth Heads of Government Meeting (CHOGM) in Queensland	-	-	-	-
<i>Office of National Assessments</i>				
Increased funding to intelligence agencies	0.6	0.6	0.6	0.6
<i>Office of the Commonwealth Ombudsman</i>				
Enhanced complaint management by the Ombudsman's office	0.1	0.3	0.3	0.3
<b>Portfolio total</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Additional funding to address unauthorised arrivals	-	-	-	-
Artificial Reef Mackay	-	-	-	-
Australian Stockman's Hall of Fame and Outback Heritage Centre	-	-	-	-
Cairns Foreshore Promenade Development project	-2.0	-2.0	-	-
Commonwealth contribution to the construction of the Lismore flood levee	-	-	-	-
Commonwealth contribution to the New South Wales Bushfire Relief Appeal	-	-	-	-
Construction of a purpose built permanent immigration reception and processing centre on Christmas Island	11.6	1.5	1.5	1.5
Construction of the Bert Hinkler Hall of Aviation Museum	1.5	-	-	-
East Coast Very High Speed Train Scoping Study	-5.0	-	-	-

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>TRANSPORT AND REGIONAL SERVICES (continued)</b>				
Enhancement of the Bass Strait Passenger Vehicle Equalisation Scheme	3.6	3.7	3.9	4.0
Extension of the Federal Road Safety Black Spot Programme	45.0	45.0	45.0	45.0
Feasibility study for the Gold Coast Light Rail Project	0.7	-	-	-
Further Commonwealth contribution to the New South Wales Bushfires	-	-	-	-
National Highway and Roads of National Importance	13.0	26.2	27.7	70.7
Payment scheme for Airservices Australia's enroute charges	6.0	6.0	6.1	-
Strengthening air safety	2.0	2.0	2.0	2.0
Waterfront asbestos - related injury compensation	20.0	20.0	-	-
<b>Portfolio total</b>	<b>96.3</b>	<b>102.4</b>	<b>86.2</b>	<b>123.2</b>
<b>TREASURY</b>				
<i>Australian Prudential Regulation Authority</i>				
Additional funding for the Australian Prudential Regulation Authority for costs associated with the HIH Royal Commission	-	-	-	-
Authorised deposit-taking institutions and insurance cost recovery	3.0	3.0	3.0	3.0
<i>Australian Securities and Investments Commission</i>				
Additional funding for the Australian Securities and Investments Commission for costs associated with the HIH Royal Commission	-	-	-	-
Australian Securities and Investments Commission Output Pricing Review	19.4	25.8	22.3	23.3
Implementation of expanded obligations under the Financial Services Reform Act	-	-	-	-
<i>Australian Taxation Office</i>				
A Better Superannuation System - allow temporary residents to access their superannuation after they have departed Australia	-	-	-	-
A Better Superannuation System - Government superannuation co-contribution for low income earners	-	95.0	100.0	105.0
A Better Superannuation System - Government superannuation co-contributions for low income earners - implementation and administration	-	-	-	-
A Better Superannuation System - quarterly Superannuation Guarantee contributions	10.9	7.0	7.0	7.0
ATO pricing review - enhanced ATO resources	358.9	401.9	387.0	415.4
Baby Bonus	85.0	250.0	390.0	510.0
Baby Bonus - implementation and administration	-	-	-	-
Choice of superannuation fund and portability	-	-	-	-
Compliance Package - prevention and detection	2.9	2.0	2.1	2.1

