STATEMENT 10: AUSTRALIAN ACCOUNTING STANDARD NO. 31 BUDGET FINANCIAL STATEMENTS

Contents

Budget Financial Statements

The financial tables presented in this Statement have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including Australian Accounting Standard No. 31 Financial Reporting by Governments (AAS31), except where departures from the standard are identified in Note 1.

A reconciliation between the Commonwealth's general government AAS31 and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Statement 11.

Table 1: Statement of revenue and expenses for the Commonwealth general government sector — AAS31

	Note	Estimates		Projections		
		2000-01	2001-02	2002-03	2003-04	2004-05
		$m	$m	$m	$m	$m
Revenues						
Taxation						
Income tax	3	120,528	117,252	124,257	133,835	142,694
Indirect tax	4	25,647	24,745	25,378	26,113	26,937
Fringe Benefits Tax		3,290	3,500	3,620	3,740	3,870
Other taxes		2,064	1,771	1,748	1,731	1,696
Total taxation revenue		**151,529**	**147,268**	**155,003**	**165,418**	**175,197**
Non-taxation						
Sales of goods and services		2,670	2,802	2,841	2,859	2,884
Interest and dividends	5	5,745	8,111	6,513	6,451	6,679
Net foreign exchange gains		0	41	0	0	0
Net gains from sales of assets		1,640	179	70	296	133
Other sources of non-tax revenue	6	3,582	3,211	3,059	3,152	3,159
Total non-tax revenue		**13,638**	**14,345**	**12,483**	**12,757**	**12,855**
Total revenue		**165,167**	**161,613**	**167,486**	**178,176**	**188,052**
Expenses						
Goods and services						
Employees	7	17,269	17,438	17,656	18,065	18,285
Suppliers	8	12,870	13,385	12,987	13,059	13,384
Depreciation and amortisation	9	3,071	3,421	3,695	3,890	3,951
Net write down of assets		1,922	1,190	1,150	1,165	1,158
Net foreign exchange losses		1,896	0	0	0	0
Net losses from the sale of assets		48	7	2	2	0
Other goods and services expenses		5,580	5,693	5,870	6,099	6,219
Total goods and services		**42,657**	**41,134**	**41,361**	**42,280**	**42,998**
Subsidies benefits and grants						
Personal benefits		71,653	72,695	77,597	82,276	86,888
Subsidies		6,877	7,507	7,888	8,111	8,349
Grants	10	33,599	34,796	34,567	35,057	36,119
Total subsidies benefits and grants		**112,129**	**114,998**	**120,052**	**125,443**	**131,356**
Interest and other financing costs						
Interest		8,697	7,393	7,114	6,460	6,029
Other Financing Costs		43	34	27	21	19
Total interest and other financing costs		**8,740**	**7,427**	**7,141**	**6,480**	**6,048**
Total expenses		**163,526**	**163,559**	**168,554**	**174,203**	**180,402**
Operating result		**1,641**	**-1,946**	**-1,068**	**3,973**	**7,650**
Extraordinary items		24	112	0	12,420	12,420
Operating result after extraordinary items		**1,665**	**-1,834**	**-1,068**	**16,393**	**20,070**

Table 2: Balance sheet for the Commonwealth general government sector — AAS31

	Note	Estimates		Projections		
		2000-01	2001-02	2002-03	2003-04	2004-05
		$m	$m	$m	$m	$m
Assets						
Financial assets						
Cash		1,400	785	594	424	190
Receivables		27,303	25,668	25,301	25,604	26,245
Investments	14	30,401	27,546	27,801	26,377	24,842
Accrued revenue		497	493	489	504	539
Other financial assets		15	20	28	28	27
Total financial assets		**59,617**	**54,513**	**54,213**	**52,936**	**51,843**
Non-financial assets	11					
Land and buildings		15,491	14,428	14,309	14,205	14,066
Infrastructure		41,179	41,332	42,253	43,197	44,227
Intangibles		1,012	1,169	1,150	1,157	1,130
Inventories		2,995	3,080	3,136	3,498	3,809
Other non-financial assets		1,341	1,421	1,294	1,202	1,160
Total non-financial assets		**62,018**	**61,429**	**62,142**	**63,258**	**64,392**
Total assets		**121,635**	**115,942**	**116,356**	**116,194**	**116,235**
Liabilities						
Debt						
Government securities	14	56,938	52,426	52,673	35,485	14,266
Loans		6,904	6,880	6,836	6,789	6,787
Leases		309	185	147	125	107
Deposits		11	10	10	10	10
Overdrafts		0	0	0	0	0
Other debt		4,588	3,700	3,148	2,337	2,136
Total debt		**68,749**	**63,201**	**62,815**	**44,745**	**23,305**
Provisions and payables						
Employees	12	83,693	85,319	86,794	88,314	89,536
Suppliers		1,427	1,357	1,332	1,323	1,311
Personal benefits payable		2,635	2,793	2,944	3,089	2,588
Subsidies payable		332	310	277	242	215
Grants payable	13	8,320	8,399	8,437	8,271	8,891
Other provisions and payables		4,898	4,838	4,970	4,942	5,026
Total provisions and payables		**101,306**	**103,015**	**104,753**	**106,181**	**107,568**
Total liabilities		**170,055**	**166,216**	**167,568**	**150,926**	**130,873**
Net assets		**-48,420**	**-50,274**	**-51,212**	**-34,733**	**-14,637**
Equity						
Accumulated results		-81,187	-81,954	-83,022	-64,978	-43,248
Reserves		32,767	31,680	31,810	30,246	28,610
Capital		0	0	0	0	0
Total equity		**-48,420**	**-50,274**	**-51,212**	**-34,733**	**-14,637**

Table 3: Statement of cash flows for the Commonwealth general government sector — AAS31

	Note	Estimates		Projections		
		2000-01	2001-02	2002-03	2003-04	2004-05
		$m	$m	$m	$m	$m
Operating activities						
Cash received						
Taxes	15	145,508	148,058	155,671	165,149	174,876
Sales of goods and services		2,638	2,708	2,955	2,967	2,900
Interest		3,597	3,374	3,310	3,333	3,995
Dividends		2,891	4,698	3,169	3,067	2,613
Other		4,345	4,694	4,547	4,543	4,555
Total operating cash received		**158,980**	**163,532**	**169,651**	**179,058**	**188,940**
Cash used						
Payments to employees		15,401	15,813	16,181	16,545	17,063
Payments to suppliers		12,808	13,279	12,712	12,909	13,230
Subsidies paid		7,159	7,540	7,921	8,145	8,377
Personal benefits		71,246	72,547	77,440	82,120	87,381
Grant payments		32,457	34,674	34,529	35,223	35,499
Interest and other financing costs		8,644	7,371	7,003	6,490	5,953
Other		7,295	7,707	7,818	8,039	8,181
Total operating cash used		**155,011**	**158,930**	**163,604**	**169,472**	**175,684**
Net cash from operating activities		**3,969**	**4,602**	**6,046**	**9,586**	**13,255**
Investing activities						
Cash received						
Proceeds from asset sales program		6,329	3,273	11	14,299	14,289
Proceeds from sales of property, plant and equipment and intangibles		2,489	1,740	658	705	581
Net loans, advances and HECS		133	128	0	0	0
Other net investing cash received		0	50	0	0	0
Total investing cash received		**8,951**	**5,190**	**669**	**15,004**	**14,870**
Cash used						
Purchase of property, plant and equipment and intangibles		4,652	4,641	5,351	5,651	5,782
Net loans, advances and HECS		0	0	910	612	785
Other net investing cash paid	14	-8,780	311	270	445	353
Total investing cash used		**-4,128**	**4,952**	**6,532**	**6,708**	**6,919**
Net cash from investing activities		**13,079**	**238**	**-5,863**	**8,296**	**7,951**
Financing activities						
Cash received						
Net cash received from currency issues		0	0	0	0	0
Other		1	0	203	0	0
Total financing cash received		**1**	**0**	**203**	**0**	**0**
Cash used						
Net repayments of borrowings	14	19,012	4,535	0	17,236	21,221
Other		192	920	577	816	219
Total financing cash used		**19,204**	**5,455**	**577**	**18,052**	**21,440**
Net cash from financing activities		**-19,204**	**-5,455**	**-375**	**-18,052**	**-21,440**
Net increase/decrease in cash held		**-2,156**	**-615**	**-191**	**-170**	**-234**

Statistics, concepts and notes to the AAS31 Financial Statements

Note 1: External reporting standards

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

The financial statements included in this Statement have been prepared on an accrual basis in accordance with applicable Australian accounting standards, including *Australian Accounting Standard No. 31 'Financial Reporting by Governments'* (AAS31). AAS31 is the relevant accounting standard for financial reporting by governments.

AAS31 requires adoption of the full accrual basis of accounting. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, an operating statement, a balance sheet and a statement of cash flows have been prepared using estimates for the budget year and the three forward years.

The accounting policies in this budget document are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Commonwealth public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the budget presentation of financial estimates covers the General Government sector only.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured *reliably*. At this stage, the Commonwealth does not consider its taxation revenues can be reliably measured on this basis for budget reporting purposes. Taxation revenue is therefore recognised at the time a taxpayer makes a self-assessment or when the Australian Taxation Office (ATO) or the Australian Customs Service (ACS) raises a tax assessment.

The Commonwealth collected a number of taxes on an agency basis for the States and Territories, principally 'safety net' surcharge collections until 1 July 2000 (which replaced business franchise fees), mirror taxes on Commonwealth places and from 1 July 2000, the goods and services tax (GST). The revenue from these taxes is passed to State and Territory Governments (with an adjustment for administration costs in the case of safety net revenue and mirror taxes). Estimates of taxes collected by the Commonwealth and passed to State and Territory Governments are provided in Note 4.

In regard to GST revenue, AAS31 and other relevant accounting standards would suggest the gross amount of GST be included in the Commonwealth's financial statements. However, the clear policy intent of the *Intergovernmental Agreement on the*

Reform of Commonwealth-State Financial Relations (the IGA) is that the GST is a State tax collected by the Commonwealth in an agency capacity. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the financial statements.

In addition, non-accounting standard classifications have been used in different sections of the Budget. 'Outcomes' is a Commonwealth classification framework that indicates the results, impacts or consequences of agencies' activities. Functional classifications used in some tables are based on standards maintained by the ABS, but have been extended in some cases to provide greater detail.

Note 2: Reconciliation of cash

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Operating result (revenues less expenses)	**1,641**	**-1,946**	**-1,068**	**3,973**	**7,650**
less **Revenues not providing cash**					
Foreign exchange gains	0	41	0	0	0
Gains from asset sales programme	0	0	0	0	0
Gains from sale of assets	1,640	179	70	296	133
Other	361	193	186	252	273
Total revenues not providing cash	**2,001**	**413**	**256**	**548**	**406**
plus **Expenses not requiring cash**					
Increase/(Decrease) in employee entitlements	1,868	1,625	1,475	1,520	1,222
Depreciation/amortisation expense	3,071	3,421	3,695	3,890	3,951
Provision for bad and doubtful debts	274	281	304	312	309
Provision for dimunition in value of assets	588	174	90	80	77
Losses from asset sales programme	0	0	0	0	0
Losses from sale of assets	48	7	2	1	0
Foreign exchange losses	1,896	0	0	0	0
Other	81	0	0	0	0
Total expenses not requiring cash	**7,827**	**5,509**	**5,566**	**5,804**	**5,560**
plus **Cash provided by working capital items**					
Decrease in inventories	257	174	296	158	163
Decrease in receivables	0	1,268	1,123	213	118
Decrease in other financial assets	126	0	0	0	0
Decrease in other non-financial assets	102	0	126	93	42
Increase in benefits subsidies and grants payable	1,443	280	189	144	620
Increase in suppliers' liabilities	0	0	0	0	0
Increase in other provisions and payables	46	0	132	0	84
Total cash provided by working capital items	**1,974**	**1,722**	**1,866**	**608**	**1,026**
less **Cash used by working capital items**					
Increase in inventories	0	0	0	0	0
Increase in receivables	5,179	0	0	0	0
Increase in other financial assets	0	1	4	14	36
Decrease in other non-financial assets	0	104	0	0	0
Decrease in benefits subsidies and grants payable	283	32	33	200	527
Decrease in other provisions and payables	0	62	0	27	0
Decrease in suppliers' liabilities	10	70	26	9	12
Total cash used by working capital items	**5,471**	**270**	**62**	**250**	**575**
equals *Net cash from/(to) operating activities*	3,969	4,602	6,046	9,586	13,255
Net cash from/(to) investing activities	13,079	238	-5,863	8,296	7,951
Net cash from operating activities and investment	**17,048**	**4,840**	**183**	**17,882**	**21,207**
Net cash from/(to) financing activities	-19,204	-5,455	-375	-18,052	-21,440
equals Net (decrease)/increase in cash	**-2,156**	**-615**	**-191**	**-170**	**-234**