**Table A1: Expense measures since the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>TREASURY (continued)</b>				
Extension to the Diesel Fuel Rebate Scheme	12.8	21.4	21.4	21.4
Intergovernmental Agreement - enhanced resources for GST administration	184.5	201.8	218.2	235.8
Streamlined Company Registration	3.0	-	-	-
<i>Department of the Treasury</i>				
Intergovernmental Agreement - enhanced resources for GST administration (BBA)	19.5	-15.6	-8.4	-3.4
Establishment of the Office of the Inspector General of Taxation	2.0	2.0	2.0	2.0
Extension of the Additional First Home Owners Scheme	30.0	5.0	-	-
Reduction in Budget Balancing Assistance as a result of not indexing petroleum Revenue Replacement Payments forgone	-139.0	-165.1	-173.3	-266.5
Reduction in Budget Balancing Assistance resulting from the National excise scheme for Low Alcohol Beer	-62.9	-59.5	-58.0	-61.3
Review of competition provisions of the Trade Practices Act	-	-	-	-
United Medical Protection (UMP)/ Australasian Medical Insurance Ltd (AMIL) insolvency adviser	2.0	-	-	-
United Medical Protection (UMP)/ Australasian Medical Insurance Ltd (AMIL) Guarantee	*	*	*	*
<b>Portfolio total</b>	<b>531.9</b>	<b>774.6</b>	<b>913.3</b>	<b>993.8</b>
<b>VETERANS' AFFAIRS</b>				
<i>Department of Veterans' Affairs</i>				
Extend the Gold Card to Australian veterans over 70 years of age with post World War II qualifying service	32.2	38.5	45.2	52.7
Increased residential aged care subsidies	6.1	6.3	6.4	6.5
Index the ceiling rate of income support supplement for war widows	5.8	15.7	26.9	38.2
Sustaining the Pharmaceutical Benefits Scheme - facilitating the use of generic medicines	-1.3	-1.9	-2.0	-2.0
Sustaining the Pharmaceutical Benefits Scheme - increased information provision to doctors by industry	-1.9	-2.5	-2.6	-2.7
Sustaining the Pharmaceutical Benefits Scheme - realigning patient co-payments and safety nets	-14.3	-14.8	-15.2	-15.4
Sustaining the Pharmaceutical Benefits Scheme - reductions in pharmacy fraud	-1.8	-4.0	-4.1	-4.2
Sustaining the Pharmaceutical Benefits Scheme - reinforcing the commitment to evidence based medicine	-2.6	-8.9	-11.6	-12.8
Sustaining the Pharmaceutical Benefits Scheme - restrictions on doctor shopping	-0.1	-0.3	-0.3	-0.3
Visudyne Therapy	7.9	9.9	8.9	8.3
<b>Portfolio total</b>	<b>30.1</b>	<b>37.9</b>	<b>51.7</b>	<b>68.3</b>
<b>Total expense measures</b>	<b>1,042.4</b>	<b>1,551.0</b>	<b>1,498.9</b>	<b>1,503.9</b>

**Table A2: Expense measures up to the 2001-02 MYEFO**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
<i>Department of Agriculture, Fisheries and Forestry</i>				
Eradication of the red imported fire ant	15.5	15.3	6.9	6.9
Exceptional circumstances drought assistance to Western Australia and Queensland	24.4	0.8	-	-
Ex-gratia emergency income support to farmers in Queensland and Western Australia	-	-	-	-
Extension of Lamb Industry Development Programme - Levy Alleviation	-	-	-	-
National Food Industry Strategy - Additional Funding for the Food Market Development Programme and Australian participation in international food standard setting bodies	1.5	1.5	1.6	1.6
National Food Industry Strategy - Continuation and expansion of the Technical Market Access Programme	3.3	3.3	3.4	3.5
National Food Industry Strategy - Food Industry supply chain management and food safety and quality initiative	3.0	3.0	3.1	3.1
National Food Industry Strategy - Funding for Implementation	2.9	2.8	3.0	2.9
National Food Industry Strategy - Reprioritising funding from Farmbis	-1.9	-5.3	-	-
National Food Industry Strategy - Reprioritising funding from the New Industries Development Programme	-0.3	-0.3	-0.3	-0.3
National Food Industry Strategy - Reprioritising funding from the Supermarket to Asia Council Programme	-5.0	-5.0	-5.0	-
<b>Portfolio total</b>	<b>43.4</b>	<b>16.1</b>	<b>12.7</b>	<b>17.7</b>
<b>ATTORNEY-GENERAL'S</b>				
<i>Attorney General's Department</i>				
Reform of the Marriage Celebrants Programme	0.2	0.2	0.2	-
Royal Commission witness costs	-	-	-	-
<b>Portfolio total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>