Note 3: Income tax

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Income tax					
Individuals -					
Gross PAYG withholding	74,572	78,502	84,719	91,300	97,945
Gross Other individuals	13,400	15,560	15,887	17,854	19,176
less: Refunds	11,165	11,248	11,713	12,528	13,774
Total individuals	76,807	82,815	88,893	96,625	103,347
Companies	34,720	27,209	28,185	29,888	31,765
Superannuation funds	5,210	4,312	4,509	4,815	5,111
Other withholding tax	1,430	1,487	1,547	1,571	1,571
Petroleum resource rent tax	2,360	1,430	1,125	935	900
Total income tax	**120,528**	**117,252**	**124,257**	**133,835**	**142,694**

Note 4: Indirect tax

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Petroleum excise duty	12,670	12,590	12,730	12,870	13,090
Of which revenue replacement	*253*	*0*	*0*	*0*	*0*
Less transfer to States and Territories in relation to revenue replacement	253	0	0	0	0
Petroleum excise duty revenue	**12,417**	**12,590**	**12,730**	**12,870**	**13,090**
Other excise duty	6,611	6,460	6,510	6,605	6,690
Of which revenue replacement	*61*	*0*	*0*	*0*	*0*
Less transfer to States and Territories in relation to revenue replacement	61	0	0	0	0
Other excise duty revenue	**6,550**	**6,460**	**6,510**	**6,605**	**6,690**
Total excise duty	19,281	19,050	19,240	19,475	19,780
Of which revenue replacement	*315*	*0*	*0*	*0*	*0*
Less transfer to States and Territories in relation to revenue replacement	314	0	0	0	0
Total excise duty revenue	**18,967**	**19,050**	**19,240**	**19,475**	**19,780**
Customs duty	4,675	4,885	5,285	5,760	6,255
Of which revenue replacement	*4*	*0*	*0*	*0*	*0*
Less transfer to States and Territories in relation to revenue replacement	4	0	0	0	0
Customs duty revenue	**4,671**	**4,885**	**5,285**	**5,760**	**6,255**
Other indirect taxes	2,127	810	853	878	902
Of which revenue replacement	*118*	*0*	*0*	*0*	*0*
Less transfers to States and Territories in relation to revenue replacement	118	0	0	0	0
Other indirect tax revenue	**2,009**	**810**	**853**	**878**	**902**
GST revenue	23,880	27,480	29,170	30,830	32,600
Less transfers to States and Territories in relation to GST revenue	23,880	27,480	29,170	30,830	32,600
GST revenue	**0**	**0**	**0**	**0**	**0**
Mirror taxes	214	207	216	227	238
Less transfers to States and Territories in relation to mirror revenue	214	207	216	227	238
Mirror tax revenue	**0**	**0**	**0**	**0**	**0**
Indirect tax revenue	**25,647**	**24,745**	**25,378**	**26,113**	**26,937**

Note 5: Interest and dividends

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Interest					
Interest from other governments					
State and Territory debt	75	59	52	39	29
housing agreements	188	185	181	178	174
Total interest from other governments	**263**	**243**	**233**	**216**	**203**
Interest from other sources					
Swap interest	2,357	2,418	2,371	2,189	2,115
Advances	44	49	53	53	53
Deposits	375	7	7	7	7
Bills receivable	6	6	6	6	6
Bank deposits	74	147	159	161	168
Other	411	544	515	753	1,515
Total interest from other sources	**3,267**	**3,170**	**3,111**	**3,168**	**3,863**
Total interest	**3,530**	**3,413**	**3,344**	**3,384**	**4,066**
Dividends					
Dividends from associated entities	2,172	4,628	3,144	3,038	2,577
Other dividends	44	70	25	29	35
Total dividends	**2,215**	**4,698**	**3,169**	**3,067**	**2,613**
Total interest and dividends	**5,745**	**8,111**	**6,513**	**6,451**	**6,679**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Industry contributions	43	45	39	39	39
Indexation of HECS receivable and other student loans	323	193	186	252	273
International Monetary Fund related revenue	83	79	79	79	79
Other	3,133	2,895	2,755	2,782	2,768
Total other sources of non-taxation revenue	**3,582**	**3,211**	**3,059**	**3,152**	**3,159**

Note 7: Employees expenses

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Salaries and wages(a)	9,038	9,380	9,357	9,489	9,856
Leave and other entitlements	337	353	341	347	356
Separations and redundancies	32	22	16	16	17
Workers compensation premiums	0	0	0	0	0
Other including superannuation	7,862	7,683	7,943	8,213	8,057
Total employees expenses	**17,269**	**17,438**	**17,656**	**18,065**	**18,285**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Supply of goods and services	9,925	10,512	10,303	10,410	10,709
Operating lease rental expenses	954	946	942	933	931
Other	1,991	1,928	1,742	1,716	1,744
Total suppliers expenses	**12,870**	**13,385**	**12,987**	**13,059**	**13,384**

Note 9: Depreciation and amortisation

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Depreciation					
Specialist military equipment	1,653	1,980	2,182	2,312	2,370
Buildings	474	453	447	458	446
Other infrastructure, plant and equipment	741	732	779	819	828
Total depreciation	**2,868**	**3,165**	**3,408**	**3,589**	**3,644**
Total amortisation	**203**	**256**	**287**	**301**	**307**
Total depreciation and amortisation	**3,071**	**3,421**	**3,695**	**3,890**	**3,951**

Note 10: Grants

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
State and Territory governments	22,688	23,396	23,043	23,240	23,674
Non-profit organisations	988	1,073	1,105	1,144	1,160
Overseas	575	576	311	222	798
Private sector	881	760	809	841	773
Local governments	280	433	432	437	290
Other	8,187	8,557	8,867	9,173	9,425
Total grants	**33,599**	**34,796**	**34,567**	**35,057**	**36,119**

Note 11: Non-financial assets

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Land and buildings					
Land	4,241	3,849	3,733	3,673	3,614
Buildings	11,250	10,579	10,576	10,532	10,452
Total land and buildings	**15,491**	**14,428**	**14,309**	**14,205**	**14,066**
Infrastructure					
Specialist military equipment	31,253	31,257	31,764	32,763	33,871
Other	9,926	10,075	10,489	10,434	10,356
Total infrastructure	**41,179**	**41,332**	**42,253**	**43,197**	**44,227**
Intangibles					
Computer software	895	957	943	972	967
Other	117	212	207	184	164
Total intangibles	**1,012**	**1,169**	**1,150**	**1,157**	**1,130**
Inventories	2,995	3,080	3,136	3,498	3,809
Total inventories	**2,995**	**3,080**	**3,136**	**3,498**	**3,809**
Other non-financial assets					
Prepayments	1,160	1,151	1,143	1,133	1,127
Other	181	270	152	69	33
Total other non-financial assets	**1,341**	**1,421**	**1,294**	**1,202**	**1,160**
Total non-financial assets	**62,018**	**61,429**	**62,142**	**63,258**	**64,392**

Note 12: Employee liabilities

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Superannuation	77,905	79,458	80,846	82,290	83,542
Leave and other entitlements	3,014	3,042	3,059	3,079	3,094
Accrued salaries and wages	254	269	291	288	254
Workers compensation claims	1,148	1,107	1,070	1,036	1,004
Separations and redundancies	29	25	25	25	25
Workers compensation premiums	0	0	0	0	0
Other	1,343	1,417	1,503	1,596	1,617
Total employee liabilities	**83,693**	**85,319**	**86,794**	**88,314**	**89,536**

Note 13: Grants payable

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
State and Territory governments	3,043	3,238	3,461	3,659	3,880
Non-profit organisations	34	31	31	31	31
Private sector	0	0	0	0	0
Overseas	1,159	1,241	1,072	818	1,154
Local governments	1	1	1	1	1
Other	4,083	3,888	3,871	3,761	3,825
Total grants payable	**8,320**	**8,399**	**8,437**	**8,271**	**8,891**

Note 14: Government securities

For 2000-01 and the forward years, transactions relating to government securities and financial assets acquired for debt management purposes have been netted in the balance sheet and cash flows. In the balance sheet, the *financial assets — investments* category excludes financial assets acquired for debt management purposes, while the *debt — government securities* category is shown net of financial assets acquired for debt management purposes. Likewise, in the statement of cash flows, the *investing activities — cash used — other net investing cash paid* category excludes cash used to acquire financial assets for debt management purposes.

This netting treatment has been applied because of the considerable uncertainty associated with the split between government securities and financial assets acquired for debt management purposes. Debt management strategies in respect of government securities and financial assets are highly dependent on prevailing market conditions and other factors. The balance to be struck between gross debt retirement and financial asset acquisition cannot be accurately estimated in advance.

Note 15: Taxes

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Total taxes	170,142	176,353	185,056	196,205	207,714
Less payments to States and Territories in relation to revenue replacement	436	0	0	0	0
Less payments to States and Territories in relation to GST revenue	24,180	27,480	29,170	30,830	32,600
Less payments to States and Territories in relation to mirror tax revenue	18	815	216	227	238
Taxes	**145,508**	**148,058**	**155,671**	**165,149**	**174,876**

Appendix A: Additional agency statistics

Table A1: General government expenses by agency

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	1,440	1,472	1,466	1,519	1,372
Australian Wool Research and Promotion Organisation	138	0	0	0	0
Grains Research and Development Corporation	110	110	110	110	110
Total	**1,688**	**1,582**	**1,576**	**1,629**	**1,482**
Attorney-General's					
Attorney-General's Department	413	435	433	421	419
Australian Customs Service	625	692	700	712	734
Australian Federal Police	375	383	377	380	352
Family Court of Australia	114	113	115	113	115
Total	**1,526**	**1,623**	**1,626**	**1,626**	**1,620**
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	681	707	594	442	336
Australian Broadcasting Corporation	685	756	779	797	822
Special Broadcasting Service Corporation	165	147	149	147	146
Total	**1,531**	**1,610**	**1,523**	**1,386**	**1,304**
Defence					
Department of Defence	14,083	14,869	15,202	15,760	16,215
Defence Housing Authority	253	270	283	295	301
Total	**14,336**	**15,139**	**15,485**	**16,055**	**16,516**
Education, Training and Youth Affairs					
Department of Education, Training and Youth Affairs	11,590	12,151	12,825	13,472	14,033
Australian Research Council	248	277	357	415	486
Total	**11,838**	**12,428**	**13,183**	**13,887**	**14,519**
Employment, Workplace Relations and Small Business					
Department of Employment, Workplace Relations and Small Business	1,532	1,655	1,760	1,764	1,807
Comcare	165	177	184	192	198
Total	**1,697**	**1,832**	**1,944**	**1,956**	**2,005**
Environment and Heritage					
Department of Environment and Heritage	926	794	572	444	451
Australian Greenhouse Office	87	228	212	183	130
Total	**1,013**	**1,022**	**784**	**627**	**582**
Family and Community Services					
Department of Family and Community Services	57,441	57,484	59,598	61,539	63,507
Centrelink	1,727	1,799	1,898	1,868	1,842
Total	**59,168**	**59,284**	**61,496**	**63,407**	**65,349**

Table A1: General government expenses by agency (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Finance and Administration					
Department of Finance and Administration	5,284	4,791	4,751	4,824	4,840
Australian Electoral Commission	108	190	97	100	195
Office of Asset Sales and IT Outsourcing	34	33	0	0	0
Total	**5,425**	**5,014**	**4,848**	**4,923**	**5,035**
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	819	853	810	841	843
Australian Agency for International Development	1,544	1,590	1,364	1,318	1,922
Australian Trade Commission	337	340	335	335	337
Total	**2,701**	**2,784**	**2,509**	**2,494**	**3,101**
Health and Aged Care					
Department of Health and Aged Care	27,164	29,044	30,863	32,433	34,280
Health Insurance Commission	389	391	391	401	392
Total	**27,553**	**29,435**	**31,254**	**32,833**	**34,672**
Immigration and Multicultural Affairs					
Department of Immigration and Multicultural Affairs	886	849	887	885	902
Total	**886**	**849**	**887**	**885**	**902**
Industry, Science and Resources					
Department of Industry, Science and Resources	1,309	1,148	1,123	1,225	1,143
Australian Nuclear Science and Technology Organisation	124	118	137	142	138
Australian Sports Commission	101	127	134	136	139
Australian Tourist Commission	122	121	105	106	108
Commonwealth Scientific and Industrial Research Organisation	784	802	824	839	854
Total	**2,440**	**2,316**	**2,323**	**2,448**	**2,383**
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	85	87	74	63	64
Total	**85**	**87**	**74**	**63**	**64**
Reconciliation and ATSI Affairs					
Aboriginal and Torres Strait Islander Commission	1,091	1,155	1,197	1,238	1,280
Total	**1,091**	**1,155**	**1,197**	**1,238**	**1,280**
Transport and Regional Services					
Department of Transport and Regional Services	3,333	3,404	3,231	3,174	3,033
Civil Aviation Safety Authority	93	100	99	104	105
Total	**3,426**	**3,505**	**3,331**	**3,278**	**3,138**

Table A1: General government expenses by agency (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Treasury					
Department of the Treasury	4,242	3,583	2,608	2,018	1,528
Australian Bureau of Statistics	277	366	272	263	284
Australian Securities and Investment Commission	164	169	164	162	162
Australian Taxation Office	5,633	5,502	5,364	5,421	5,500
Australian Office of Financial Management	9,935	7,183	6,889	6,235	5,823
Total	**20,250**	**16,802**	**15,297**	**14,098**	**13,298**
Veterans' Affairs					
Department of Veterans' Affairs	8,682	8,752	9,023	9,210	9,272
Total	**8,682**	**8,752**	**9,023**	**9,210**	**9,272**
Small agencies	**3,382**	**3,542**	**3,524**	**3,597**	**3,639**
Whole of government and inter-agency amounts(a)	**-5,191**	**-5,201**	**-3,328**	**-1,437**	**240**
Total expenses	**163,526**	**163,559**	**168,554**	**174,203**	**180,402**

(a) Estimates of inter-agency transactions are included in the Whole of Government and inter-agency amounts. The entry for each portfolio does not include eliminations for inter-agency transactions within that portfolio.

Table A2: Departmental expenses by agency

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	354	411	399	404	409
Australian Wool Research and Promotion Organisation	138	0	0	0	0
Grains Research and Development Corporation	110	110	110	110	110
Total	**602**	**521**	**509**	**514**	**519**
Attorney-General's					
Attorney-General's Department	169	179	182	168	167
Australian Customs Service	625	692	700	712	734
Australian Federal Police	375	383	377	380	352
Family Court of Australia	114	113	115	113	115
Total	**1,282**	**1,367**	**1,374**	**1,373**	**1,368**
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	186	159	139	139	140
Australian Broadcasting Corporation	685	756	779	797	822
Special Broadcasting Service Corporation	165	147	149	147	146
Total	**1,035**	**1,062**	**1,068**	**1,083**	**1,109**
Defence					
Department of Defence	12,378	13,068	13,310	13,714	14,253
Defence Housing Authority	253	270	283	295	301
Total	**12,631**	**13,338**	**13,593**	**14,009**	**14,554**
Education, Training and Youth Affairs					
Department of Education, Training and Youth Affairs	222	211	213	217	223
Australian Research Council	0	7	7	7	7
Total	**222**	**218**	**220**	**224**	**230**
Employment, Workplace Relations and Small Business					
Department of Employment, Workplace Relations and Small Business	386	393	405	408	416
Comcare	165	177	184	192	198
Total	**551**	**570**	**589**	**600**	**614**
Environment and Heritage					
Department of Environment and Heritage	482	469	438	441	448
Australian Greenhouse Office	84	175	173	148	83
Total	**566**	**644**	**611**	**589**	**531**
Family and Community Services					
Department of Family and Community Services	2,164	2,222	2,327	2,282	2,253
Centrelink	1,727	1,799	1,898	1,868	1,842
Total	**3,891**	**4,022**	**4,224**	**4,150**	**4,096**
Finance and Administration					
Department of Finance and Administration	327	310	317	318	318
Australian Electoral Commission	108	150	97	100	150
Office of Asset Sales and IT Outsourcing	34	33	0	0	0
Total	**468**	**493**	**414**	**418**	**469**

Table A2: Departmental expenses by agency (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	653	689	683	714	716
Australian Agency for International Development	68	68	68	69	69
Australian Trade Commission	186	190	185	185	187
Total	**907**	**948**	**935**	**968**	**972**
Health and Aged Care					
Department of Health and Aged Care	732	745	734	729	726
Health Insurance Commission	389	391	391	401	392
Total	**1,121**	**1,137**	**1,126**	**1,129**	**1,118**
Immigration and Multicultural Affairs					
Department of Immigration and Multicultural Affairs	727	686	727	728	742
Total	**727**	**686**	**727**	**728**	**742**
Industry, Science and Resources					
Department of Industry, Science and Resources	245	254	228	245	246
Australian Nuclear Science and Technology Organisation	124	118	137	142	138
Australian Sports Commission	101	127	134	136	139
Australian Tourist Commission	122	121	105	106	108
Commonwealth Scientific and Industrial Research Organisation	784	802	824	839	854
Total	**1,376**	**1,422**	**1,429**	**1,468**	**1,485**
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	59	59	46	46	47
Total	**59**	**59**	**46**	**46**	**47**
Reconciliation and ATSI Affairs					
Aboriginal and Torres Strait Islander Commission	1,007	1,070	1,111	1,151	1,192
Total	**1,007**	**1,070**	**1,111**	**1,151**	**1,192**
Transport and Regional Services					
Department of Transport and Regional Services	195	187	179	177	181
Civil Aviation Safety Authority	93	100	99	104	105
Total	**288**	**287**	**279**	**281**	**286**
Treasury					
Department of the Treasury	116	112	105	107	106
Australian Bureau of Statistics	277	366	272	263	284
Australian Securities and Investment Commission	141	147	142	143	143
Australian Taxation Office	2,115	1,913	1,680	1,667	1,706
Australian Office of Financial Management	5	6	6	6	6
Total	**2,654**	**2,542**	**2,204**	**2,185**	**2,245**
Veterans' Affairs					
Department of Veterans' Affairs	257	262	253	254	263
Total	**257**	**262**	**253**	**254**	**263**
Small agencies	**3,382**	**3,542**	**3,524**	**3,597**	**3,639**
Whole of government and inter-agency amounts(a)	**0**	**4**	**4**	**1**	**1**
Total departmental expenses	**33,025**	**34,194**	**34,239**	**34,769**	**35,480**

(a) Estimates of inter-agency transactions are included in the Whole of Government and inter-agency amounts.

Table A3: Net capital investment by agency

	Estimates		Projections		
	2000-01 $m	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	1.2	0.0	0.0	0.0	0.0
Australian Wool Research and Promotion Organisation	-42.9	0.0	0.0	0.0	0.0
Grains Research and Development Corporation	-0.1	0.3	-0.2	-0.2	-0.1
Total	**-41.8**	**0.3**	**-0.2**	**-0.2**	**-0.1**
Attorney-General's					
Attorney-General's Department	-1.6	19.1	11.1	-2.7	-3.4
Australian Customs Service	67.7	-17.5	-18.3	-12.5	-0.9
Australian Federal Police	-1.4	8.6	-1.7	1.6	-0.1
Family Court of Australia	2.3	0.1	0.2	0.2	0.3
Total	**67.0**	**10.4**	**-8.7**	**-13.3**	**-4.2**
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	-130.8	-0.1	-1.4	-1.8	-1.6
Australian Broadcasting Corporation	20.4	92.7	25.1	-9.0	-6.9
Special Broadcasting Service Corporation	22.0	5.0	2.6	4.0	-2.8
Total	**-88.3**	**97.6**	**26.3**	**-6.8**	**-11.3**
Defence					
Department of Defence	1,577.4	-680.8	500.0	902.4	812.8
Defence Housing Authority	-531.5	-115.2	-45.4	-50.4	34.0
Total	**1,045.9**	**-796.0**	**454.6**	**851.9**	**846.7**
Education, Training and Youth Affairs					
Department of Education, Training and Youth Affairs	-0.5	-0.8	-5.0	1.2	9.6
Australian Research Council	0.0	0.0	0.0	0.0	0.0
Total	**-0.5**	**-0.8**	**-5.0**	**1.2**	**9.6**
Employment, Workplace Relations and Small Business					
Department of Employment, Workplace Relations and Small Business	-5.9	4.2	1.7	2.0	2.2
Comcare	0.0	0.5	0.0	0.0	0.0
Total	**-5.9**	**4.7**	**1.7**	**2.0**	**2.2**
Environment and Heritage					
Department of Environment and Heritage	-9.5	-3.4	-4.6	-9.3	-9.5
Australian Greenhouse Office	0.0	0.0	0.1	0.0	0.0
Total	**-9.6**	**-3.5**	**-4.5**	**-9.3**	**-9.5**
Family and Community Services					
Department of Family and Community Services	1.9	5.1	2.5	2.0	1.8
Centrelink	5.4	32.8	1.1	-10.3	1.2
Total	**7.3**	**37.9**	**3.6**	**-8.3**	**3.0**
Finance and Administration					
Department of Finance and Administration	-35.0	-168.6	-38.4	-6.0	-42.7
Australian Electoral Commission	0.2	-5.2	-3.3	-3.3	-3.8
Office of Asset Sales and IT Outsourcing	17.9	-23.5	0.0	0.0	0.0
Total	**-16.8**	**-197.3**	**-41.7**	**-9.3**	**-46.5**

Table A3: Net capital investment by agency (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	0.0	15.8	10.2	-3.1	-9.1
Australian Agency for International Development	-8.3	0.0	0.8	0.0	-0.7
Australian Trade Commission	-3.1	0.4	0.4	0.4	0.4
Total	**-11.4**	**16.1**	**11.4**	**-2.7**	**-9.3**
Health and Aged Care					
Department of Health and Aged Care	1.7	-2.4	-4.4	-5.0	-4.0
Health Insurance Commission	5.4	24.3	44.9	48.8	14.9
Total	**7.2**	**21.9**	**40.5**	**43.8**	**10.9**
Immigration and Multicultural Affairs					
Department of Immigration and Multicultural Affairs	13.6	12.4	-16.0	-15.6	-11.4
Total	**13.6**	**12.4**	**-16.0**	**-15.6**	**-11.4**
Industry, Science and Resources					
Department of Industry, Science and Resources	36.2	-2.9	3.1	-4.1	2.9
Australian Nuclear Science and Technology Organisation	38.3	100.4	109.4	72.4	25.0
Australian Sports Commission	-4.1	-4.3	-5.1	-5.1	-4.4
Australian Tourist Commission	2.1	-0.5	-2.3	0.3	-1.3
Commonwealth Scientific and Industrial Research Organisation	70.1	25.6	-20.8	-18.1	4.0
Total	**142.6**	**118.2**	**84.3**	**45.4**	**26.2**
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	-0.3	-0.1	-0.2	-0.2	-0.2
Total	**-0.3**	**-0.1**	**-0.2**	**-0.2**	**-0.2**
Reconciliation and ATSI Affairs					
Aboriginal and Torres Strait Islander Commission	-0.9	-0.9	-0.9	0.0	0.0
Total	**-0.9**	**-0.9**	**-0.9**	**0.0**	**0.0**
Transport and Regional Services					
Department of Transport and Regional Services	-19.9	1.3	1.1	-3.6	1.2
Civil Aviation Safety Authority	1.4	8.3	4.5	2.0	4.0
Total	**-18.5**	**9.6**	**5.6**	**-1.6**	**5.2**
Treasury					
Department of the Treasury	-1.7	-2.2	-2.7	0.2	-0.2
Australian Bureau of Statistics	13.5	15.4	-9.3	-11.6	2.3
Australian Securities and Investment Commission	-6.8	1.3	1.0	0.0	1.3
Australian Taxation Office	85.6	-3.3	-33.9	7.5	-26.3
Australian Office of Financial Management	1.3	3.3	-0.1	-0.1	-0.1
Total	**92.0**	**14.4**	**-45.0**	**-4.0**	**-23.0**
Veterans' Affairs					
Department of Veterans' Affairs	4.3	7.7	8.0	7.7	2.0
Total	**4.3**	**7.7**	**8.0**	**7.7**	**2.0**
Small agencies	**912.7**	**38.1**	**41.7**	**18.0**	**6.4**
Whole of government and inter-agency amounts(a)	**492.5**	**20.0**	**157.8**	**216.8**	**337.9**
Total net capital investment	**2,591.1**	**-589.1**	**713.3**	**1,115.5**	**1,134.5**

(a) Estimates of inter-agency transactions are included in the Whole of Government and inter-agency amounts.