**Table A2: Expense measures up to the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Film Commission</i>				
Film Industry Package - Additional development funding for Australian films	3.0	5.0	5.1	5.2
Film Industry Package - innovative broadband content	0.5	0.7	0.9	-
Film Industry Package - single point of contact for foreign film producers	1.0	1.0	1.0	1.1
<i>Australian Film, Television and Radio School</i>				
Film Industry Package - digital training capability	1.0	1.0	1.0	1.1
<i>Department of Communications, Information Technology and the Arts</i>				
Film Industry Package - administration of refundable tax offset for large scale film production	0.8	0.7	0.7	0.8
Film Industry Package - Community Service Obligations for Film Australia	2.7	2.8	2.8	2.9
Film Industry Package - Increased funding for television drama	7.5	10.5	10.5	10.5
Film Industry Package - Increasing access to affordable bandwidth	0.3	-	-	-
Grant to the Prospectors' and Miners' Hall of Fame - Western Australia	-	-	-	-
<i>National Museum of Australia</i>				
Additional funding for the National Museum of Australia to meet higher visitor numbers	-	-	-	-
<i>National Office of Information Economy</i>				
Small Business Assistance Package - Accelerating the uptake of E-Commerce by small business	5.0	-	-	-
<i>Special Broadcasting Service Corporation</i>				
Film Industry Package - Increased funding for SBS independent	7.0	8.6	8.8	9.0
<b>Portfolio total</b>	<b>28.8</b>	<b>30.3</b>	<b>31.0</b>	<b>30.6</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
Extension of Peace Monitoring Group in Bougainville	-	-	-	-
Indexation of military superannuation	9.0	9.0	10.0	-
Proceeds of Defence Property Sales	-	-	-	-
Reallocation of Federation Funds for St Paul's Anglican Cathedral	-	-	-	-
<b>Portfolio total</b>	<b>9.0</b>	<b>9.0</b>	<b>10.0</b>	<b>-</b>

**Table A2: Expense measures up to the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>EDUCATION, TRAINING AND YOUTH AFFAIRS</b>				
<i>Australian Research Council</i>				
Additional Resourcing for the Australian Research Council	1.5	1.5	1.5	1.5
<i>Department of Education, Training and Youth Affairs</i>				
Parents and Community Education Information Programme	-	-	-	-
<b>Portfolio total</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS</b>				
<i>Department of Employment, Workplace Relations and Small Business</i>				
Enhanced Protection of Employee Entitlements - The General Employee Entitlements and Redundancy Scheme	27.1	68.4	69.9	71.3
Small Business Assistance Package - Development of an E-Commerce Business Authentication Framework	1.3	1.3	0.7	-
Small Business Assistance Package - Extend the Business Entry Point to include a Business Resource Facility	0.7	0.7	-	-
Special Employee Entitlements Scheme for Ansett	1.1	1.0	1.0	1.1
<b>Portfolio total</b>	<b>30.2</b>	<b>71.4</b>	<b>71.6</b>	<b>72.4</b>
<b>ENVIRONMENT AND HERITAGE</b>				
<i>Department of the Environment and Heritage</i>				
Reallocation of Federation Funds for St Paul's Anglican Cathedral	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FAMILY AND COMMUNITY SERVICES</b>				
<i>Department of Family and Community Services</i>				
Compliance Package	-126.0	-106.0	-106.0	-106.0
Risk Profiling	-117.0	-117.0	-117.0	-117.0
<b>Portfolio total</b>	<b>-243.0</b>	<b>-223.0</b>	<b>-223.0</b>	<b>-223.0</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Department of Finance and Administration</i>				
Changes to the Parliamentary Contributory Superannuation Scheme	-0.2	-0.3	-0.5	-
Royal Commission into Collapse of HIH Insurance Group	1.0	-	-	-
Royal Commission into the Building Industry	25.0	-	-	-
Sugar Industry Assistance Package - Extension of Income Support	-	-	-	-
<i>Office of Asset Sales and Commercial Support</i>				
Privatisation of the Australian Submarine Corporation Pty Limited - Sale Costs	7.9	-	-	-
<b>Portfolio total</b>	<b>33.6</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-</b>