Table A4: Capital appropriations by portfolio

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	0.0	25.8	0.0	0.0	0.0
Australian Wool Research and Promotion Organisation	0.0	0.0	0.0	0.0	0.0
Grains Research and Development Corporation	0.0	0.0	0.0	0.0	0.0
Agriculture, Fisheries and Forestry Portfolio	**0.0**	**25.8**	**0.0**	**0.0**	**0.0**
Attorney-General's					
Attorney-General's Department	0.0	15.0	0.0	0.0	0.0
Australian Customs Service	4.7	11.1	4.1	3.9	3.6
Australian Federal Police	36.1	10.0	0.0	0.0	0.0
Family Court of Australia	0.0	0.0	0.0	0.0	0.0
Attorney-General's Portfolio	**40.8**	**36.1**	**4.1**	**3.9**	**3.6**
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	1.8	1.1	0.1	0.1	0.1
Australian Broadcasting Corporation	141.3	34.6	72.9	20.0	0.0
Special Broadcasting Service Corporation	23.4	8.0	8.0	6.8	4.8
Communications, Information Technology and the Arts Portfolio	**166.6**	**43.7**	**81.0**	**26.9**	**4.9**
Defence					
Department of Defence	397.5	10.6	525.6	803.0	1,043.4
Defence Housing Authority	0.0	0.0	0.0	0.0	0.0
Defence Portfolio	**397.5**	**10.6**	**525.6**	**803.0**	**1,043.4**
Education, Training and Youth Affairs					
Department of Education, Training and Youth Affairs	0.0	0.0	0.0	0.0	0.0
Australian Research Council	0.0	0.0	0.0	0.0	0.0
Education, Training and Youth Affairs Portfolio	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Employment, Workplace Relations and Small Business					
Department of Employment, Workplace Relations and Small Business	0.0	0.0	0.0	0.0	0.0
Comcare	0.0	0.0	0.0	0.0	0.0
Employment, Workplace Relations and Small Business Portfolio	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Environment and Heritage					
Department of Environment and Heritage	60.2	38.5	36.6	18.2	19.1
Australian Greenhouse Office	0.0	0.0	0.0	0.0	0.0
Environment and Heritage Portfolio	**60.2**	**38.5**	**36.6**	**18.2**	**19.1**
Family and Community Services					
Department of Family and Community Services	311.2	301.6	291.0	303.0	316.5
Centrelink	20.9	24.3	8.7	7.9	0.0
Family and Community Services Portfolio	**332.2**	**325.9**	**299.7**	**310.9**	**316.5**

Table A4: Capital appropriations by portfolio (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Finance and Administration					
Department of Finance and Administration	884.3	908.8	944.4	956.0	989.1
Australian Electoral Commission	0.0	0.0	0.0	0.0	0.0
Office of Asset Sales and IT Outsourcing	0.0	0.0	0.0	0.0	0.0
Finance and Administration Portfolio	**884.3**	**908.8**	**944.4**	**956.0**	**989.1**
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	0.0	16.0	14.1	5.9	0.0
Australian Agency for International Development	211.5	232.6	207.7	169.6	92.2
Australian Trade Commission	0.0	0.0	0.1	0.0	0.0
Foreign Affairs and Trade Portfolio	**211.6**	**248.6**	**221.9**	**175.4**	**92.2**
Health and Aged Care					
Department of Health and Aged Care	65.7	57.3	57.0	57.0	0.0
Health Insurance Commission	0.0	6.3	36.2	55.2	18.5
Health and Aged Care Portfolio	**65.7**	**63.6**	**93.2**	**112.1**	**18.5**
Immigration and Multicultural Affairs					
Department of Immigration and Multicultural Affairs	99.5	2.0	1.9	0.0	0.0
Immigration and Multicultural Affairs Portfolio	**99.5**	**2.0**	**1.9**	**0.0**	**0.0**
Industry, Science and Resources					
Department of Industry, Science and Resources	105.5	66.4	57.8	54.4	45.1
Australian Nuclear Science and Technology Organisation	55.0	91.0	100.7	74.2	26.5
Australian Sports Commission	0.0	0.0	0.0	0.0	0.0
Australian Tourist Commission	0.0	0.0	0.0	0.0	0.0
Commonwealth Scientific and Industrial Research Organisation	0.0	32.8	17.2	0.0	0.0
Industry, Science and Resources Portfolio	**160.5**	**190.2**	**175.6**	**128.6**	**71.6**
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	0.0	0.0	0.0	0.0	0.0
Prime Minister and Cabinet Portfolio	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Reconciliation and ATSI Affairs					
Aboriginal and Torres Strait Islander Commission	87.4	88.8	91.2	93.4	0.0
Reconciliation and ATSI Affairs Portfolio	**87.4**	**88.8**	**91.2**	**93.4**	**0.0**

Table A4: Capital appropriations by portfolio (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Transport and Regional Services					
Department of Transport and Regional Services	8.4	0.0	0.0	0.0	0.0
Civil Aviation Safety Authority	0.0	0.0	0.0	0.0	0.0
Transport and Regional Services Portfolio	**8.4**	**0.0**	**0.0**	**0.0**	**0.0**
Treasury					
Department of the Treasury	82.2	16.2	11.9	11.9	11.9
Australian Bureau of Statistics	0.0	13.2	0.0	0.0	0.0
Australian Securities and Investment Commission	0.0	0.0	0.0	0.0	0.0
Australian Taxation Office	63.6	78.9	22.5	0.0	0.0
Australian Office of Financial Management	0.0	3.4	0.0	0.0	0.0
Treasury Portfolio	**145.8**	**111.8**	**34.3**	**11.9**	**11.9**
Veterans' Affairs					
Department of Veterans' Affairs	17.8	11.4	6.6	4.5	0.1
Veterans' Affairs Portfolio	**17.8**	**11.4**	**6.6**	**4.5**	**0.1**
Small agencies	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Whole of government and inter-agency amounts(a)	**0.0**	**50.0**	**50.0**	**100.0**	**0.0**
Total	**2,678.1**	**2,155.7**	**2,566.2**	**2,744.9**	**2,570.9**

(a) Estimates of inter-agency transactions are included in the Whole of Government and inter-agency amounts.

Table A5: Estimates of average staffing level (ASL) of agencies in the Commonwealth general government sector

	Average staffing levels		
	2000-01	2001-02	Change
Agriculture, Fisheries and Forestry			
Department of Agriculture, Fisheries and Forestry	3,016.0	3,655.0	639.0
Australian Fisheries Management Authority	104.0	110.0	6.0
Australian Wine and Brandy Corporation	35.0	37.0	2.0
Cotton Research and Development Corporation	9.0	10.0	1.0
Dairy Research and Development Corporation	21.0	24.0	3.0
Fisheries Research and Development Corporation	5.4	6.0	0.6
Forest and Woods Products Research and Development Corporation	7.0	7.0	-
Grains Research and Development Corporation	36.0	38.0	2.0
Grape and Wine Research and Development Corporation	6.0	6.0	-
Land and Water Resources Research and Development Corporation	28.0	28.0	-
National Registration Authority for Agriculture and Veterinary Chemicals	120.0	120.0	-
Rural Industries Research and Development Corporation	16.0	16.0	-
Sugar Research and Development Corporation	7.0	7.0	-
Tobacco Research and Development Corporation	0.5	0.5	-
Wheat Export Authority	6.0	6.0	-
Total	**3,416.9**	**4,070.5**	**653.6**
Attorney-General's			
Attorney-General's Department	1,214.0	1,212.6	-1.4
Administrative Appeals Tribunal	168.0	174.0	6.0
Australian Customs Service	4,354.0	4,990.0	636.0
Australian Federal Police	2,820.0	2,748.0	-72.0
Australian Institute of Criminology	38.4	41.2	2.8
Australian Law Reform Commission	21.0	22.0	1.0
Australian Secret Intelligence Organisation	538.8	563.1	24.3
Australian Transaction Reports Analysis Centre (Austrac)	59.0	65.0	6.0
Criminology Research Council	0.8	1.0	0.2
Family Court of Australia	715.0	705.0	-10.0
Federal Court of Australia	210.0	213.0	3.0
Federal Magistrates Service	36.0	74.0	38.0
High Court of Australia	83.0	84.0	1.0
Human Rights and Equal Opportunity Commission	95.0	95.0	-
Insolvency Trustee Service Australia	240.0	240.0	-
National Crime Authority	277.0	280.0	3.0
National Native Title Tribunal	220.0	233.0	13.0
Office of Film and Literature Classification	50.0	50.0	-
Office of Parliamentary Counsel	42.0	45.0	3.0
Office of the Privacy Commissioner	35.0	35.0	-
Office of the Director of Public Prosecutions	405.0	410.0	5.0
Total	**11,622.0**	**12,280.9**	**658.9**

Table A5: Estimates of average staffing level (ASL) of agencies in the Commonwealth general government sector (continued)

	Average staffing levels		
	2000-01	2001-02	Change
Communication, Information Technology and the Arts			
Department of Communications, Information Technology and the Arts	1,033.0	1,018.0	-15.0
Australia Council	124.0	128.0	4.0
Australian Broadcasting Authority	150.0	150.0	-
Australian Broadcasting Corporation	4,200.0	4,200.0	-
Australian Communications Authority	429.0	426.0	-3.0
Australian Film Commission	52.0	55.0	3.0
Australian Film Television and Radio School	145.0	145.0	-
Australian National Maritime Museum	95.0	100.0	5.0
National Archives of Australia	335.0	340.0	5.0
National Gallery	233.0	230.0	-3.0
National Library of Australia	532.0	516.0	-16.0
National Museum of Australia	138.0	175.0	37.0
National Science and Technology Centre	110.0	115.0	5.0
Special Broadcasting Service Corporation	728.0	730.0	2.0
Total	**8,304.0**	**8,328.0**	**24.0**
Defence			
Department of Defence	16,278.0	15,901.0	-377.0
Military Reserves	2,603.0	2,871.0	268.0
Permanent Military	50,303.0	50,781.0	478.0
Defence Housing Authority	373.0	460.0	87.0
Total	**69,557.0**	**70,013.0**	**456.0**
Education, Training and Youth Affairs			
Department of Education, Training and Youth Affairs	1,350.0	1,324.0	-26.0
Australian National Training Authority	106.0	103.0	-3.0
Australian Research Council	-	51.0	51.0
Total	**1,456.0**	**1,478.0**	**22.0**
Employment, Workplace Relations and Small Business			
Department of Employment, Workplace Relations and Small Business	2,108.0	2,169.0	61.0
Australian Industrial Registry	243.0	244.0	1.0
Comcare	295.0	295.0	-
National Occupational Health and Safety Commission	153.0	119.0	-34.0
Equal Opportunity for Women in the Workplace Agency	21.0	21.0	-
Total	**2,820.0**	**2,848.0**	**28.0**
Environment and Heritage			
Department of Environment and Heritage	2,600.6	2,586.9	-13.7
Australian Greenhouse Office	169.0	169.0	-
Australian Heritage Commission	79.4	79.4	-
Director of National Parks	261.0	261.0	-
Great Barrier Reef Marine Park Authority	167.0	170.0	3.0
National Oceans Office	15.0	22.5	7.5
Total	**3,292.0**	**3,288.8**	**-3.2**
Family and Community Services			
Department of Family and Community Services	5,598.5	5,658.7	60.2
Australian Institute of Family Studies	36.8	37.6	0.8
Centrelink	21,180.0	21,430.0	250.0
Total	**26,815.3**	**27,126.3**	**311.0**

Table A5: Estimates of average staffing level (ASL) of agencies in the Commonwealth general government sector (continued)

	Average staffing levels		
	2000-01	2001-02	Change
Finance and Administration			
Department of Finance and Administration	768.2	703.4	-64.8
Australian Electoral Commission	881.0	1,611.0	730.0
Commonwealth Grants Commission	65.1	54.6	-10.5
Commonwealth Superannuation Administration (ComSuper)	353.0	348.0	-5.0
Office of Asset Sales and IT Outsourcing	63.0	47.0	-16.0
Total	**2,130.3**	**2,764.0**	**633.7**
Foreign Affairs and Trade			
Department of Foreign Affairs and Trade	3,348.0	3,259.0	-89.0
AusAID	557.0	550.0	-7.0
Australia-Japan Foundation	6.5	6.5	-
Australian Centre for International Agricultural Research	52.0	53.0	1.0
Australian Trade Commission	1,042.0	1,022.0	-20.0
Total	**5,005.5**	**4,890.5**	**-115.0**
Health and Aged Care			
Department of Health and Aged Care	3,249.0	3,301.6	52.6
Aged Care Standards and Accreditation Agency	174.0	174.0	-
Australia New Zealand Food Authority	101.0	103.0	2.0
Australian Institute of Health and Welfare	74.0	74.0	-
Australian Radiation Protection and Nuclear Safety Agency	126.0	126.0	-
Health Insurance Commission	3,980.0	4,080.0	100.0
Private Health Insurance Administration Council	7.5	7.5	-
Private Health Insurance Ombudsman	8.5	8.5	-
Professional Services Review	21.0	30.0	9.0
Total	**7,741.0**	**7,904.6**	**163.6**
Immigration and Multicultural Affairs			
Department of Immigration and Multicultural Affairs	3,966.0	4,020.0	54.0
Migration Review Tribunal	170.0	143.0	-27.0
Refugee Review Tribunal	194.0	198.0	4.0
Total	**4,330.0**	**4,361.0**	**31.0**
Industry Science and Resources			
Department of Industry, Science and Resources	1,580.0	1,621.0	41.0
Australian Geological Survey Organisation	428.6	430.0	1.4
Australian Institute of Marine Science	154.9	155.0	0.1
Australian Nuclear Science and Technology Organisation	793.0	800.0	7.0
Australian Sports Commission	365.3	389.9	24.6
Australian Sports Drug Agency	44.8	49.5	4.7
Australian Tourist Commission	198.0	219.0	21.0
Commonwealth Scientific and Industrial Research Organisation	5,985.0	5,875.0	-110.0
IP Australia	774.0	799.0	25.0
National Standards Commission	30.0	34.0	4.0
Total	**10,353.6**	**10,372.4**	**18.8**
Parliament			
Department of the Senate	251.0	251.0	-
Department of the House of Representatives	239.0	239.0	-
Department of the Parliamentary Library	181.0	161.0	-20.0
Department of Parliamentary Reporting Staff	285.0	285.0	-
Joint Houses of Parliament	267.4	267.4	-
Total	**1,223.4**	**1,203.4**	**-20.0**

Table A5: Estimates of average staffing level (ASL) of agencies in the Commonwealth general government sector (continued)

	Average staffing levels		
	2000-01	2001-02	Change
Prime Minister and Cabinet			
Department of Prime Minister and Cabinet	380.0	352.0	-28.0
Australian National Audit Office	255.0	265.0	10.0
Office of the Inspector-General of Intelligence and Security	4.6	4.6	-
Office of National Assessments	54.0	55.0	1.0
Office of the Commonwealth Ombudsman	82.0	82.0	-
Office of the Official Secretary to the Governor-General	73.8	74.2	0.4
Public Service and Merit Protection Commission	125.0	130.0	5.0
Total	**974.4**	**962.8**	**-11.6**
Reconciliation and Aboriginal and Torres Strait Islander Affairs			
Department of Reconciliation and Aboriginal and Torres Strait Islander Affairs	25.0	29.0	4.0
Aboriginal and Torres Strait Islander Commission	1,117.0	1,050.0	-67.0
Aboriginal Hostels Ltd	412.0	412.0	-
Australian Institute of Aboriginal and Torres Strait Islander Studies	71.5	81.0	9.5
Indigenous Business Australia	21.0	21.0	-
Indigenous Land Corporation	102.6	113.8	11.2
Torres Strait Regional Authority	36.0	36.0	-
Total	**1,785.1**	**1,742.8**	**-42.3**
Transport and Regional Services			
Department of Transport and Regional Services	981.6	980.3	-1.3
Airservices Australia	2,958.0	2,944.0	-14.0
Australian Maritime Safety Authority	269.0	244.0	-25.0
Civil Aviation Safety Authority	628.0	680.0	52.0
National Capital Authority	73.2	73.6	0.4
Total	**4,909.8**	**4,921.9**	**12.1**
Treasury			
Department of the Treasury	532.0	545.0	13.0
Australian Bureau of Statistics	3,137.0	3,647.0	510.0
Australian Competition and Consumer Council	437.0	480.0	43.0
Australian Office of Financial Management	26.0	40.0	14.0
Australian Prudential Regulation Authority	396.0	417.0	21.0
Australian Securities and Investment Commission	1,230.0	1,270.0	40.0
Australian Taxation Office	19,000.0	17,500.0	-1,500.0
Companies and Securities Advisory Committee	4.0	4.0	-
National Competition Council	21.0	21.0	-
Productivity Commission	200.0	195.0	-5.0
Total	**24,983.0**	**24,119.0**	**-864.0**
Veterans' Affairs			
Department of Veteran's Affairs	2,400.0	2,359.0	-41.0
Australian War Memorial	250.0	279.0	29.0
Total	**2,650.0**	**2,638.0**	**-12.0**

(a) There are no ASL figures for the financial year 2000-01 for the Australia Research Council as it was part of the Department of Education Training and Youth Affairs

Note: This table includes estimates of ASL provided by general government sector agencies. ASL figures reflect the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time staff, to show the full time equivalent. This also includes non uniformed staff and overseas personnel.

ESTIMATES OF GENERAL GOVERNMENT SECTOR AGENCY CAPITAL USE CHARGE AND DIVIDEND PAYMENTS

The Commonwealth introduced, as part of the accrual budgeting reforms in 1999-00, a Capital Use Charge (CUC). The CUC is paid annually by general government sector agencies on their net assets. The CUC is an internal government transaction and therefore does not affect the budget balances.

The CUC was implemented to:

- improve agency resource allocation, by ensuring that the full cost of competing activities are shown and the cost of capital is reflected in the pricing structures of equivalent outputs produced by the public or private sectors; and

- improve asset management in agencies, by providing an incentive to manage under performing or surplus assets.

The Government will reduce the CUC levied on agencies' net assets from 12 percent to 11 percent from 1 July 2001, reflecting recent movements in domestic capital and equity markets.

As well as CUC payments, some agencies or part thereof, which operate on a fully commercial basis, pay annual dividends to the government, which are set having reference to private sector benchmarks. Also, a separate return to government in the form of a special dividend may be made by an agency to return surplus cash. These surpluses can arise where an agency has rationalised non-financial assets, reduced activity or become more efficient.

Table A6: Capital user charge by agency

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Material agencies					
Aboriginal and Torres Strait Islander Commission	51.5	17.4	17.4	17.4	17.4
Attorney-Generals Department	2.6	2.1	2.0	2.0	2.0
AusAid (a)	0.0	0.0	0.0	0.0	0.0
Australian Broadcasting Corporation	61.6	59.3	62.6	69.1	70.9
Australian Bureau of Statistics	7.1	6.2	6.2	6.2	6.2
Australian Customs Service	11.7	13.2	14.6	15.1	15.6
Australian Electoral Commission	2.8	2.4	2.4	2.5	2.3
Australian Federal Police	0.0	3.7	3.7	3.7	3.7
Australian Greenhouse Office(a)	0.0	0.0	0.0	0.0	0.0
Australian Nuclear Science and Technology Organisation	40.2	45.8	56.9	65.0	67.9
Australian Office of Financial Management	0.3	0.3	0.3	0.3	0.3
Australian Securities and Investment Commission(a)	0.0	0.0	0.0	0.0	0.0
Australian Sports Commission	13.1	12.0	12.0	12.0	12.0
Australian Taxation Office(a)	0.0	0.0	0.0	0.0	0.0
Australian Tourist Commission	0.2	0.2	0.2	0.2	0.2
Australian Trade Commission(b)	14.5	8.6	8.6	8.6	8.6
Centrelink(c)	0.0	0.0	0.0	0.0	0.0
Civil Aviation Safety Authority	1.6	2.9	3.4	3.6	3.6
Comcare Australia	0.6	0.6	0.6	0.6	0.6
Commonwealth Scientific and Industrial Research Organisation(b)	156.0	137.9	120.6	99.6	99.6
Defence Housing Authority(d)	44.1	37.7	32.6	30.9	31.3
Department of Agriculture, Fisheries and Forestry	0.1	0.2	1.5	0.0	0.0
Department of Communications, Information Technology and the Arts	26.8	27.6	27.7	27.8	28.0
Department of Defence	4,954.6	4,771.7	4,766.0	4,866.4	5,000.2
Department of Education, Training and Youth Affairs	4.8	4.3	4.3	4.3	4.3
Department of Employment, Workplace Relations and Small Business	8.9	3.2	3.2	3.2	3.2
Department of Environment and Heritage	42.2	39.7	39.9	40.6	41.9
Department of Family and Community Services(a)(b)	7.9	7.7	0.0	0.0	0.0
Department of Finance and Administration(d)	117.3	129.7	133.6	143.3	148.5
Department of Foreign Affairs and Trade	12.5	16.1	17.7	18.3	18.3
Department of Health and Aged Care	2.3	0.2	0.4	0.6	0.8
Department of Immigration and Multicultural Affairs	8.4	8.7	8.2	9.3	12.0
Department of Industry, Science and Resources	4.3	4.1	4.1	4.1	4.1
Department of Prime Minister and Cabinet	0.3	1.0	1.0	1.1	1.1
Department of the Treasury	3.4	1.7	1.5	1.5	1.5
Department of Transport and Regional Services	27.6	22.7	22.7	22.7	22.7
Department of Veterans Affairs(a)	0.0	0.0	0.0	0.0	0.0

Table A6: Capital user charge by agency (continued)

	Estimates		Projections		
	2000-01	2001-02	2002-03	2003-04	2004-05
	$m	$m	$m	$m	$m
Material agencies (continued)					
Grains Research and Development Corporation(e)	0.0	0.0	0.0	0.0	0.0
Health Insurance Commission(c)	0.0	0.0	0.0	0.0	0.0
Office of Asset Sales and Commercial Support	0.6	0.5	0.0	0.0	0.0
Special Broadcasting Service Corporation	9.3	9.5	9.8	10.3	10.8
Small agencies	0.0	0.0	0.0	0.0	0.0
Australian National Maritime Museum	9.3	9.0	9.2	9.2	9.2
Australian War Memorial	73.2	62.7	62.8	62.9	63.1
Director of National Parks	7.4	10.7	10.7	10.7	10.7
High Court of Australia	15.8	14.6	14.6	14.6	14.6
National Archives of Australia	8.2	84.3	84.3	84.3	84.3
National Gallery of Australia	138.9	128.3	129.2	130.2	131.2
National Library of Australia	177.3	162.4	162.6	162.8	163.0
National Museum of Australia	15.1	29.3	29.2	29.0	28.8
Other	58.1	59.0	59.4	60.7	61.4
Total	**6,143.7**	**5,959.7**	**5,948.4**	**6,055.3**	**6,206.8**

(a) Agency has negative equity and, therefore, does not make a CUC payment.
(b) Agency pays a special dividend.
(c) Agency does not pay a CUC.
(d) Agency makes a dividend payment only.
(e) Agency is exempt from the CUC as its revenue is generated from industry levies.