**Table A2: Expense measures up to the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>FOREIGN AFFAIRS AND TRADE</b>				
<i>Australian Agency for International Development</i>				
Additional Funding to support displaced Afghans	-	-	-	-
Funding to manage unauthorised arrivals	-	-	-	-
<i>Department of Foreign Affairs and Trade</i>				
Australian Television Service to the Asia-Pacific Region	17.4	17.8	18.2	18.6
Extension of the International Peace Monitoring Team Deployment in the Solomon Islands	-	-	-	-
Sale of the Export Finance and Insurance Corporation Short Term Credit Facility	-	-	-	-
<b>Portfolio total</b>	<b>17.4</b>	<b>17.8</b>	<b>18.2</b>	<b>18.6</b>
<b>HEALTH AND AGED CARE</b>				
<i>Department of Health and Aged Care</i>				
Community Pharmacy - Pharmaceutical Benefits Scheme dispensing costs	23.7	23.9	24.6	25.3
Establishment of a Trans-Tasman Therapeutic Goods Agency	2.0	-	-	-
Exceptional circumstances drought assistance to Western Australia and Queensland	2.1	0.3	-	-
Funding for the provision of Herceptin to patients with metastatic breast cancer	13.2	14.5	15.9	17.5
Increase in Schedule Fees for emergency-after hours attendances provided by other medical practitioners	6.2	6.2	5.6	5.3
Prevention of Q Fever in livestock farmers	4.1	1.7	-	-
Reform of the Australian Blood Banking and Plasma Product Sector	0.8	-	-	-
Review of arrangements for pharmaceutical wholesaling under the Pharmaceutical Benefits Scheme	-	-	-	-
<b>Portfolio total</b>	<b>52.0</b>	<b>46.6</b>	<b>46.2</b>	<b>48.1</b>
<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>				
<i>Department of Immigration and Multicultural Affairs</i>				
Funding to manage unauthorised arrivals	4.4	5.2	5.2	5.2
<b>Portfolio total</b>	<b>4.4</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
<b>INDUSTRY, SCIENCE AND RESOURCES</b>				
<i>Department of Industry, Science and Resources</i>				
Assistance for small business in the tourism sector - affected by the collapse of Ansett	-	-	-	-
Council of Australian Governments Review of Energy Market Directions	-	-	-	-
Funding for Asia Pacific Space Centre	10.0	15.4	-	-
Funding for AusIndustry Regional Office Network	2.0	2.0	-	-
Further Tourism Promotion	-	-	-	-
Small Business Assistance Package - Enhancing small business participation in major projects	-	-	-	-
<b>Portfolio total</b>	<b>12.0</b>	<b>17.4</b>	<b>-</b>	<b>-</b>

**Table A2: Expense measures up to the 2001-02 MYEFO (continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Ansett - Rapid Route Recovery Scheme	-	-	-	-
Relief for stranded Ansett passengers	-	-	-	-
Stronger Regions Programme - Awareness raising and access to information	1.7	1.7	1.7	-
Stronger Regions Programme - Regional business development analysis	0.4	-	-	-
Stronger Regions Programme - Sustainable regions	37.3	29.3	25.9	-
Structural Adjustment Programme for the Wide Bay Burnett region in Queensland	-	-	-	-
Tamworth Australasian-Pacific Aeronautical College	1.1	1.1	0.3	-
<b>Portfolio total</b>	<b>40.4</b>	<b>32.1</b>	<b>27.9</b>	<b>-</b>
<b>TREASURY</b>				
<i>Australian Prudential Regulation Authority</i>				
Prudential Supervision of Superannuation	3.1	3.1	3.1	3.1
<i>Australian Taxation Office</i>				
Fuel Sales Grant Scheme - Sales at sea by mother ships	1.2	1.2	1.2	-
Increased resourcing for the Australian Taxation Office	-	-	-	-
<i>Department of the Treasury</i>				
Availability of Decreasing adjustments on insurance settlements	15.0	15.0	15.0	-
Change to GST Treatment of Motor Vehicles	-	-	-	-
<b>Portfolio total</b>	<b>19.3</b>	<b>19.3</b>	<b>19.3</b>	<b>3.1</b>
<b>VETERANS' AFFAIRS</b>				
<i>Department of Veterans' Affairs</i>				
Community Pharmacy - Pharmaceutical Benefits Scheme dispensing costs	2.4	2.6	2.5	2.7
<b>Portfolio total</b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>
<b>Total expense measures</b>	<b>51.6</b>	<b>46.4</b>	<b>22.8</b>	<b>-23.0</b>

## Appendix B: Net capital investment measures

**Table B1: Net capital investment measures since the 2001-02 MYEFO**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>ATTORNEY-GENERAL'S</b>				
<i>Australian Customs Service</i>				
Additional container x-ray machines	6.0	4.1	1.6	-1.4
Additional funding to address unauthorised arrivals	-	-	-	-
Additional pallet x-ray machines	2.0	0.8	0.8	-0.8
Doubling of Customs' National Marine Unit surveillance and response capacity	-1.5	-3.0	-3.0	-3.0
Improved data access for border control agencies	-	9.3	-	-
<i>Australian Federal Police</i>				
Australian Federal Police rapid response capability	1.0	0.5	..	-
Double the strike team capacity of the Australian Federal Police	-0.1	0.6	1.1	-0.9
Enhanced analytical and predictive crime capability for the Australian Bureau of Criminal Intelligence	-	-0.2	-0.5	-0.7
Enhancement of protective security services	-	-	-	-
E-security national agenda	-0.4	-0.4	-0.4	-0.4
Expansion of the Law Enforcement Cooperation Programme	2.9	0.3	-0.8	-0.7
Extension of Project Axiom	0.6	0.4	0.2	0.1
<i>Australian Security Intelligence Organisation</i>				
Enhanced technical capacity	-0.9	-1.2	-1.5	-2.0
Increased funding to intelligence agencies	1.2	0.6	-1.2	-0.6
<b>Portfolio total</b>	<b>10.7</b>	<b>11.9</b>	<b>-3.6</b>	<b>-10.4</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
<i>Australian Sports Commission</i>				
Enhanced facilities at the Australian Institute of Sport	-	3.3	26.7	20.6
<i>National Archives of Australia</i>				
Repriorisation of capital expenditure from the National Archives of Australia	-3.0	-3.0	-3.0	-3.0
<i>Special Broadcasting Service Corporation</i>				
Special Broadcasting Service Corporation - refinancing of Artarmon property loan	-	-	-	-
<b>Portfolio total</b>	<b>-3.0</b>	<b>0.3</b>	<b>23.7</b>	<b>17.6</b>
<b>DEFENCE</b>				
<i>Department of Defence</i>				
Enhanced protective security	13.2	-	-	-
Enhancement to Defence's tactical response capability	0.5	24.1	37.5	24.7
E-security national agenda	0.3	0.1	0.1	0.2

**Table B1: Net capital investment measures since the 2001-02 MYEFO  
(continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>DEFENCE (continued)</b>				
Funding to cover shortfall in non-property sales	38.0	38.0	38.0	38.0
Incident response capability	0.5	11.2	17.4	6.9
Location of new immigration detention facility in South-East Queensland	nfp	nfp	nfp	nfp
<b>Portfolio total</b>	<b>52.5</b>	<b>73.4</b>	<b>93.0</b>	<b>69.8</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
<i>Commonwealth Scientific and Industrial Research Organisation</i>				
CSIRO property sales	-	6.0	-	-
<i>Department of Education, Science and Training</i>				
Extension of the Postgraduate Education Loans Scheme	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>6.0</b>	<b>-</b>	<b>-</b>
<b>EMPLOYMENT AND WORKPLACE RELATIONS</b>				
<i>Department of Employment and Workplace Relations</i>				
Arrangements for the Third Employment Services Contract	3.2	-0.9	-0.9	-0.9
<b>Portfolio total</b>	<b>3.2</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>
<b>FINANCE AND ADMINISTRATION</b>				
<i>Department of Finance and Administration</i>				
Deferral of the sale of the Commonwealth's shareholding in the Australian Submarine Corporation	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
<i>Department of Immigration and Multicultural and Indigenous Affairs</i>				
Construction of a purpose built permanent immigration reception and processing centre on Christmas Island	75.4	-7.2	-7.2	-7.2
<b>Portfolio total</b>	<b>75.4</b>	<b>-7.2</b>	<b>-7.2</b>	<b>-7.2</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Construction of a purpose built permanent immigration reception and processing centre on Christmas Island	41.0	-0.3	-0.3	-0.3
New freight and passenger facilities at Rumah Baru on West Island, Cocos (Keeling) Islands	-	-	-	-
<b>Portfolio total</b>	<b>41.0</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>
<b>TREASURY</b>				
<i>Australian Taxation Office</i>				
A Better Superannuation System - quarterly Superannuation Guarantee contributions	6.4	-1.3	-1.3	-1.3
Baby Bonus - implementation and administration	-0.6	-0.6	-0.6	-0.6
<b>Portfolio total</b>	<b>5.8</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-1.9</b>

**Table B1: Net capital investment measures since the 2001-02 MYEFO  
(continued)**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>CROSS PORTFOLIO</b>				
<i>All Agencies</i>				
Reduce the Commonwealth Property Principles (CPP) rate to 11.0 per cent	-	-	-	-
<b>Portfolio total</b>	-	-	-	-
<b>Total capital measures</b>	<b>185.5</b>	<b>81.2</b>	<b>102.7</b>	<b>66.7</b>