Appendix B: Statement of Risks

INTRODUCTION

The forward estimates of revenue and expenses in the 2001-02 Budget incorporate assumptions and judgements based on information available at the time of publication. A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these to be disclosed in a Statement of Risks in each Economic and Fiscal Outlook Report. The purpose of this disclosure is to increase the transparency of the fiscal projections.

Events which could affect fiscal outcomes include:

- changes in economic and other parameters;
- matters which have not been included in the fiscal forecasts because of uncertainty about their timing, magnitude or whether they will eventuate; and
- the realisation of contingent liabilities.

ECONOMIC AND OTHER PARAMETERS

Some degree of uncertainty is attached to budget time and forward estimates for both revenues and expenses. For example, past experience indicates that the actual revenue outcome could vary from the initial estimate by about 2¼ per cent on average for the budget year.

The major factor influencing expected expenses and revenues in any year is typically changes in forecasts of economic and non-economic parameters. Over time, differences between the economic parameter forecasts and outcomes have not caused any clear bias toward understatement or overstatement of expenses and revenue — and therefore the budget balance. The sensitivity of the estimates to major economic parameters (but not other parameters) is discussed in Appendix B of Statement 2.

Differences in non-economic (programme-specific) parameter forecasts and outcomes have been biased towards an understatement of expenses in recent years. Effort has been made to reduce the extent of this bias. Programme specific parameters are assumptions underpinning some particular programme estimates, for example client numbers and / or average rates payable on family payments, family tax payments and disability support pension programmes. The Contingency Reserve contains an allowance for conservative bias.

Fiscal risks

Fiscal risks are general developments or specific events which may have an effect on the fiscal outlook. In some cases, the events will simply raise the possibility of some fiscal impact. In other cases, some fiscal impact will be reasonably certain, but it will not be included in the forward estimates because the timing or magnitude is not known. Fiscal risks may affect expenses and/or revenue and may be positive or negative.

Specific sources of fiscal risk include:

- litigation currently before the courts; and

- possible Senate rejection or amendment of budget measures or other legislation before the Parliament.

Some fiscal risks are reflected in the Contingency Reserve and are therefore included in the aggregate expenses figuring. The Contingency Reserve is an allowance included in aggregate expenses to reflect anticipated events, which cannot be assigned to individual programmes at budget time. These items are also not included in the Statement of Risks.

Matters that are not currently under active consideration by the Government, or pressure from interests outside the Government for changes in spending levels, are not treated as fiscal risks.

Contingent liabilities

Contingent liabilities differ from fiscal risks in that they are generally more readily quantifiable and clearly defined.

Contingent liabilities are defined as costs the Government will have to face if a particular event occurs. They include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort.

The Commonwealth's major exposure to contingent liabilities arises out of legislation providing guarantees over certain liabilities of Commonwealth controlled financial institutions (that is, the Reserve Bank of Australia and the Export Finance and Insurance Corporation) and the now fully privatised Commonwealth Bank of Australia.

The strategies for managing these exposures are aimed at ensuring the underlying strength and viability of the entities, so that the guarantees are not triggered. Similar strategies apply to entities not subject to explicit guarantees.

Other arrangements are in place to govern the entering into, and monitoring of, contingent liabilities such as indemnities and uncalled capital. Uncalled capital is primarily associated with international financial institutions such as the International

Bank for Reconstruction and Development, the Asian Development Bank and the European Bank for Reconstruction and Development. Arrangements for capital contributions, including contingent liabilities, are approved by Parliament and reports on the institutions are provided annually by the Government to Parliament.

Consistent with Australian Bureau of Statistics (ABS) standards, transactions concerned with the management of international reserves and the monetary system are classified as financing transactions (and do not impact on the fiscal or operating balance). Therefore, contingent liabilities (and assets) with the International Monetary Fund (IMF) are not shown below.

Details of fiscal risks and contingent liabilities

Fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than $20 million in any one year, or $40 million over the forward estimates period, are listed below. Information on fiscal risks takes account of decisions of Parliament and other developments up to the close of parliamentary business on 30 April 2001. In general, information on contingent liabilities is based on information provided by departments and agencies and is current to 31 March 2001 (or a later date as indicated where that information is available). However in some cases, earlier dates are used and noted in the relevant section.

Information on contingent liabilities is provided in annual financial statements of departments and non-budget entities.

FISCAL RISKS — REVENUE

Revenue forecasts, like all forecasts, are subject to a margin of error. Over the previous ten years, the average absolute error in the forecast of revenue in the budget year has been in the order of 2¼ per cent.

The average forecast error, measured relative to the tax base being forecast, is higher for some components of the tax base. This is particularly evident for the 'Company' and 'Other Individuals' tax bases, partly reflecting that there is often greater variability in the timing of income received and deductions taken for these taxpayers than other taxpayers.

The Superannuation tax base is also subject to significant forecasting uncertainty as a result of considerable variability in annual investment returns and in the realisation of capital gains.

An implication of the degree of uncertainty surrounding the revenue forecasts is that, while many of the forecasts are reported to the nearest million dollars for budget accounting purposes, they should not be interpreted as implying an equivalent level of forecast precision.

The various risks influencing the accuracy of the revenue forecasts are outlined below.

Tax Reform

The New Business Tax System

The Government announced on 22 March 2001 a revised implementation timeline for the remainder of its business taxation reform programme. The revised timetable will allow an orderly phasing of the further reforms, assisting business to adjust to the reforms to date and ensure that the benefits of *The New Tax System* and business tax arrangements can be fully captured, as well as allowing further time for consultation on remaining issues. While the Government is fully committed to the new timetable, there will be an impact on the Budget should the remaining legislation not be passed.

General risks

The forward estimates of revenue are subject to a number of general pressures that can adversely affect revenue collections. These general pressures include: tax avoidance, including the exploitation of tax expenditures; developments in communications technology and workplace arrangements; and court decisions. These pressures may result in a shift in the composition of revenue collected from the various tax bases and/or a change in the size of the tax base. The revenue forecasts make what is believed to be an appropriate allowance for these factors, given the data available.

Tax avoidance involves the use of provisions and 'loopholes' in the tax law, which were not intended by policymakers. Without an appropriate policy or compliance response, the revenue base will shrink relative to that projected in the forward estimates. The Government is undertaking a fundamental tax reform programme that has, as one of its aims, the formation of a simpler and fairer tax system that will also reduce the revenue risk associated with such activity.

Developments in *communications technology*, such as the Internet, also raise a general risk to the forward estimates of revenue. Such developments may allow the purchase or sale of an increasing number of goods and services, including the provision of labour services, in a way that challenges traditional tax allocation rules between countries and mechanisms for tax collection. The Organisation for Economic Cooperation and Development (OECD) has developed a framework of taxation principles to apply to electronic commerce, and is working on options for implementing those principles. Australia is contributing actively to this work. The ATO has sought to raise awareness of these issues in its publications on Tax and the Internet.

Court decisions also increase the risk that revenue will be lower or higher than anticipated. Court decisions can affect the interpretation of tax legislation and may significantly change the level of revenue collected under that legislation.

Tax expenditures are often at risk of being exploited in an unexpected manner, which can also have a significant effect on the forward estimates of revenue. The Government receives a steady stream of calls for new tax expenditures to be granted. As a general proposition, the granting of further tax expenditures will lead to the downward adjustment of the forward estimates of revenue. Equally, the winding back of existing tax expenditures will generally require the upward adjustment of the forward estimates of revenue. Following a review of existing tax expenditures, first announced in the 1996-97 Budget, the Government is undertaking periodic monitoring and evaluation of all tax expenditures through normal budget processes to ensure they deliver Government assistance in an effective manner.

Apart from the general risks mentioned above, which could have a cumulative impact over time, there are general risks to the forward estimates which could have a significant effect in any one year, but not necessarily a cumulative effect over time. In any one year, revenue will be influenced by a number of factors, including for example, the degree to which companies, superannuation funds and individuals realise losses and capital gains, the valuation of stocks, the utilisation of specific tax expenditures and taxpayer behavioural responses to revenue measures. Such factors can have a significant effect on company tax collections and the revenue forgone through tax expenditures. Generally, such factors can not, by their nature, be forecast with a high degree of certainty.

Specific risks

There are also a number of specific risks to revenue that are currently the subject of ongoing analysis and evaluation by the Treasury and the ATO. Such risks include, for example, specific tax minimisation and avoidance schemes. Early detection and Government response to such risks is desirable. It would be inappropriate to explicitly identify such current specific risks until the Government is in a position to respond to the risks. To do so may compromise the Government's policy response and magnify the downside risks to the forward estimates of revenue.

The Government has announced a number of measures to date that have already been factored into the forward estimates of revenue but are yet to be passed by Parliament. Should the passage of legislation relating to these measures be delayed, amended or rejected, the forward estimates would need to be adjusted.

Renegotiation of double tax agreements (DTAs) with the United States and the United Kingdom

Tax treaties promote closer economic cooperation between Australia and other countries by eliminating possible barriers to trade and investment. They reduce or eliminate double taxation of income flows between the treaty partner countries caused by overlapping tax jurisdictions. They also establish greater legal and fiscal certainty within which cross-border trade and investment can be carried on and promoted. Another purpose is to create a framework for the exchange of information and cooperation between the respective tax administrations as a means of combating international tax avoidance and evasion.

Australia has commenced negotiations with both the United Kingdom and the United States to revise the current DTAs Australia has with those countries (which have been in effect since 1967, with amendment in 1980, and 1983 respectively). The aim of the negotiations is to modernise the DTAs to take account of changes in the tax systems and tax policies of each country because these DTAs do not properly reflect modern tax treaty policy and commercial practices. Depending on the negotiated outcome, changes to the DTAs could have positive as well as negative revenue effects, and implications for DTAs Australia has with other countries.

FISCAL RISKS — EXPENSES

Attorney-General's

Native title costs

The Commonwealth has offered to assist the States and Territories in meeting compensation costs associated with native title. The amounts that might be paid by the Commonwealth will be subject to the terms of financial assistance agreements being negotiated with the States and Territories and liabilities arising from the Wik amendments to the *Native Title Act 1993*. The Commonwealth's liability cannot be quantified due to uncertainty about the number and effect of compensable acts, both in the past and in the future, and the value of native title affected by those acts. Similarly, it is not possible to quantify the liability for compensable acts for which the Commonwealth may be directly liable.

The Commonwealth has also offered to assist the States with the costs of bodies performing native title functions under State legislation. The extent of this assistance will depend on the existence of such bodies, the timing of their recognition and the extent of their use.

Defence

Litigation cases in train

The Department of Defence is involved in many cases covering a wide range of litigation where either the cases are yet to be heard or damages and costs have not been awarded. The litigation involves Common Law liability, and claims before the Human Rights and Equal Opportunity Commission. Litigation also involves asbestos claims, and alleged defective administration by the Department. In total there are 350 claims, with a value of around $80 million.

Finance and Administration

Member Choice and Commonwealth Superannuation Arrangements

New superannuation arrangements for Commonwealth employees have been provided for in the forward estimates. These arrangements were intended to commence 1 July 1999 although the arrangements have been deferred subject to the passage of legislation currently before the Parliament. These new arrangements provide for the closure of the Public Sector Superannuation Scheme (PSS) to new employees and would allow new employees to join a complying superannuation fund or retirement savings account (RSA) offered by their employer. The arrangements also provide for existing Commonwealth Superannuation Scheme (CSS) and PSS members to choose to join another fund or RSA. Subject to a Government decision for a start date, Budget estimates have assumed a start date of 1 July 2002 for both new and existing employees. A later start date would improve the underlying cash balance from 2002-03.

Commonwealth civilian superannuation liability

Valuations of the Commonwealth's civilian superannuation liability, including the unfunded liability for the PSS and the CSS, are based on a range of financial and experience assumptions. These valuations are subject to revision based on variations between outcomes and assumptions, and the reassessment of the long term assumptions used in actuarial valuations. The next full actuarial review of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme will be undertaken in 2002-03 based on data at 30 June 2002.

Department of Finance and Administration litigation

The Department of Finance and Administration is involved in litigation where two counter-claims for damages have been lodged against the Commonwealth. The counter-claim by one group of defendants claims damages of $4.3 billion against the Commonwealth although the basis for this amount is yet to be provided. The other counter-claim has not specified any particular amount of damages.

Asset sales — Telstra

The forward estimates include the effect of the sale of the Commonwealth's shareholding in Telstra, noting that the level of proceeds will depend, *inter alia*, on the prevailing levels of world equity markets at the time of the sale. The sale of the Commonwealth's remaining shareholding in Telstra is dependent on the passage of legislation through the Parliament. The Government has committed not to introduce such legislation until it is satisfied arrangements exist to deliver adequate services, in particular to rural and regional Australia. The Government's immediate priority is to get more services into rural and regional areas. At the present time, the Government is not satisfied that such arrangements are in place and believes more work needs to be done, including in the context of the response to the Telecommunications Service Inquiry into the adequacy of service levels in rural and regional areas.

Natural Disaster Relief Arrangements

Payments are made to State Governments under specific criteria relating to costs incurred by the State Governments following natural disasters. An amount has been included in the estimates for future payments. However, the actual level of payments under this scheme would depend on the incidence and severity of natural disasters.

Health and Aged Care

Major new listings — Pharmaceutical Benefits Scheme and Medicare Benefits Scheme

From time to time new items are added to or removed from the Medicare Benefits Scheme and Pharmaceutical Benefits Scheme schedules following independent assessments of cost-effectiveness. Major new developments in medicines or medical procedures could result in increases in expenses that exceed the provision in the forward estimates. Similarly, significant shifts in usage patterns, which may occur for particular drugs or groups of drugs from time to time, could result in increases in expenses that exceed the provision in the forward estimates. It is not possible to quantify the fiscal risk arising from such potential developments.

Litigation cases in train

The Department of Health and Aged Care is presently involved in about 40 cases that could result in a financial liability for the Commonwealth. These cases cover a wide range of litigation, where either the cases have not been heard or damages have yet to be awarded. The litigation now involves Creutzfeldt-Jacob disease, Acquired Immune Deficiency Syndrome (AIDS), Hepatitis C, defective products, personal injuries, the Department as an employer, and a variety of other claims against the Commonwealth. It is not possible to quantify the fiscal risk arising from potential developments.

Immunisation funding mechanism

Future vaccine technology will result in new vaccines substituting for ones already in use (multivalent vaccines which combine several vaccines into one, for example) and, as a consequence, could result in higher unit costs of vaccines within the routine schedule. Given the nature of current vaccine technology and the possible introduction of new vaccines, specific costs cannot be precisely quantified at this stage. Fiscal risks are expected to be small to moderate.

Immigration and Multicultural Affairs

Unauthorised boat arrivals

Unauthorised boat arrival numbers are volatile and difficult to predict. The number of unauthorised boat arrivals to Australia in 2000-01 has not to date reached the unprecedented levels experienced in 1999-2000. The Government's measures to reduce unauthorised boat arrivals appear to be having an impact on people smuggling operations, resulting in a reduction in arrival numbers. If the reduced arrivals level is sustained, the forward estimates will be reduced.

Industry, Science and Resources

Corporatisation of the Snowy Mountains Hydro-Electric Authority (SMHEA) and environmental flows into the Snowy and Murray Rivers

The Commonwealth is providing $75 million over 10 years until 2011-12 as its contribution to water savings projects as part of a commitment with the NSW and Victorian governments to increasing environmental water flows in the Snowy and Murray Rivers. The establishment of a joint government entity to oversee the investment in the water savings projects will not occur until after SMHEA is corporatised. The timing of the expenditure on water savings projects will be driven by the corporatisation process and on how quickly a program of works can be developed and implemented by the joint government entity. There may be a need to bring forward Commonwealth expenditure.

Repayment of Snowy Mountains Hydro-Electric Scheme debt

Corporatisation of the Scheme is expected to occur shortly and will involve the refinancing and early repayment of debt to the Commonwealth. The market value of the debt was estimated to be $922 million as at 1 January 2001. Detailed arrangements are to be finalised between the Commonwealth, New South Wales and Victorian Governments, as shareholders in the new company. The amount and timing of repayments will be influenced by the date of corporatisation and market conditions.

Reconciliation and Aboriginal and Torres Strait Islander Affairs

Hindmarsh Island Bridge damages claim

Judgement is awaited in a substantial damages claim brought by the developers of a marina associated with the proposed Hindmarsh Island Bridge against the Commonwealth and other parties who were involved in the decision to ban construction of the bridge. The plaintiffs are claiming damages of $20 million.

Treasury

International Monetary Fund (IMF) assistance to Thailand

Australia's offer to provide bilateral financing of up to $1 billion in support of the IMF programme in Thailand was taken up in the form of a series of currency swaps between the Reserve Bank of Australia (RBA) and the Bank of Thailand. Under the swap arrangements, the RBA provided $US862 million to the Bank of Thailand in exchange for Thai baht. Repayments of swaps drawn under the facility began in March 2001, with a repayment of $US100 million. Repayment in full is scheduled to occur no later than July 2004. In the event of default, the ability of the RBA to maintain the dividend stream projected in the forward estimates may be affected.

Transitional arrangements for reforms to Commonwealth-State financial relations

The Commonwealth has guaranteed that in each of the transitional years following the introduction of *The New Tax System*, each State's budgetary position will be no worse off than had the reforms to Commonwealth-State financial relations not been implemented.

To meet this guarantee, the Commonwealth pays the States transitional assistance (known as Budget Balancing Assistance) to cover any shortfall of GST revenue below the Guaranteed Minimum Amount (GMA). The GMA calculates the amount of funding each State would have had available to it under the previous tax system.

As a result of this transitional arrangement, a shortfall in estimated GST revenue may result in increased expenses to the Commonwealth. (Further details are in *Budget Paper No. 3*.)

Veterans' Affairs

Payments to Prisoners of War of the Japanese

The Government has committed to make a one-off payment of $25,000 to certain former Australian Prisoners of War of the Japanese on their surviving spouse. The intention is to make this payment in the 2000-01 financial year, and an amount has been included in the estimates for these payments. However, the actual level of payments will be dependent upon the response from claimants and the claims assessment process. Those claims not paid in the 2000-01 financial year will be assessed and paid in the 2001-02 financial year.

CONTINGENT LIABILITIES — QUANTIFIABLE

Communications, Information Technology and the Arts

Australian Broadcasting Corporation (ABC)

The Commonwealth has guaranteed loans by the ABC. These loans were largely used to meet costs relating to the construction of premises for the ABC at Southbank in Melbourne and Ultimo in Sydney. The principal amount covered by the guarantee as at 31 March 2001 was $90 million, a decrease of $53 million since the 2000-01 Budget.

Special Broadcasting Service Corporation (SBS)

The Commonwealth has guaranteed a loan taken out by the SBS. The principal amount covered by the guarantee as at 31 March 2001 was $39 million. The loan was used to pay for the refurbishment and enhancement of the Service's premises at Artarmon in Sydney.

Art Indemnity Australia

The amount indemnified for artworks on loan to galleries participating in exhibitions under the Scheme is $1.5 billion as at 31 March 2001. This figure will vary as participating exhibitions commence and cease, and as exchange rates fluctuate (as indemnities are often fixed in terms of foreign currency amounts).

Defence

Military Compensation

Contingent liabilities exist in relation to military compensation claims to the value of some $27 million. The total amount relates to outstanding claims for non-economic loss as a consequence of the Federal Court decision in *Schlenert v the Australian and Overseas Telephone Corporation 1995.*

Australian Defence Industries Limited (ADI) – Warranty on sale.

On completion of the sale of ADI Ltd on 29 November 1999, the Commonwealth provided warranties relating to the accuracy of representations to the purchaser regarding a number of matters. Breaches of Commonwealth warranties are subject to limit of liability of $25 million for warranty claims arising from the Sale Agreement, except in relation to breaches of warranty relating solely to Commonwealth contracts or claims where the limit is $50 million. Since last Budget the purchaser, Thomson CSF Pty, has lodged 11 claims against the Defence Force for breach of warranty on sale. The total value of the claims is between $18.8 million and $50 million.

Education, Training and Youth Affairs

Commonwealth loan guarantees — Group Training

The Minister for Education, Training and Youth Affairs is authorised to issue Commonwealth guarantees on a limited number of loans made to Commonwealth-endorsed Group Training companies. These loans provide access to additional working capital required to expand the number of apprentices and trainees that may be employed through Group Training companies. The maximum guarantee of each loan is $175,000 with the total value of all guarantees capped at $30 million. As of 31 March 2001, two Commonwealth Loan Guarantees for $175,000 each were issued by the Commonwealth.

Finance and Administration

ComLand Limited

Bank borrowings by ComLand Limited are explicitly guaranteed by the Commonwealth up to a limit of $60 million, comprising $50 million for principal and $10 million for accrued interest and other costs.

Foreign Affairs and Trade

Export Finance and Insurance Corporation (EFIC)

The Commonwealth guarantees the due payments by EFIC of money that is, or may at any time become, payable by EFIC to any body other than the Commonwealth. As at 31 March 2001, the Commonwealth's total contingent liability was $8.1 billion, comprising EFIC's balance sheet liabilities ($1.4 billion), contracts of insurance and guarantees ($3.6 billion) and national interest account liabilities ($3.2 billion).

Industry Science and Resources

Australian Industry Development Corporation (AIDC)

As at 31 March 2001, the Corporation's contingent liabilities were approximately $126 million in respect of guarantees and credit risk facilities. The Corporation's other guaranteed borrowings totalled approximately $1.50 billion as at 31 March 2001. These have been offset by holdings in Commonwealth Government securities and certain hedging instruments, all of which are fully guaranteed by Warburg Dillon Read (formerly known as UBS Australia Ltd).

Snowy Mountains Hydro-Electric Authority (SMHEA)

The *Snowy Mountains Hydro-Electric Power Act 1949* provides that borrowings by SMHEA may be guaranteed by the Commonwealth. The Authority has issued inscribed stock to finance capital works of the Scheme. The borrowings are subject to explicit Commonwealth guarantees. As at 31 March 2001, the face value of guaranteed borrowings was $182 million, having a net value of $122 million after adjustment for the unamortised discount.

Transport and Regional Services

Maritime industry reform

On 18 August 1998 the Commonwealth provided a guarantee to cover borrowings made by the Maritime Industry Finance Company (MIFCo) to finance redundancy related payments in the stevedoring and maritime industries. Outstanding borrowings covered by the guarantee as at 31 March 2001 were $148 million.

Treasury

Guarantees under the Commonwealth Bank Sale Act 1995

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Commonwealth has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), the Commonwealth Bank Officers' Superannuation Corporation (CBOSC) and the Commonwealth Development Bank. The guarantee for the CBA relates to both on and off-balance sheet liabilities. Of the existing contingent liability, 40 per cent involves off-balance sheet liabilities. As at 30 June 2000 (the latest available figures), the balance of the guarantee was $19.2 billion, a reduction of $74.9 billion on the previous year.

The guarantee for CBOSC covers the due payments of any amount that is payable to or from the Fund, by CBOSC or by the Bank, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. Total accrued benefits at 30 June 2000 have been valued at $3.7 billion following an actuarial review. The outstanding value subject to the guarantee is estimated to be $3.7 billion.

As of 1 July 1996, the Commonwealth Development Bank ceased to write new business and no additional liabilities are being incurred. The existing contingent liability will gradually decline with the retirement of existing loans and exposures. The revised estimate for the balance of this guarantee was $20.3 million as at 30 June 2000 .

Reserve Bank of Australia guarantee

This contingent liability relates to the Commonwealth's guarantee of the liabilities of the RBA. The major component of RBA liabilities relates to Notes (that is, currency) on Issue. This treatment of Notes largely relates to the historical convention of the convertibility of Notes to gold — coins are not treated as a liability in the Commonwealth's accounts. As at 25 April 2001, Notes on Issue totalled $27.3 billion. In total, the guarantee for the Reserve Bank was $54.8 billion as at 25 April 2001, reflecting an increase of around $12.4 billion since the 2000-01 Budget.