**Table B2: Net capital investment measures up to the 2001-02 MYEFO**

	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m
<b>DEFENCE</b>				
<i>Defence Housing Authority</i>				
Accelerating Sale and lease back programme	-150.0	-100.0	-100.0	-
Sales of Excess property	-122.0	-66.0	-66.0	-
<i>Department of Defence</i>				
Proceeds of Defence Property Sales	-528.1	-	-	-
<b>Portfolio total</b>	<b>-800.1</b>	<b>-166.0</b>	<b>-166.0</b>	<b>-</b>
<b>EMPLOYMENT, WORKPLACE RELATIONS AND SMALL BUSINESS</b>				
<i>Department of Employment, Workplace Relations and Small Business</i>				
Small Business Assistance Package - Development of an E-Commerce Business Authentication Framework	-1.3	-1.3	-0.7	-
<b>Portfolio total</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-</b>
<b>IMMIGRATION AND MULTICULTURAL AFFAIRS</b>				
<i>Department of Immigration and Multicultural Affairs</i>				
Funding to manage unauthorised arrivals	-0.4	-4.4	-4.4	-4.4
<b>Portfolio total</b>	<b>-0.4</b>	<b>-4.4</b>	<b>-4.4</b>	<b>-4.4</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
<i>Department of Transport and Regional Services</i>				
Funding for Asia Pacific Space Centre	53.6	11.2	-	-
<b>Portfolio total</b>	<b>53.6</b>	<b>11.2</b>	<b>-</b>	<b>-</b>
<b>Total capital measures</b>	<b>-748.2</b>	<b>-160.5</b>	<b>-171.1</b>	<b>-4.4</b>



## Appendix C: Expenses statistics

**Table C1: Estimates of Commonwealth general government expenses by function and sub-function**

	Actuals	Estimates		Projections		
	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
<b>GENERAL PUBLIC SERVICES</b>						
Legislative and executive affairs	691	846	716	677	782	687
Financial and fiscal affairs	3,980	3,101	3,097	3,232	3,306	3,541
Foreign affairs and economic aid	1,978	2,093	2,194	2,143	2,083	2,377
General research	1,523	1,674	1,884	2,033	2,166	2,366
General services	739	399	420	435	443	446
Government superannuation benefits	1,453	1,789	1,799	1,856	1,910	1,912
<b>Total general public services</b>	<b>10,364</b>	<b>9,902</b>	<b>10,111</b>	<b>10,377</b>	<b>10,689</b>	<b>11,329</b>
<b>DEFENCE</b>	<b>11,360</b>	<b>12,232</b>	<b>13,144</b>	<b>14,011</b>	<b>14,417</b>	<b>14,970</b>
<b>PUBLIC ORDER AND SAFETY</b>						
Courts and legal services	469	579	592	616	604	605
Other public order and safety	1,090	1,280	1,408	1,416	1,410	1,424
<b>Total public order and safety</b>	<b>1,559</b>	<b>1,859</b>	<b>2,000</b>	<b>2,032</b>	<b>2,014</b>	<b>2,029</b>
<b>EDUCATION</b>						
Higher education	3,844	3,921	4,070	4,149	4,247	4,329
Vocational and other education	1,103	1,251	1,323	1,405	1,427	1,457
Non-government schools	3,405	3,710	4,021	4,420	4,740	5,091
Government schools	1,893	2,089	2,145	2,280	2,409	2,545
<i>Schools</i>	5,297	5,800	6,166	6,700	7,148	7,636
Student assistance	568	560	607	629	649	672
General administration	42	42	42	44	45	46
School education - specific funding	111	119	116	117	117	119
<b>Total education</b>	<b>10,966</b>	<b>11,692</b>	<b>12,324</b>	<b>13,044</b>	<b>13,634</b>	<b>14,258</b>
<b>HEALTH</b>						
Medical services and benefits	10,465	11,156	11,889	12,356	12,890	13,308
Hospital services	1,158	1,405	1,546	1,623	1,790	1,963
Health care agreements	6,299	6,778	7,143	7,543	7,999	8,487
<i>Hospital services and health care agreements</i>	7,457	8,183	8,689	9,166	9,789	10,450
Pharmaceutical services and benefits	5,050	5,285	5,359	5,771	6,264	6,711
Aboriginal and Torres Strait Islander health	160	202	231	258	265	275
Health services	493	606	661	684	700	668
Other health services	557	879	968	1,048	1,087	1,123
<i>Other health services</i>	1,049	1,485	1,629	1,731	1,787	1,791
General administration	999	1,087	1,189	1,159	1,170	1,197
Health assistance to the aged(a)	61	63	69	73	80	86
<b>Total health</b>	<b>25,242</b>	<b>27,461</b>	<b>29,054</b>	<b>30,514</b>	<b>32,245</b>	<b>33,819</b>
<b>SOCIAL SECURITY AND WELFARE</b>						
Assistance to the aged(a)	25,051	23,342	24,656	26,074	27,418	28,818
Assistance to veterans and dependents	5,415	5,463	5,447	5,499	5,487	5,454
Assistance to people with disabilities	7,351	8,946	9,646	10,092	10,176	10,436
Assistance to families with children	17,969	19,951	20,756	21,549	22,432	23,483

**Table C1: Estimates of Commonwealth general government expenses by function and sub-function (continued)**

	Actuals		Estimates		Projections	
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m	\$m
<b>SOCIAL SECURITY AND WELFARE</b>						
<b>(continued)</b>						
Assistance to the unemployed	5,575	5,920	6,108	6,255	6,776	6,597
Assistance to the sick	96	96	100	112	129	147
<i>Assistance to the unemployed and the sick</i>	5,671	6,016	6,208	6,367	6,906	6,744
Common youth allowance	2,102	2,227	2,287	2,327	2,363	2,378
Other welfare programmes	297	325	345	379	413	430
Aboriginal advancement nec	1,157	1,262	1,332	1,389	1,410	1,453
General administration	1,887	2,106	2,218	2,302	2,374	2,400
<b>Total social security and welfare</b>	<b>66,898</b>	<b>69,637</b>	<b>72,894</b>	<b>75,979</b>	<b>78,979</b>	<b>81,597</b>
<b>HOUSING AND COMMUNITY AMENITIES</b>						
Housing	1,323	1,628	1,331	1,218	1,213	1,198
Urban and regional development	50	213	248	205	178	140
Environment protection	390	364	288	296	302	293
<b>Total housing and community amenities</b>	<b>1,763</b>	<b>2,206</b>	<b>1,866</b>	<b>1,720</b>	<b>1,693</b>	<b>1,630</b>
<b>RECREATION AND CULTURE</b>						
Broadcasting	1,008	967	1,008	1,016	1,047	1,040
Arts and cultural heritage	700	719	685	658	640	648
Sport and recreation	187	143	149	206	180	154
National estate and parks	147	213	225	218	239	240
<b>Total recreation and culture</b>	<b>2,042</b>	<b>2,042</b>	<b>2,068</b>	<b>2,099</b>	<b>2,107</b>	<b>2,082</b>
<b>FUEL AND ENERGY</b>						
	<b>2,614</b>	<b>3,193</b>	<b>3,290</b>	<b>3,359</b>	<b>3,430</b>	<b>3,489</b>
<b>AGRICULTURE, FORESTRY AND FISHING</b>						
Wool industry	189	80	72	78	79	79
Grains industry	117	120	124	125	128	131
Dairy industry	237	271	275	276	277	279
Cattle, sheep and pig industry	93	119	110	106	106	103
Fishing, horticulture and other agriculture	115	163	163	159	163	161
General assistance not allocated to specific industries	296	318	328	336	329	266
Rural assistance	269	238	146	115	39	27
Natural resources development	297	367	450	439	484	471
General administration	104	122	125	128	130	98
<b>Total agriculture, forestry and fishing</b>	<b>1,718</b>	<b>1,797</b>	<b>1,792</b>	<b>1,761</b>	<b>1,735</b>	<b>1,614</b>
<b>MINING AND MINERAL RESOURCES (OTHER THAN FUELS), MANUFACTURING AND CONSTRUCTION</b>						
	<b>821</b>	<b>1,505</b>	<b>1,439</b>	<b>1,481</b>	<b>1,438</b>	<b>1,082</b>
<b>TRANSPORT AND COMMUNICATION</b>						
Communication	270	548	468	354	251	231
Rail transport	61	206	24	14	1	6

**Table C1: Estimates of Commonwealth general government expenses by function and sub-function (continued)**

	Actuals	Estimates		Projections		
	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
<b>TRANSPORT AND COMMUNICATION (continued)</b>						
Air transport	149	219	152	139	118	104
Road transport	947	1,602	1,327	1,316	1,573	1,127
Sea transport	169	209	191	173	175	176
Other transport and communication	129	89	100	100	86	87
<b>Total Transport and Communication</b>	<b>1,724</b>	<b>2,872</b>	<b>2,263</b>	<b>2,096</b>	<b>2,204</b>	<b>1,731</b>
<b>OTHER ECONOMIC AFFAIRS</b>						
Tourism and area promotion	125	159	136	130	133	136
Vocational and industry training	400	439	473	508	535	568
Labour market assistance to job seekers and industry	1,391	1,512	1,653	1,701	1,707	1,730
Industrial relations	141	720	268	269	272	274
Immigration	594	770	807	787	798	803
<i>Total labour and employment affairs</i>	<i>2,527</i>	<i>3,441</i>	<i>3,200</i>	<i>3,266</i>	<i>3,313</i>	<i>3,375</i>
Other economic affairs nec	411	529	527	533	539	545
<b>Total other economic affairs</b>	<b>3,063</b>	<b>4,128</b>	<b>3,863</b>	<b>3,929</b>	<b>3,985</b>	<b>4,056</b>
<b>OTHER PURPOSES</b>						
Interest on Commonwealth behalf	5,784	4,947	4,490	3,933	3,525	2,994
Interest on behalf of States and Territories	52	38	32	20	11	1
Interest received on Commonwealth stock	0	0	0	0	0	0
<i>Public debt interest</i>	<i>5,836</i>	<i>4,984</i>	<i>4,522</i>	<i>3,953</i>	<i>3,536</i>	<i>2,994</i>
Nominal superannuation interest	4,878	5,239	4,945	5,104	5,054	5,299
General revenue assistance - States and Territories	3,848	4,027	2,496	1,867	1,361	1,481
General capital assistance - States and Territories	0	0	0	0	0	0
Debt assistance	0	0	0	0	0	0
Local government assistance	1,328	1,386	1,436	1,488	1,541	1,596
Revenue assistance to the States and Terri	139	148	153	157	161	165
Assistance to other governments	495	431	364	405	441	471
<i>General purpose inter-government transaction</i>	<i>5,809</i>	<i>5,993</i>	<i>4,449</i>	<i>3,916</i>	<i>3,504</i>	<i>3,713</i>
Natural disaster relief	92	108	133	104	94	94
Contingency reserve	0	-141	18	1,881	3,915	6,029
Asset sales	31	48	15	218	218	218
<b>Total other purposes</b>	<b>16,646</b>	<b>16,230</b>	<b>14,081</b>	<b>15,176</b>	<b>16,320</b>	<b>18,347</b>
<b>Total expenses</b>	<b>156,783</b>	<b>166,756</b>	<b>170,192</b>	<b>177,578</b>	<b>184,889</b>	<b>192,035</b>

(a) The bulk of Department of Health and Ageing and Department of Veterans' Affairs expenses for assistance to the aged are now classified to the *Assistance to the Aged Sub-Function (Social Security and Welfare Function)*.

**Table C2: Estimates of Commonwealth general government expenses by economic type**

	2001-02	2002-03	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m
<b>EXPENSES</b>					
<b>Gross operating expenses</b>					
Depreciation	1,759	1,788	1,859	1,871	1,997
Superannuation	1,789	1,799	1,856	1,910	1,912
Salaries and wages	10,262	10,908	11,222	11,642	11,892
Payments for supply of goods and services	34,986	37,046	39,207	40,914	42,573
Other operating expenses	1,498	1,426	1,357	1,348	1,339
<b>Total gross operating expenses</b>	<b>50,294</b>	<b>52,967</b>	<b>55,500</b>	<b>57,684</b>	<b>59,714</b>
<b>Other expenses</b>					
Nominal superannuation interest expense	5,239	4,945	5,104	5,054	5,299
Other interest expenses	5,266	4,940	4,371	3,951	3,408
Other property expenses	0	0	0	0	0
<b>Total other expenses</b>	<b>10,505</b>	<b>9,885</b>	<b>9,475</b>	<b>9,005</b>	<b>8,706</b>
<b>Current transfers</b>					
Grant expenses	34,454	33,829	34,710	35,465	37,084
Subsidy expenses	4,524	4,706	4,819	4,964	4,713
Personal benefit payments in cash	63,359	65,842	70,321	74,714	78,963
Other current transfers	0	0	0	0	0
<b>Total current transfers</b>	<b>102,337</b>	<b>104,377</b>	<b>109,850</b>	<b>115,143</b>	<b>120,760</b>
<b>Capital transfers</b>	3,620	2,963	2,753	3,057	2,855
<b>Total expenses</b>	<b>166,756</b>	<b>170,192</b>	<b>177,578</b>	<b>184,889</b>	<b>192,035</b>