Uncalled capital subscriptions — international financial institutions

The liability relates to the value of the uncalled portion of the Commonwealth's shares at 30 March 2001 in the International Bank for Reconstruction and Development ($US2.8 billion — estimated value $A5.6 billion), the Asian Development Bank ($US2.4 billion — estimated value $A5.0 billion), the European Bank for Reconstruction and Development (EBRD) ($US82 million plus EUR77.5 million — estimated value $A306 million), and the Multilateral Investment Guarantee Agency (MIGA) ($US26 million — estimated value $A54 million). The values of the uncalled capital portions for the EBRD and MIGA include Australia's subscriptions to the general capital increases for both of these institutions, as announced in the 2000-01 Budget. These subscriptions did not affect the fiscal balance or the underlying cash balance as the transactions involved are considered to be financing transactions.

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Defence

HMAS MELBOURNE, HMAS VOYAGER and HMAS STALWART damages claims

Some former crew members of HMAS MELBOURNE have instituted legal proceedings against the Commonwealth claiming damages for injuries relating to the collision with HMAS VOYAGER on 10 February 1964. To date, 107 claims remain current. A number of dependency claims arising from that collision have also been made or foreshadowed by the dependants of deceased members of the crew of HMAS VOYAGER. To date a number of claims from dependants have been settled and 33 additional claims have been foreshadowed. There is a possibility that further claims will be made by former members of crew of HMAS MELBOURNE and the dependants of deceased members of the crew of HMAS VOYAGER.

There is also a claim against the Commonwealth for damages for injuries allegedly sustained as a result of the HMAS MELBOURNE / USS FRANK E EVANS collision of 3 June 1969. It is possible that further claims will be made by former crew members of HMAS MELBOURNE arising out of that collision.

Twenty-five claims for damages for injuries allegedly arising out of an incident aboard HMAS STALWART that occurred on 22 October 1985 have been settled. Another five claims are currently the subject of legal proceedings. It is possible that former crew of HMAS STALWART and the dependants of deceased members of the crew will make further claims.

Environment and Heritage

Newcrest Mining (WA) Limited and BHP Minerals Limited v the Commonwealth of Australia and the Director of National Parks and Wildlife

In August 1997, the High Court of Australia found that the declarations of Stage 3 Kakadu National Park in 1987, 1989 and 1991 were technically invalid with respect to 23 small areas in the south-east of the park covered by existing mineral leases held by the Newcrest group of companies. The reason for this decision was that the declaration over these areas had, with the absolute prohibition on mining activities in Kakadu under the *National Parks and Wildlife Conservation Act 1975*, affected an acquisition of property without payment of just terms compensation, as required by the Australian Constitution.

The Minister for Environment and Heritage has indicated that the lease areas need to be re-incorporated within the Park and that the Government will address the issue of 'just terms' compensation. The quantum of compensation payable for the leases and the financial consequences of incorporation of the leases into Kakadu are under active consideration. Regardless of the amount of compensation, there is an obligation for the Commonwealth to pay court costs on behalf of Newcrest. The Government has entered a dialogue with mining company representatives about the matter. The process was still underway as at March 2001.

Finance and Administration

ComLand Limited — land remediation

The Commonwealth has indemnified the ComLand Group in the event that the Group incurs certain land remediation expenses where the need for such remediation was not identified when the land was transferred to ComLand.

Employment National Limited (EN) — board members' indemnity

Indemnities by the Commonwealth have been provided to EN board members to protect against civil claims relating to their employment and conduct as directors. These indemnities are unquantifiable and no expiry date has been set.

Employment National Limited (EN) — letter of comfort arrangements

To protect the Government's investment in EN during the company's restructuring, a letter of comfort has been provided to the company by the Commonwealth indicating continuing financial support for the company. The Commonwealth's exposure under this letter of comfort is unquantifiable.

Indemnities for the Reserve Bank of Australia (RBA) and private sector banks

Under contractual arrangements for transactional banking services entered into by agencies covered by the *Financial Management and Accountability Act 1997*, the Commonwealth has indemnified the RBA and private sector banks against loss and damage arising out of acts or omissions by the Commonwealth, including by error, fraud, negligence or transactions made without the authority of the Commonwealth.

Australian River Company Limited — directors' indemnities

The Commonwealth has indemnified ARCo Board members and management, in the event ARCo ceased to exist, against civil claims relating to employment and conduct as directors and management of ARCo and subsidiary companies. Liability is subject to the terms of the indemnities.

Australian Defence Industries Limited — officers and directors' indemnities

Under the sale agreements for ADI, the Commonwealth has indemnified the directors, officers and employees for claims and legal costs associated with assistance related to the sale of the Commonwealth's shares in the company. The Commonwealth has also agreed to be responsible for the payment of the amount of any excess in respect of any claim under the policy where ADI Limited is unable to pay the excess post-sale.

Partial sale of Telstra Corporation — second tranche

Certain indemnities have been provided to Telstra, its directors, certain Telstra executives, employees and other parties connected with the sale. Telstra directors are indemnified against liabilities arising by reason of acts or omissions in connection with the offer.

Indemnities relating to other asset sales

Indemnities have been given in respect of a range of other asset sales. Details of these indemnities have been provided in previous Budget and *Mid-year Economic and Fiscal Outlook* (MYEFO) papers, for example see pages 4-35 to 4-41 in the 2000-01 Budget Paper No. 1.

Health and Aged Care

Commonwealth Serum Laboratories (CSL) Limited

Commonwealth Serum Laboratories Limited is indemnified against claims made by persons who contract specified infections from specified products and against employees contracting asbestos-related injuries. Commonwealth Serum Laboratories Limited has unlimited cover for most events that occurred before the sale of CSL Limited on 1 January 1994, but has more limited cover for a specified range of events that might occur during the period of the current contract. Given the open-ended nature of some of the indemnities, damages and risk cannot be quantified.

Blood and blood products liability cover

The Commonwealth has signed a memorandum of understanding (MoU) with the States, Territories and the Australian Red Cross Blood Service (ARCBS) to establish a National Managed Fund (NMF). The NMF will be established as a discretionary trust. The NMF is necessary to establish a single consistent approach to pooling the liability risks associated with the supply of blood and blood products by the ARCBS within the Commonwealth of Australia. The NMF replaces previous arrangements which were on a state by state basis. The MoU provides for the parties to contribute to the NMF taking into account, *inter alia*, potential claims payments; the level of funds in the NMF and investment earnings; and a prudential allowance for liabilities incurred but not the subject of claims.

If there are insufficient funds to cover claim costs, the MoU provides for each party to contribute funds in accordance with allocation provisions prevailing at the time.

Under the MoU, the blood and blood products liability cover for the ARCBS is effective from 1 July 2000 and remains in force until all parties agree to terminate the arrangements from an agreed date. The MoU provides for each party to remain liable for: their share of all claims settled with the terms of the MoU including any claims made after the date of termination; and any unresolved claims arising out of events between the commencement date and the date of termination.

Reconciliation and Aboriginal and Torres Strait Islander Affairs

Separation of Aboriginal children from their families in the Northern Territory

Earlier laws, policies and practices in relation to the Commonwealth's administration of the Northern Territory led to the separation of certain indigenous children from their families. There are currently over 2,100 claims pending against the Commonwealth for (largely unspecified) damages in relation to alleged forcible and wrongful separations (mostly by the children of those allegedly forcibly and wrongfully removed). Only two of these claims have so far proceeded to hearing. These were dismissed by the Federal Court in Darwin in August 2000, but are currently under appeal to the Full Bench of the Federal Court.

Transport and Regional Services

Maritime Industry Finance Company Limited — board members' indemnity

Indemnities for MIFCo board members have been provided to protect against civil claims relating to employment and conduct as directors of MIFCo. These indemnities are unquantifiable and no expiry date has been set.

Stevedoring Industry Finance Committee

The Stevedoring Industry Finance Committee (SIFC) faces an increasing number of claims for asbestos related injuries to former waterside workers, and a class action against SIFC was initiated in February 2001 by Slater & Gordon. These injury claims were inherited from the Australian Stevedoring Industry Authority. Costs that may arise from these claims cannot be determined and are therefore unquantifiable. The number of claims likely to be made in the future is also unknown.

Australian Maritime Safety Authority (AMSA) — insurance claims

AMSA is subject to a professional negligence claim seeking unspecified damages arising from a search and rescue incident involving the loss of one life. The flotation device manufacturer is a second defendant. The claim is being defended, although it is not possible to estimate the amounts of any eventual payments that may result. The insurer has indemnified AMSA, although AMSA will be liable for any policy excess.

Australian Maritime Safety Authority (AMSA) — incident costs

In the normal course of operations, AMSA is responsible for the provision of funds necessary to meet the clean-up costs arising from ship-sourced marine pollution. The Commonwealth has agreed that AMSA's responsibility should be limited to a maximum expense of $10 million, and has arranged a stand-by loan facility for this purpose. The Commonwealth will provide funds in the event that costs exceed the limit. In all circumstances the Authority is responsible for making appropriate efforts to recover the costs of any such incidents.

Australian National Railways Commission (AN) — transfer of liabilities

As a result of the wind-up of the Australian National Railways Commission, all associated contracts, assets and liabilities become the responsibility of the Commonwealth. At this stage, it is not possible to quantify liabilities as they involve uncertain legal processes and ex-employee claims.

National codes of practice for railways — Industry Advisory Committee

Under an Inter-Governmental Agreement on Rail Operational Uniformity, an advisory committee has been formed to provide advice to the Australian Rail Operations Unit on all aspects of the development and implementation of uniform operational codes for the defined interstate rail network. The Commonwealth indemnifies members of the Advisory Committee as if they were Commonwealth employees. It is not possible to quantify liability risk.

Tripartite Deed relating to the sale of Core Regulated Airports

Tripartite Deeds apply to the 12 Core Regulated Airports (Sydney, Melbourne, Brisbane, Perth, Canberra, Coolangatta, Townsville, Adelaide, Hobart, Launceston, Darwin and Alice Springs). The Tripartite Deeds between the Commonwealth, airport lessees and lessees' financiers provide for the Commonwealth to usurp control as airport operator in defined circumstances. The Deeds also provide protection to secured financiers where a lease termination event occurs.

The potential liability of the Commonwealth would vary considerably with the specific factors leading to a lease termination. If the Commonwealth entered into possession of an airport site it could seek to recover its costs from a number of sources, including airport revenues, the Airport lessee company and potentially, from the financiers themselves.

Where the Commonwealth takes action to terminate the Airport Lease, secured financiers can recover their loans from funds obtained by the Commonwealth from reselling the airport lease. If not resold, the Commonwealth and the financiers are to obtain a valuation of the airport lease that will set the basis for a repayment of financiers' loans by the Commonwealth.

Federal Airports Corporation (FAC) transfer of liabilities to the Commonwealth

On 24 September 1998 the Commonwealth assumed responsibility for all remaining assets, liabilities and contracts of the FAC on the wind-up of the Corporation. All of the known liabilities have been settled, however there is a risk that undisclosed liabilities remain.

The Commonwealth assumed responsibility on 1 July 1998 for a contingent liability of the corporation which relates to debtors of the FAC who are challenging the validity of network charges made under the *Federal Airports Corporation Act 1986*. If the network charging approach is found to be invalid, this raises the prospect of further claims from other airport users who have previously paid network-based charges to the Corporation. There is no basis for quantifying potential claims.

Treasury

Changes in value of cross currency swaps and foreign currency denominated debt

Significant net foreign exchange gains or losses could be recorded in the AAS31 operating statement if there is a significant change in the nominal exchange rate. This is because a change in the nominal exchange rate results in a change in the net principal value of cross currency swaps and foreign currency denominated debt. The direction of movement in the exchange rate will determine whether there is a net foreign exchange gain or a loss. A gain is a positive risk to the operating result, while a loss is a negative risk. Net foreign exchange gains or losses do not have any impact on the fiscal balance.

Housing Loans Insurance Corporation (HLIC)

The HLIC was sold by the Commonwealth on 12 December 1997 and all residual contingencies have been assumed by the Commonwealth. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured. The guarantee relates essentially to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale.