STATEMENT 6: EXPENSES AND NET CAPITAL INVESTMENT

Statement 6 presents estimates of general government expenses and net capital investment on a Government Finance Statistics (GFS) accrual accounting basis. The statement includes information on the allocation of Commonwealth funds to the various functions of government. These functions are based on an international standard classification of functions of government that is incorporated into the GFS framework.

The first part of this Statement provides information on trends in expenses estimates whilst the second part presents trends in net capital investment estimates. Estimates are on a Commonwealth General Government Sector basis.

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

The key points are:

- General government expenses are forecast to fall from 22.4 per cent of GDP in 2003-04 to 21.6 per cent of GDP in 2006-07;
- In 2003-04, the Social Security and Welfare, Health and Education functions make up just over two-thirds of total expenses — some major trend determinants of long-term growth areas were highlighted in the *2002-03 Intergenerational Report*;
- Total annual expenses for the Defence Function rise by $2.4 billion over the period 2002-03 to 2006-07;
- Net capital investment in 2003-04 has increased by $51 million since the 2002-03 MYEFO.

STATEMENT 6: EXPENSES AND NET CAPITAL INVESTMENT

OVERVIEW

Commonwealth general government expenses are expected to grow moderately in real terms in 2003-04 (Table 1). Expenses are forecast to fall from 22.6 per cent of GDP in 2002-03 to 22.4 per cent of GDP in 2003-04. Further reductions in the size of expenses relative to GDP are projected over the forward estimates period to 2006-07.

Table 1: Estimates of expenses

	2002-03		2003-04	2004-05	2005-06	2006-07
	MYEFO(a)	Revised	Estimate	Projections		
Total expenses ($b)	**170.7**	**170.5**	**178.0**	**186.5**	**194.2**	**202.4**
Real growth on previous year(%)(b)	*0.5*	*-0.7*	*2.2*	*2.8*	*2.1*	*2.2*
Per cent of GDP	23.3	22.6	22.4	22.2	21.9	21.6

(a) As published in the *Mid-Year Economic and Fiscal Outlook 2002-03*.
(b) Real growth is calculated using the non-farm gross domestic product (GDP) deflator.

GENERAL GOVERNMENT EXPENSES

Reconciliation of expenses since the 2002-03 Budget

Table 2 provides a reconciliation of expenses estimates between the 2002-03 Budget, *Mid-Year Economic and Fiscal Outlook 2002-03 (MYEFO)* and the 2003-04 Budget, showing the effect of policy decisions and economic parameter and other variations.

Table 2: Reconciliation of expense estimates

	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Expenses at 2002-03 Budget	**170,192**	**177,578**	**184,889**	**192,035**
Changes between 2002-03 Budget and MYEFO				
Effect of policy decisions(a)	464	393	449	498
Effect of economic parameter variations				
Unemployment benefits	-159	-62	86	735
Prices and wages	158	217	50	208
Interest and exchange rates	65	42	9	-2
Total economic parameter variations	*63*	*197*	*145*	*942*
Public debt interest	-69	-155	-207	-304
Programme specific parameter variations	-84	-164	228	207
Slippage in 2002-03 Budget decisions	153	0	1	0
Other variations	-52	-672	-344	-696
Total variations	**475**	**-401**	**271**	**647**
Expenses at 2002-03 MYEFO	**170,666**	**177,177**	**185,160**	**192,681**
Changes between MYEFO and 2003-04 Budget				
Effect of policy decisions(a)	732	1,729	1,238	1,298
Effect of economic parameter variations				
Unemployment benefits	-343	-297	-285	-360
Prices and wages	479	251	644	449
Interest and exchange rates	-226	-468	-509	-535
Total economic parameter variations	*-90*	*-515*	*-150*	*-446*
Public debt interest	80	236	447	642
Programme specific parameter variations	-1,065	182	131	162
Slippage in 2002-03 Budget decisions	-229	36	0	0
Other variations	440	-813	-307	-160
Total variations	**-132**	**854**	**1,361**	**1,495**
Expenses at 2003-04 Budget	**170,534**	**178,031**	**186,521**	**194,176**

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

Policy decisions

Policy decisions taken since the 2002-03 MYEFO have increased estimated expenses by around $1.7 billion in 2003-04. Major new expense policy decisions affecting 2003-04 include:

- an increase in Defence funding of $573 million in 2003-04 ($2.1 billion over five years) from 2002-03, including funding for Australia's contribution to the international coalition to disarm Iraq and post-conflict rehabilitation activities, and funding for maintenance and logistics support to sustain current high levels of preparedness;

- additional funding for drought relief in 2003-04 of $297 million, including income support and interest rate subsidies to assist farmers, small businesses and communities hardest hit by the drought. In total, the government expects to provide around $740 million in drought related financial support over the three years to 2004-05;

- increased spending of $160 million in 2003-04 to further enhance Australia's security arrangements, including upgrading the security of Australia's critical infrastructure and increased funding for Australia's intelligence agencies and protective security services;
- funding of $158 million in 2003-04 to improve the affordability and accessibility of medical services, under the *A Fairer Medicare* package; and
- additional funding of $66 million in 2003-04 (and $1.5 billion over the four years from 2003-04) to ensure the long-term sustainability of the higher education system.

Parameter and other variations

Parameter and other variations since the 2002-03 MYEFO have reduced estimated expenses in 2003-04 by around $0.9 billion. These include:

- a downward revision of $425 million in Defence expenses reflecting lower estimated Australian dollar acquisition costs associated with the recent appreciation of the Australian dollar;
- a fall in anticipated unemployment benefit expenses of $297 million, due to a reduction in the expected number of benefit recipients in 2003-04 following a lower than expected take up of benefits in 2002-03;
- a reduction in estimated Family Tax Benefit expenses of $231 million, largely due to the provision of higher income estimates by customers in 2002-03; and
- the regular draw-down of the conservative bias allowance reducing estimated expenses by around $875 million each year from 2003-04.

These variations are partly offset in 2003-04 by:

- increased personal benefits expenses of $343 million due to an upward revision to forecast Male Total Average Weekly Earnings, reflecting the Government's ongoing commitment to maintain selected pensions at 25 per cent of Male Total Average Weekly Earnings;
- increased superannuation related expenses of $316 million, largely resulting from an actuarial review of the Commonwealth's civilian superannuation schemes, which has led to an incorporation of factors such as the effect of redundancy costs, lower than previously estimated mortality rates, and an increased take-up of more generous early retirement options.

Role of Intergenerational Reports and Statement 6

The *Charter of Budget Honesty Act 1998* requires that intergenerational reports be prepared and released approximately every five years. These reports are to assess the sustainability of current Government policies over a 40 year period (from time of publication), including taking into account the financial implications of demographic change.

The most recent, and first, report was the 2002-03 Intergenerational Report (2002-03 Budget Paper No 5). Key themes in the 2002-03 report included, that:

- Australia's steadily ageing population was expected to start placing pressure, on a no policy change basis, on Commonwealth government finances in about 15 years time;
- The growth in health care costs, much of which is driven by demand for new technology and treatments, as well as by population growth and ageing, was expected to lead to significant pressures. In particular, spending on the Pharmaceutical Benefits Scheme had doubled as a percentage of GDP in the decade to 2000-01 and was expected to grow from 0.6 per cent of GDP in 2001-02 to 3.4 per cent of GDP by 2041-42. Overall Commonwealth health spending was projected to grow from 4 per cent of GDP in 2001-02 to 8.1 per cent by 2041-42;
- Age and Service Pension payments were projected to rise from 2.9 per cent of GDP in 2001-02 to 4.6 per cent of GDP in 2041-42. The proportion of the population aged over 65 was expected to double by 2041-42, significantly increasing the proportion of the population eligible for an Age or Service Pension — although an increased proportion of retired people drawing income from their superannuation savings would help offset this growth in expenses;
- Payments to people of working age — unemployment allowances, Disability Support Pension, Parenting Payment (Single) — were expected to decline as a proportion of GDP reflecting an expected fall in the unemployment rate and the expected trend in indexation based on the Consumer Price Index (CPI);
- Payments to families with children were expected to decline with the reduction of the proportion of the population aged 15 and under and the expected trend in CPI-based indexation; and
- Commonwealth spending on education and training was expected to decline as a proportion of GDP, reflecting the expected fall in the proportion of the population in the principal age group for education (5 to 24 years).

Intergenerational reports provide a long-term focus on trends in government finances and their underlying determinants. Statement 6 provides a short to medium-term focus on expense trends and their underlying determinants. Consistent with this emphasis, much of Statement 6 focuses on year-on-year changes across the forward estimates.

Expenses estimates by function

Table 3 sets out the estimates of Commonwealth general government expenses by function for the period 2002-03 to 2006-07.

Table 3: Estimates of expenses by function

	Estimates		Projections		
	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
General public services	10,810	10,924	11,366	11,807	11,601
Defence	13,143	13,970	14,125	14,555	15,529
Public order and safety	2,104	2,353	2,237	2,256	2,259
Education	12,342	13,160	13,928	14,776	15,674
Health	29,566	31,183	32,830	34,303	35,872
Social security and welfare	71,313	74,875	78,404	81,743	85,022
Housing and community amenities	1,733	1,662	1,632	1,598	1,560
Recreation and culture	2,111	2,185	2,201	2,209	2,207
Fuel and energy	4,092	4,436	4,650	4,802	4,957
Agriculture, forestry and fishing	1,945	1,974	1,831	1,598	1,466
Mining and mineral resources (other than fuels); manufacturing and construction	1,519	1,628	1,558	1,404	1,204
Transport and communication	2,268	2,272	2,330	1,778	1,667
Other economic affairs	3,976	4,257	4,181	4,221	4,275
Other purposes	13,612	13,152	15,248	17,126	19,056
Total expenses	**170,534**	**178,031**	**186,521**	**194,176**	**202,351**

Major movements within the estimates of expenses by function between 2002-03 and 2003-04, and across the forward estimates, include increases in the following functions:

- **Defence** due to additional funding to support Australia's participation in Iraq, extra funding for maintenance and logistics support, and funding increases flowing from the Government's White Paper: *Defence 2000 — Our Future Defence Force*;

- **Education** reflecting the introduction of the Higher Education Reform package and the effect of indexation on Commonwealth schools funding;

- **Health** due to a steady increase in the use of medical and pharmaceutical services over the forward estimates period, increasing costs for the provision of medical services and a continuing trend towards newer and more expensive drugs under the Pharmaceutical Benefits Scheme;

- **Social Security and Welfare** due to the on-going effect of indexation of payments, as well as demographic and social factors which affect demand-driven programmes;

- **Fuel and Energy** reflecting increases in expenses for various fuel rebate and fuel grants schemes due to higher demand for diesel and other fuels as a result of increased levels of economic activity; and

- **Public Order and Safety** in 2003-04 due to initiatives to improve domestic security and the national Handgun Buyback Programme.

These effects have been partially offset by decreases in expenses over the forward estimates period for the following functions:

- **Housing and Community Amenities** due to the conclusion in 2002 of the additional First Home Owners Scheme, as well as the completion over the forward years of several regional assistance programmes, such as the Rural Transaction Centres Programme and the pilot Sustainable Regions Programme;

- **Manufacturing and Mining** due to the conclusion of various industry assistance programmes — for example the Textile Clothing and Footwear Strategic Investment Programme (TCF SIP);

- **Transport and Communications** due to the conclusion over the forward years of programmes designed to improve telecommunications service standards and broaden access to telephone and internet services in rural, regional and remote Australia and the conclusion of various road, rail and air transport initiatives — for example, the conclusion of the Roads to Recovery Programme in 2004-05;

- **Agriculture, Forestry and Fishing**, reflecting declines over the forward years as Exceptional Circumstances assistance to farmers and other drought relief measures decline with the expected return to normal seasonal conditions, and completion of enhanced quarantine border control initiatives;

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

General public services

Table 4: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Legislative and executive affairs	781	752	842	760	765
Financial and fiscal affairs	3,187	3,282	3,381	3,624	3,602
Foreign affairs and economic aid	2,364	2,157	2,252	2,314	2,219
General research	1,830	2,034	2,108	2,318	2,210
General services	553	580	596	594	601
Government superannuation benefits	2,095	2,120	2,186	2,197	2,204
Total general public services	**10,810**	**10,924**	**11,366**	**11,807**	**11,601**

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

General public services include expenses on activities concerned with the organisation and operation of government. The function covers legislative and executive affairs, financial and fiscal affairs, foreign economic aid, general research, general services and government superannuation benefits.

Overall there is a moderate growth in the function over the forward estimates with growth in some sub-functions partly offset by declines in others. Growth in research grants under the General Research Sub-function contributes to the overall increase in expenses over the period. Other contributors to increases in the forward years are the preparations for the 2006 Census, the anticipated cost of a federal election in 2004-05, and the expected increases in foreign aid commitments in 2004-05 and 2005-06.

Legislative and executive affairs

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

The fall in expenses between 2002-03 and 2003-04 reflects the conclusion of the Royal Commission into the Building and Construction Industry and the Royal Commission into the Failure of the HIH Insurance Group as well as the conclusion of the National Security Awareness campaign. The subsequent rise in 2004-05 reflects the additional expenses expected to be incurred by the Australian Electoral Commission for the cost of a federal election expected in that year.

Expenses for the Parliamentary Departments are expected to rise slightly in 2003-04 reflecting enhanced security arrangements for Parliament House. Expenses are then expected to remain stable from 2004-05 to 2006-07.

Financial and fiscal affairs

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

Expenses in this sub-function tend to increase across the years, largely due to the increase in expenses relating to the ATO, to improve its services and compliance, for which they received additional funding in the 2002-03 Budget, following the recommendations of an independent pricing review. This is partially offset by a decrease in expenses between 2002-03 and 2003-04 resulting from the Government's decision to wind-up Employment National during this period, as well as lower commitments relating to DASFLEET leasing contracts, which are anticipated to fall over the forward estimates as residual leases expire.

Other factors affecting the estimates in the forward years include increased funding for the Australian Bureau of Statistics in 2005-06 and 2006-07 for the 2006 Census and a one-off increase in 2005-06 in the Commonwealth's contributions to the State and Territory governments for debt redemption, representing a final payment of debt redemption grants.

Foreign affairs and economic aid

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

Fluctuations of expenses in the Foreign Affairs and Economic Aid Sub-function are generally driven by the timing and magnitude of commitments the Commonwealth makes to multilateral aid. The decrease in expenses in 2003-04 from 2002-03 results from the Commonwealth not expecting to enter into any new significant multilateral aid commitments during this period. Conversely, the increase in expenses in 2004-05 largely results from the expected commitment to the Initiative for Heavily Indebted Poor Countries, which is designed to support poor countries pursuing sustainable development and reducing poverty by providing debt relief. The subsequent increase in 2005-06 results from the Commonwealth's expected commitment to the Global Environment Facility, which is designed to help developing countries protect the global environment. The decrease in expenses in 2006-07 results from the Commonwealth not expecting to enter into any new major multilateral aid commitments during that period.

General research

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

General research expenses increase by an average real rate of 3 per cent per annum for the period 2002-03 to 2006-07. This increase is primarily attributable to increased funding provided by *Backing Australia's Ability* (BAA).

In 2003-04 the Government will be evaluating the BAA programme. A major science and innovation mapping exercise is also under way. In light of these processes, more detailed consideration of the BAA initiatives beyond 2005-06 will be undertaken in the 2004-05 Budget. Funding has, however, been provided in 2006-07 for several BAA initiatives which involve multi-year competitive grants and that require future funding certainty to ensure their continued efficient administration in 2003-04.

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

General services

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

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

This sub-function also includes expenses incurred by the Department of Finance and Administration in managing the Commonwealth's domestic property portfolio, providing insurance services to the Commonwealth Public Sector, and maintaining the financial regulatory framework for the Commonwealth.

Expenses for this sub-function are expected to remain stable across the forward estimates.

This sub-function also includes:

- expenses associated with the provision of services and infrastructure in the Indian Ocean Territories funded through the Transport and Regional Services portfolio — these expenses are expected to remain stable over the forward years; and

- expenses relating to the operations of the Australian Public Service Commission in the Prime Minister and Cabinet portfolio — these expenses are also expected to remain stable over the forward years.

Government superannuation benefits

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

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

Expenses under this sub-function are forecast to grow only relatively slowly over the forward years. The assumed impact of the closure of the PSS to new members and the introduction of choice from 1 July 2004 reduces estimated expenses for Commonwealth civilian schemes. This is offset by a matching increase in estimated expenses for external schemes. This sub-function does not include the nominal interest on the unfunded liabilities of the Commonwealth superannuation schemes. These expenses are included under Nominal Superannuation Interest Sub-function (Other Purposes Function).

Defence

Table 5: Summary of expenses

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Defence	13,143	13,970	14,125	14,555	15,529
Total defence	**13,143**	**13,970**	**14,125**	**14,555**	**15,529**

This function includes expenses from the following portfolio:

- Defence

Nature of expenses and major trends

Expenses in this function are within the Defence portfolio and support operations and the delivery of navy, army, air and intelligence capabilities and strategic policy in the defence of Australia and its national interests.

The main components of these expenses are:

- personnel costs (excluding superannuation liability), which include the payment of salaries and allowances to Defence military and civilian staff (totalling $6.6 billion in 2003-04);
- investment in specialist military equipment of $4.0 billion in 2003-04. This includes continuing projects like Airborne Early Warning and Control aircraft, Armed Reconnaissance helicopters and ANZAC ships, as well as new projects to be started in 2003-04;
- equipment maintenance costs and the acquisition of stores, including ammunition and fuel, required to maintain the operations of the Australian Defence Force (ADF); and
- housing for eligible ADF personnel and their families, largely comprising payment of rent to the Defence Housing Authority.

Total annual expenses for the Defence Function rise by $2.4 billion over the period to 2006-07. In real terms, the growth in expenses for this function is 2.2 per cent a year on average.

The growth and pattern of expenses mainly reflects:

- the influence of significant funding increases for investments in capability announced by the Government in *Defence 2000 – Our Future Defence Force* (the 2000 White Paper);

- variations in funding levels for major ADF deployments, most of which are due for completion by 2004-05;
- additional funding provided in this Budget to meet the costs of logistical support for specialist military equipment, the purchase of spare parts and for the purchase of ordnance for training; and
- changes in funding to compensate for price and foreign exchange rate movements, with the main influence being the recent appreciation in the Australian dollar.

Defence

The 2000 White Paper provided a long-term defence funding commitment. The Government committed to increases in underlying defence spending of $500 million in 2001-02, $1 billion in 2002-03 and an average of 3 per cent annually in real terms thereafter. This represents a total spending increase of over $27 billion in current prices over the decade 2001-02 to 2010-11.

The actual increase in spending year by year is affected by Government decisions subsequent to the 2000 White Paper to provide funding for particular purposes. The main variations in funding around the underlying long-term growth are:

- Reductions in funding (of over $100 million from 2002-03 to 2004-05) due to the winding down of the Defence Force commitment in East Timor;
- Changes in funding associated with phases of the War Against Terrorism. This includes reductions due to the completion of deployments under Operations Slipper and Damask to the Gulf and Afghanistan (which cost $194 million in 2002-03) and the impact of funding for operations and defence post-conflict rehabilitation activities in Iraq ($645 million over three years, including $421 million in 2002-03, $198 million in 2003-04, and $26 million in 2004-05);
- Funding provided in this Budget to meet logistics and support costs. The Government has provided additional funding of $1,145 million in 2002-03 and the Budget and forward years, including $101 million in 2002-03, $244 million in 2003-04, $286 million in 2004-05, $285 million in 2005-06, and $229 million in 2006-07;
- A revision to the estimate of funding needed in 2003-04 to compensate for the effects of price and foreign exchange rate movements. This revision is largely due to the recent appreciation in the Australian dollar. This has resulted in a reduction in estimated expenditure of approximately $100 million in 2003-04 below the funding provided for this purpose in 2002-03. Estimates of the impacts of forward year movements in exchange-rate related parameters are recorded against the Contingency Reserve rather than specific functions;

- The expansion of Australia's Special Forces counter terrorist capability by establishing a new Special Operations Command in the ADF. The new capability will cost $156.8 million over four years; and
- The acceleration of growth in ADF numbers. Funding of $102.8 million over three years will be provided for additional personnel to accelerate the achievement of the White Paper targets for higher ADF personnel membership.

Expenses related to the accruing superannuation liability for current Defence staff are shown in the Government Superannuation Benefits Sub-function (General Public Services Function) while the nominal interest on unfunded liabilities of the Commonwealth superannuation schemes is included under the Nominal Superannuation Interest Sub-function (Other Purposes Function).

Public order and safety

Table 6: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Courts and legal services	567	574	584	588	599
Other public order and safety	1,538	1,779	1,652	1,668	1,660
Total public order and safety	**2,104**	**2,353**	**2,237**	**2,256**	**2,259**

This function includes expenses from the following portfolios:

- Attorney-General's;
- Foreign Affairs and Trade; and
- Prime Minister and Cabinet.

Nature of expenses and major trends

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

As a result of the 12 October 2002 terrorist attacks in Bali, the Government will introduce new domestic security arrangements and programmes. This will include new funding for the Australian Federal Police (AFP), Australian Customs Service (Customs), Attorney-General's Department, the Australian Security Intelligence Organisation (ASIO) and the Australian Crime Commission (ACC).

Courts and legal services

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

Expenses for the Courts and Legal Services Sub-function grow only slowly through to 2006-07.

Other public order and safety

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

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

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

Other agencies which are part of this sub-function include, but are not limited to, the AFP, the Australian Institute of Criminology, the ACC and the Australian Transaction Reports and Analysis Centre.

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

The elevated levels of expenditure associated with the new security environment will be increased in 2003-04 and will then decline in the following years as initiatives implemented following the 11 September 2001 and Bali terrorist attacks move beyond their establishment phase, thereby requiring lower levels of recurrent funding. These include initiatives announced in the 2002-03 Budget relating to aviation security, the identification of security threats, and increased capacity to respond to security threats.

A review of Australia's security capability following the events of 12 October 2002 resulted in the adoption of further domestic security programmes across a number of agencies including additional resources for increased security of overseas posts, airline liaison officers and a range of measures for security agencies.

Following the shootings at Monash University on 21 October 2002, the Council of Australian Governments agreed on 6 December 2002 to a national approach to restrict the availability and use of handguns, resulting in the national Handgun Buyback Programme. The buyback commences on 1 July 2003, peaking at $55.9 million in expenses in 2003-04, followed by a further $10.1 million in 2004-05 when the buyback concludes. This programme is reflected in the additional level of expenditure in 2003-04, and the decline in 2004-05.

Education

Table 7: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Higher education	4,162	4,314	4,574	4,902	5,282
Vocational and other education	1,360	1,452	1,492	1,525	1,539
Non-government schools	3,975	4,373	4,712	5,062	5,425
Government schools	2,140	2,262	2,389	2,515	2,647
Schools	*6,115*	*6,636*	*7,101*	*7,576*	*8,072*
Student assistance	578	622	648	655	668
General administration(a)	2	2	2	2	2
School education - specific funding	126	134	112	116	111
Total education	**12,342**	**13,160**	**13,928**	**14,776**	**15,674**

(a) Departmental expenses relating to International Education funding and schools previously allocated to the General Administration — Education sub-function have been reclassified to the Higher Education and School Education — Specific Funding sub-functions to more appropriately reflect the nature of this spending.

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

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

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

Total expenses under the Education Function are estimated to increase by 12.4 per cent in real terms over the period from 2003-04 to 2006-07, or 4.0 per cent annually on average. The major drivers of this growth are:

- the announcement of $1.65 billion worth of policy decisions relating to higher education, school education — specific funding and international education;

- indexation of Commonwealth Government spending on schools (both government and non-government); and

- the effect of previously announced decisions — in particular the introduction of a new funding arrangement for non-government schools announced in the 1999-2000 Budget context , and *Backing Australia's Ability — An Innovation Action Plan for the Future* announced in January 2001.

Higher education

Expenses under this sub-function include Higher Education Operating Grants, the Research Training Scheme, the Institutional Grants Scheme and Superannuation Grants to Universities.

Higher education funding rises by about 4.9 per cent per annum in real terms from 2003-04 to 2006-07. The majority of growth in this sub-function is due to the introduction of the Higher Education Package with expenses of $1.5 billion over the period 2003-04 to 2006-07. The major elements of the package, including their impact across the forward estimates, are:

- $430.1 million for the Commonwealth Grant Scheme;

- $347.6 million for the conversion of existing marginally funded places to fully funded places;

- $122.6 million for assistance for regional universities;

- $161.8 million for Commonwealth Scholarships; and

- $138.5 million for a learning and teaching performance fund.

In addition, the International Education Package will increase Commonwealth General Government expenses by $112.8 million over the period 2003-04 to 2006-07, with $105.2 million relating to the Education Function. Major elements of the package include increased promotion of International Education, the establishment of International Centres of Excellence and an Offshore Quality Assurance programme.

Indexation of Commonwealth funding for higher education, which is based on the Higher Education Cost Adjustment Factor, also contributes to the increase in funding for this sub-function. The Higher Education Cost Adjustment Factor takes account of movement in both salary (Safety Net Adjustment) and non-salary (CPI) costs.

Under the Higher Education Package, the Commonwealth is also introducing new income contingent loan schemes for full-fee paying students at public and private institutions from 2005. These loans are financial assets which are recorded against the balance sheet rather than as GFS expenses.

Vocational and other education

Expenses in this sub-function include funding for vocational education and training provided to the State and Territory Governments under the Australian National Training Authority (ANTA) Agreement, which covers funding for both recurrent and capital purposes. The current agreement expires on 31 December 2003 and this budget includes a measure for a new agreement to apply from 2004, subject to negotiations with the States and Territories.

Other expenses in this sub-function include the Adult Migrant English Programme (which provides access to tuition in English as a second language for recently arrived migrants without functional English), national programmes that support the administration of vocational education and training, careers and transitions programmes for young people and skills development programmes.

Schools

The majority of expenses in this sub-function relate to funding provided by the Commonwealth to and through the States and Territories under the *States Grants (Primary and Secondary Education Assistance) Act 2000* and through the quadrennial Schools Funding Agreements. The current agreement will expire in December 2004. To support high quality education in Australian schools, the Commonwealth will provide $5.6 billion in General Recurrent Grants to both government and non-government schools in 2003-04. The Commonwealth will also provide $346.8 million in 2003-04 to assist the States and Territories to improve and provide school capital infrastructure, particularly for the most educationally disadvantaged.

The Schools Funding Agreement also includes a number of targeted programmes such as the:

- Strategic Assistance for Improving Student Outcomes Programme ($384.1 million in 2003-04);
- English as a Second Language — New Arrivals Programme ($50.3 million in 2003-04); and
- Languages Other Than English Programme ($24.0 million in 2003-04).

Another major element within the sub-function is the Indigenous Education Strategic Initiatives Programme ($173.2 million in 2003-04) which provides supplementary funding assistance to pre-schools, government and non-government school systems, vocational education and training authorities and independent indigenous education providers to improve educational outcomes for indigenous people. This funding is provided under the *Indigenous Education (Targeted Assistance) Act 2000*.

Growth in the Schools Sub-function averages approximately 4.7 per cent per annum in real terms over the period 2003-04 to 2006-07. This primarily reflects the impact of the recurrent funding arrangements for non-government schools, based on the socio-economic status of the school community, which were announced in the 1999-2000 Budget context, and the effects of indexation arrangements for both government and non-government schools.

Student assistance

Expenses in this sub-function primarily include payments for AUSTUDY (income support for students aged twenty-five years and over) and for ABSTUDY (assistance to Aboriginal and Torres Strait Islander full-time secondary and tertiary students and some primary school students) and expenses associated with the Student Financial Supplement Scheme (SFSS) (a voluntary loan scheme for certain tertiary students).

Other expenses include payments under the Assistance for Isolated Children Programme (which provides financial assistance to the families of students who do not have reasonable daily access to an appropriate government school) and the Veterans' Children Education Scheme (which provides support services and financial assistance to eligible children (of veterans) at school and tertiary levels of education).

Growth in the student assistance function averages approximately 0.5 per cent per annum in real terms from 2003-04 to 2006-07. Growth in the student assistance function in 2003-04 and 2004-05 is largely attributable to higher AUSTUDY and ABSTUDY payments flowing from the repeal of SFSS from 1 January 2004.

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

General administration

The majority of expenses are associated with the administration of school and indigenous education programmes.

School education — specific funding

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

- the Quality Outcomes Programme;
- information for indigenous students and/or their parents on career and education options; and
- activities aimed at improving access, participation and outcomes for indigenous school and pre-school students.

The increase in 2003-04 largely reflects additional funding for the National Schools Drug Education Strategy.

Health

Table 8: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Medical services and benefits(a)	11,776	12,491	13,052	13,486	13,893
Hospital services	1,577	1,639	1,766	1,940	2,116
Health care agreements	7,244	7,539	7,966	8,384	8,828
Hospital services and health care agreements	*8,820*	*9,178*	*9,732*	*10,324*	*10,944*
Pharmaceutical services and benefits	5,704	5,825	6,294	6,687	7,091
Aboriginal and Torres Strait Islander health	231	258	266	277	289
Health services	674	900	920	897	946
Other health services	963	1,054	1,113	1,141	1,187
Other health services	*1,636*	*1,954*	*2,033*	*2,039*	*2,133*
General administration	1,329	1,402	1,373	1,404	1,429
Health assistance to the aged(b)	69	75	80	86	93
Total health	**29,566**	**31,183**	**32,830**	**34,303**	**35,872**

(a) The financial impact of premium growth on the forward estimates for the 30 per cent Private Health Insurance Rebate have been allocated to the Contingency Reserve.
(b) The bulk of Department of Health and Ageing and Department of Veterans' Affairs expenses for assistance to the aged are now classified to the Assistance to the Aged Sub-Function (Social Security and Welfare Function).

This function includes expenses from the following portfolios:

- Health and Ageing; and
- Veterans' Affairs.

Nature of expenses and major trends

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

Health Function expenses are expected to total around $31.2 billion in 2003-04 and grow on average by around 2.8 per cent per annum in real terms over the budget and forward years. This growth reflects a steady per capita increase in use of medical and pharmaceutical services over the period, increasing costs for the provision of medical services, and a continuing trend toward the use of newer and more expensive drugs under the Pharmaceutical Benefits Scheme (PBS).

Expenses related to health and ageing are likely to be the main contributor to increased Commonwealth Government spending in the future. Total Commonwealth health spending is currently around 4 per cent of GDP. Growth in this spending largely comes from increased use of new and expensive diagnostic procedures and medicines.

Medical services and benefits

This sub-function includes Medicare Benefits Schedule (MBS) rebates for general practitioner (GP) and specialist attendances ($8.7 billion in 2003-04) and the 30 per cent Private Health Insurance Rebate ($2.4 billion in 2003-04). It also includes funding ($1 billion in 2003-04) for the provision of health services to veterans and their dependants by the Department of Veterans' Affairs (DVA). Commonwealth programmes under this sub-function are intended to provide high quality health outcomes for people by enabling access to timely and appropriate health care services at reasonable cost (or, in the case of eligible veterans and their dependants, no cost).

Growth in this sub-function is largely explained by the increasing costs of medical services funded through Medicare, increasing per capita utilisation of medical services and general population growth and the impact of the Government's package *A Fairer Medicare — Better Access, More Affordable*.

The underlying growth in veteran expenditure in this sub-function is slowing over the forward years. The increasing mortality of the veteran community will cause a slowing in growth for the demand of these services in the medium term.

Health care agreements

To support free public hospital care under Medicare, the Commonwealth will provide $7.5 billion in 2003-04 to the States and Territories under the Australian Health Care Agreements (AHCA). The new Agreements will cover the period 1 July 2003 to 30 June 2008, and focus on securing matching growth from States and Territories and transparency of financial and performance reporting. AHCA funding is forecast to grow by 17 per cent in real terms over the life of the agreements. A proportion of the ongoing funding is subject to acceptance by the States and Territories of the terms and conditions of the new agreements. The Commonwealth announced its funding offer to the States and Territories on 23 April 2003.

Hospital services

The Hospital Services Sub-function includes funding for the provision of in-hospital treatment to eligible veterans and their dependants. Growth in expenses are due to an ageing and increasingly frail veteran community, leading to an increase in demand for hospital services.

The transitional grants to public and not-for-profit hospitals to ease the costs of transition to new Fringe Benefits Tax (FBT) arrangements (announced in the 2000-01 Budget) will conclude on 30 June 2003. The National Hospitals Demonstration Programme will also conclude in 2003-04.

Pharmaceutical services and benefits

Expenses for this sub-function include the PBS administered by the Department of Health and Ageing (DoHA), and the Repatriation Pharmaceutical Benefits

Scheme (RPBS) administered by the DVA. Under these schemes, the Commonwealth provides assistance to patients to meet the cost of a wide range of pharmaceuticals.

Expenses for this sub-function are forecast to increase from $5.8 billion in 2003-04 to $7.1 billion in 2006-07, or an average of around 5 per cent per annum in real terms. The growth in the forward years includes the impact of measures announced in the 2002-03 Budget to slow growth. It should be noted, however, that legislation to give effect to the 2002-03 Budget measure to increase the cost of patient co-payments, and reduce expenses accordingly, has not yet been passed.

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

Box 6.1: Pharmaceutical Services and Benefits

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

	2002-03 $m	**2003-04 $m**	2004-05 $m	2005-06 $m	2006-07 $m
Pharmaceutical Benefits (Concessional)(a)	3,626	**3,703**	3,951	4,123	4,323
Pharmaceutical Benefits (General)(a)	890	**813**	913	1,071	1,165
Repatriation Pharmaceutical Benefits Scheme(b)	424	**455**	503	558	615
Highly Specialised Drugs(a)	345	**377**	409	441	473
Other(c)	419	**476**	519	495	515
Total	**5,704**	**5,825**	**6,294**	**6,687**	**7,091**

(a) For a detailed discussion of the Pharmaceutical Benefits Scheme, refer to Outcome 2 of *Health and Ageing 2003-04 Portfolio Budget Statements*. The reduction between 2002-03 and 2003-04 in Pharmaceutical Benefits (General) is attributable to co-payment changes now commencing in 2003-04 rather than 2002-03.
(b) Veterans' Pharmaceutical Services are covered under Outcome 2 of the *Department of Veterans' Affairs (Defence Portfolio) 2003-04 Portfolio Budget Statements*.
(c) Subsumed within Outcomes 1 and 2 of *Health and Ageing 2003-04 Portfolio Budget Statements*.

Aboriginal and Torres Strait Islander health

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

Funding for Aboriginal and Torres Strait Islander health will grow at 5.5 per cent in real terms over the forward estimates period. This area of expenditure is subject to a review in the 2004-05 Budget.

Health services

Expenses under the Health Services Sub-function include funding for the provision of blood and blood products, population health programmes, and development of Mental Health Care strategies. From 1 July 2003, the National Blood Authority will manage the collection, production and distribution of blood and blood products in a new arrangement in which the Commonwealth contributes 63 per cent of the total cost and the States and Territories contribute 37 per cent.

Expenses for health services are forecast to grow only slowly over the forward years to 2004-05 and to decline slightly in 2005-06, in part due to the conclusion of the Alcohol Education and Rehabilitation Programme.

Other health services

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

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

The increases in Other Health Services funding which are population demand driven include the National Diabetes Services Scheme, stoma appliances and hearing services. Increases that are attributable to parameter changes include regional health services and community service obligations under the Hearing Services Programme.

General administration

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

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

Health assistance to the aged

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

Social security and welfare

Table 9: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Assistance to the aged(a)	24,851	26,323	27,767	29,310	30,950
Assistance to veterans and dependants	5,578	5,734	5,834	5,931	6,002
Assistance to people with disabilities(b)	9,625	10,117	10,405	10,883	11,448
Assistance to families with children	19,464	20,474	21,338	22,297	23,253
Assistance to the unemployed	5,569	5,695	6,382	6,497	6,440
Assistance to the sick	85	90	105	119	124
Assistance to the unemployed and sick	*5,655*	*5,785*	*6,487*	*6,617*	*6,564*
Common Youth Allowance	2,239	2,295	2,368	2,427	2,473
Other welfare programmes	325	337	340	360	366
Aboriginal advancement nec	1,297	1,408	1,439	1,470	1,507
General administration	2,280	2,403	2,426	2,449	2,460
Total social security and welfare	**71,313**	**74,875**	**78,404**	**81,743**	**85,022**

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

(b) Assistance to People with Disabilities now includes CRS Australia administrative costs. Previously CRS Australia (formerly the Commonwealth Rehabilitation Service) was classified under General Administration.

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

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

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

Social Security and Welfare expenses are estimated to total around $74.9 billion in 2003-04 and grow moderately over the forward years. The major factors contributing to this growth are increases in expenses covering assistance to the aged, assistance to families with children and assistance to people with disabilities. The main driver for growth in these expense categories is the indexation of payments, including maintaining the single rate of Age Pension and Disability Pension at a minimum of 25 per cent of Male Total Average Weekly Earnings (MTAWE). In addition, demographic and social factors, such as the ageing of the population, will contribute to future growth.

Assistance to the aged

Expenses within this sub-function provide income support for aged people and their dependants as well as funding for residential aged care, community care for older Australians, and flexible care services for older Australians who live in regional, rural or remote areas.

The Age Pension contributes to the majority of the expenses in this sub-function and hence is the main contributor to growth. Growth in the Age Pension is being driven primarily by indexation, due to the Government's commitment to maintain the single rate of Age Pension at a minimum of 25 per cent of MTAWE, and to a lesser extent by increases in recipient numbers.

Growth in expenses for Community Aged Care Packages, Home and Community Care Packages and Residential Care is driven by the ageing of the population and associated costs of providing appropriate care for older Australians in a range of care settings.

Assistance to veterans and dependants

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

Increasing expenses in this sub-function reflect more widows becoming eligible for the War Widows Pension due to the increasing mortality of the veteran population and Disability Pension recipients moving to higher rates of disability due to ageing and increased frailty. This is partially offset by a decrease in Service Pension expenses that is reflecting the increasing mortality of the ageing veteran population. Growth in all three pensions slows in the medium to long term.

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

Assistance to people with disabilities

Expenses for this sub-function provide means-tested income support to people with disabilities as well as partners, parents and other carers of people with disabilities, assistance with employment-related transport costs and services which increase the independence and employment opportunities of people with disabilities. This sub-function includes payments such as the Disability Support Pension, the Wife Pension, disability employment assistance and contributions to the States and Territories under the Commonwealth State and Territory Disability Agreement.

Growth in the expenses for this sub-function is due largely to increasing Disability Support Pension payments resulting from the indexation of payments, including the Government's commitment to maintain the single rate of pension at a minimum of 25 per cent of MTAWE.

This pension payment has historically experienced strong growth in the number of recipients, partly associated with the ageing of the population. However, the 2002-03 Budget measure *Recognising and Improving the Capacity of People with a Disability* will, subject to the successful passage of legislation, reduce the number of new claims approved for the Disability Support Pension from 1 July 2003. Most unsuccessful claimants will move onto other more appropriate income support payments, such as Newstart Allowance, which is reported under the Assistance to the Unemployed and the Sick Sub-function. This movement will result in an increase in the expected growth of expenses in that sub-function. Existing recipients of the Disability Support Pension will not be affected by these changes.

Assistance to families with children

Expenses under this sub-function ensure that families with children receive financial assistance towards the support of their children. The majority of these expenses are paid through Family Tax Benefit (FTB) Parts A and B, Parenting Payments (Partnered and Single) and Child Care Benefit.

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

The growth in this sub-function is due to a combination of indexation of the payments (FTB and Child Care Benefit) by the CPI, increasing use of child care services by Child Care Benefit recipients and increasing Parenting Payment (Single) expenses. Parenting Payment (Single) expenses are increasing due to a combination of growth in new claims for this payment and indexation of the payment, which includes the Government's commitment to maintain the pension at a minimum of 25 per cent of MTAWE. However, growth in Parenting Payment (Single) is projected to slow after the *Helping Parents Return to Work* measure in *Australians Working Together* is implemented in September 2003.

Assistance to the unemployed and the sick

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

Expenses for this sub-function are expected to increase between 2003-04 and 2004-05, largely as a result of the 2002-03 Budget measure *Recognising and Improving the Capacity of People with a Disability*. Subject to the successful passage of legislation, this measure will result in a movement of claimants from Disability Support Pension, which is reported under the Assistance to People with Disabilities Sub-function, on to Newstart Allowance with related increases expected in Sickness Allowance. The closure of Mature Age Allowance and Partner Allowance to new entrants from 20 September 2003 will also contribute to growth in recipients for Newstart Allowance. The slight decline in real terms in expenses exhibited between 2004-05 and 2005-06 and the decline between 2005-06 and 2006-07 are driven by forecasts for unemployment benefit recipient numbers which show a decline between these two years.

Common youth allowance

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

Expenses for this sub-function are driven by indexation of Youth Allowance and forecasts of youth unemployment and student numbers. While the forecast numbers of eligible full-time students are expected to remain stable, unemployment numbers are projected to fall. This trend is partially offset by increasing Youth Allowance payments associated with the repeal of the Student Financial Supplement Scheme (SFSS). Students on Youth Allowance will no longer be able to forgo part of their benefit entitlements to obtain an SFSS loan — see the Student Assistance Sub-function (Education Function).

Other welfare programmes

The major expenses for this sub-function are Special Benefit payments and Widow B Pension (delivered by the Department of Family and Community Services) and settlement services for migrants and refugees (delivered by the Department of Immigration and Multicultural and Indigenous Affairs). Increases in 2003-04 and across the forward years are due to expected increased expenses for Special Benefit, which provides income support payments to those in severe financial need who do not satisfy eligibility requirements for other payments. The number of Special Benefit recipients is expected to increase over the forward years as eligibility for other payments change, including the closure of entry to Partner Allowance and Mature Age Allowance from July 2003, and with the implementation of the *Parent Migration Intake Measure* initiative in July 2003.

This increase is partially offset by the reduction in expenses for Widow B Pension, which was closed to new claims in 1997. Widow B Pension is payable to previously married women who do not have dependent children and who were aged 50 years or more, or were sole parent pensioners aged 45 years or more, at 1 July 1987.

Aboriginal advancement (nec)

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

The majority of expenses relate to programmes previously delivered by the Aboriginal and Torres Strait Islander Commission (ATSIC), in particular the Community Development Employment Projects Scheme ($518.9 million in 2003-04) and the Community Housing and Infrastructure Programme ($257.8 million in 2003-04). Following the Government's decision to separate programme delivery from the priority and policy making role performed by the ATSIC elected arm, these programmes will in future be managed by a new agency: Aboriginal and Torres Strait Islander Services.

Expenses are expected to increase over the Budget and forward years. Growth within the Community Development Employment Projects Scheme of 550 participants per annum, together with the addition of 1,000 places in the 2003-04 Budget, contribute approximately 60 per cent of the increased expenses within this sub-function. Measures announced in the 2001-02 Budget targeting housing, native title and FBT supplementation for Aboriginal and Torres Strait Islander organisations explain the remaining growth of expenses over the forward years.

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

General administration

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

Housing and community amenities

Table 10: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Housing	1,358	1,220	1,228	1,240	1,250
Urban and regional development(a)	132	194	164	130	101
Environment protection(b)	244	248	240	228	209
Total housing and community amenities	**1,733**	**1,662**	**1,632**	**1,598**	**1,560**

(a) Refinement of the functional attribution of the departmental expenses of the Department of Transport and Regional Services has led to a reclassification. A portion of departmental expenses previously classified to the Urban and Regional Development Sub-function (Housing and Community Amenities Function) will now be classified to the General Services Sub-Function (General Public Services Function) and Other Transport and Communications Sub-Function (Transport Function).

(b) Refinement of the functional attribution of the departmental expenses of the Department of Environment and Heritage, previously classified to the Environment Protection Sub-Function will now be classified to the National Estates and Parks Sub-function (Recreation and Culture Function).

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

Housing and Community Amenities Function expenses fund and support the Commonwealth's housing, regional development and environment protection policies and programmes.

Total expenses decline from 2002-03 to 2003-04 reflecting the conclusion of the additional First Home Owners Scheme grant and lower Commonwealth-State Housing Agreement (CSHA) base funding in the Housing Sub-function.

Generally, expenses decrease over the forward years. The reduction in expenses from 2003-04 to 2006-07 reflects the conclusion of funding provided for several regional development programmes.

Housing

This sub-function includes grants to the States and Territories under the Commonwealth-State Housing Agreement (CSHA) as well as the additional First Home Owners Scheme (FHOS) and the operations of the Defence Housing Authority (DHA).

The CSHA, in conjunction with contributions from the States and Territories, assists in the expansion and maintenance of the public rental housing stock by state and territory governments. The cessation in 2002-03 of the Goods and Services Tax (GST) transitional funding provided under the CSHA contributes to a reduction in expenses between 2002-03 and 2003-04.

The additional FHOS provided an extra grant of $7,000 to first home owners building or purchasing new homes between 9 March and 31 December 2001. The Commonwealth extended the grant at a rate of $3,000 between 1 January and 30 June 2002. Although the additional FHOS has ended, funding is provided in 2003-04 because some home owners are not paid until construction has been completed.

The DHA provides housing services for members of the Australian Defence Force and their families. DHA expenses remain relatively stable across the forward years.

Urban and regional development

This sub-function covers programmes that aim to support sustainable economic development of communities. It includes various regional development programmes administered by the Department of Transport and Regional Services, and the Small Business Interest Rate Relief programme administered by the Department of Industry, Tourism and Resources.

The new Regional Partnerships Programme will incorporate existing regional development programmes from 1 July 2003. Other programmes within this sub-function include the new Disaster Mitigation Australia Package, the Regional Flood Mitigation Programme and payment to the Australian Capital Territory for national capital water and sewerage services.

Expenses rise from 2002-03 to 2003-04, with the major contributing factors being an increase in funding for the Small Business Interest Rate Relief programme and increases in expenses for the Sustainable Regions programme and the commencement of the Disaster Mitigation Australia Package. From 2003-04 to 2004-05 expenses decrease by $30 million, largely due to the conclusion of the Rural Transactions Centres programme.

From 2004-05 to 2005-06 there is a reduction in expenses, primarily due to the completion of the Small Business Interest Rate Relief programme in 2004-05. The decline in 2006-07 is principally due to the conclusion of the pilot Sustainable Regions Programme in 2005-06.

Environment protection

This sub-function includes funding for the environment primarily through programmes funded as a part of *The New Tax System — Measures for a Better Environment Package,* which commenced in 2000-01, and through the Natural Heritage Trust (NHT). Also included are departmental expenses for the Department of Environment and Heritage (DoEH), the Australian Greenhouse Office (AGO) and the National Oceans Office (NOO), who administer most of the programmes within this sub-function. These programmes contribute to the sustainable management of the environment including greenhouse gas abatement, protection of the marine environment and promotion of sustainable development of environmental resources.

Departmental expenses for the DoEH and AGO make up the majority of expenses within this sub-function. Expenses peak in 2003-04 and decline steadily across the forward years mainly reflecting the expenditure profile of climate change programmes administered by the AGO.

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

Box 6.2: Natural Heritage Trust

Table 10.1 Natural Heritage Trust Expenses (across all functions)

	2002-03 $m	**2003-04 $m**	2004-05 $m	2005-06 $m	2006-07 $m
Enviroment Protection (Housing and Community Amenities)					
Bushcare	11	**13**	16	16	15
Rivercare	7	**7**	8	8	8
Landcare	7	**7**	8	8	8
Coastcare	13	**11**	14	14	14
Other (a)	6	2			
Sub-function total	43	**39**	46	46	45
National Estates and Parks (Recreation and Culture)					
Bushcare	49	**59**	74	74	71
Rivercare	7	**7**	8	8	8
Landcare	7	**7**	8	8	8
Coastcare	11	**10**	12	12	12
Sub-function total	74	**82**	102	102	99
Natural Resources Development (Agriculture, Forestry and Fishing)					
Bushcare	11	**13**	16	16	15
Rivercare	52	**54**	67	67	65
Landcare	56	**52**	64	64	62
Coastcare	13	**11**	14	14	14
Sub-function total	133	**129**	161	161	156
Total NHT Expenses(b)	250	**250**	310	310	300

(a) The Air Pollution in Major Cities and Waste Management Awareness initiatives conclude in 2003-04.
(b) Various NHT projects are discussed in Outcome 1 of the *Environment and Heritage 2003-04 Portfolio Budget Statements*. NHT expenses include estimated interest earnings (on the annual balance of the Trust Special Account) and therefore may vary according to the actual interest rate and annual account balance.

Recreation and culture

Table 11: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Broadcasting	1,040	1,100	1,128	1,124	1,130
Arts and cultural heritage	692	685	656	662	650
Sport and recreation	147	160	153	156	160
National estate and parks(a)	232	239	264	267	266
Total recreation and culture	**2,111**	**2,185**	**2,201**	**2,209**	**2,207**

(a) Refinement of the functional attribution of the departmental expenses of the Department of Environment and Heritage has led to a reclassification to this sub-function of expenses previously classified to the Environment Protection Sub-Function (Housing and Community Amenities Function), General Research Sub-Function (General Public Services Function) and Natural Resources Development Sub-Function (Agriculture, Forestry and Fishing Function).

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

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

Total expenses for the Recreation and Culture Function are relatively stable across the forward estimates period although there are some fluctuations within some sub-functions. Expenses for the National Estate and Parks Sub-function increase across the forward years mainly reflecting the expenditure profiles of the Sydney Harbour Federation Trust and the Natural Heritage Trust.

Broadcasting

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

The trend for this sub-function shows a modest increase in expenses reflecting, in particular, the Government's support for the roll out of digital television by the ABC and SBS. This trend is tempered by the conclusion of programmes associated with the sale of 49.9 per cent of Telstra, including the Television Fund.

Arts and cultural heritage

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

The Government also provides direct financial support for a wide range of arts, cultural and heritage organisations. These include the Australian Film, Television and Radio School, the Office of Australian War Graves, the Australian Film Finance Corporation Limited, the Australian Film Commission, Film Australia Limited, and the Australia Council. Funding for arts and cultural activities is also provided through the provision of grants from the Cultural Development Programme administered by the Department of Communications, Information Technology and the Arts (DCITA). Old Parliament House, the National Portrait Gallery, ScreenSound Australia and the National Science and Technology Centre (trading as Questacon) are also components of this sub-function.

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

Sport and recreation

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

Backing Australia's Sporting Ability — A More Active Australia, announced in April 2001, provided increased base level funding for sport at all levels.

Funding stays relatively stable in real terms over the forward years. The increase in expenses in 2003-04 is due to funding being provided for a previously announced initiative to provide a shooting range in New South Wales.

National estate and parks

This sub-function covers funding provided for the management and protection of national parks and world heritage areas including Uluru-Kata Tjuta and Kakadu National Parks and the Great Barrier Reef. These activities are delivered by agencies within the Environment and Heritage Portfolio, which include the Director of National Parks, the Sydney Harbour Federation Trust, the Great Barrier Reef Marine Park Authority and the Australian Heritage Commission. The Natural Heritage Trust (NHT) provides additional funding for programmes addressing the management and protection of national wetlands and reserve systems and world heritage areas.

The increase in expenses from 2002-03 to 2003-04, and across the forward years, mainly reflects the expenditure profile of the NHT and expenses for the remediation and rehabilitation of Sydney Harbour Federation Trust sites. The increase also reflects the introduction and implementation of new cultural heritage protection arrangements under the '*Distinctively Australian*' programme.

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

Fuel and energy

Table 12: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Fuel and energy	4,092	4,436	4,650	4,802	4,957
Total fuel and energy	**4,092**	**4,436**	**4,650**	**4,802**	**4,957**

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

This function includes expenses on the Diesel Fuel Rebate Scheme (DFRS), the Diesel and Alternative Fuels Grants Scheme (DAFGS) and the Fuels Sales Grants Scheme (FSGS) as administered by the Australian Taxation Office (ATO). This function also includes expenses of the Australian Greenhouse Office (AGO) for programmes funded as part of *The New Tax System — Measures for a Better Environment Package* which commenced in 2000-01. Also included within this function are expenses for programmes relating to the production of alternative fuels such as ethanol, that are administered by the Department of Industry, Tourism and Resources.

Expenditure by the Commonwealth for this function is expected to increase across the forward estimates period due to higher demand for diesel and related fuels associated with the overall growth of the economy.

Fuel and energy

The DFRS provides a rebate to off-road users of diesel fuel. Recipients of the grants include the farming and mining industries, rail and shipping and remote power generation units that use diesel. The DAFGS pays grants for the business-related, on-road use of diesel and alternative fuels. The FSGS is a tiered grant scheme paid to distributors and retailers of petrol and diesel in non-metropolitan and remote regions. This function also includes expenses relating to the payment of grants for the production of biodiesel and for the biodiesel component of blended biodiesel and conventional diesel fuels, and the production of ethanol.

Also included in this function are programmes administered by the AGO including the Alternative Fuels Conversion Programme, the Renewable Energy Commercialisation Programme, the Remote Renewable Power Generation Programme and the

Photovoltaic Rebate Programme. These programmes support the development and further use of renewable and alternative energy.

Programmes administered by the Department of Industry, Tourism and Resources, which provide production subsidies or grants in support of the development of alternative fuels, are also included in this function. Finally, also included are expenses relating to a Tax Compensation Deed in respect of company tax collected by the Commonwealth and Land Tax collected by New South Wales from Snowy Hydro Limited. The Department of Industry, Tourism and Resources will make the Commonwealth compensation payments for company tax to New South Wales and Victoria. Expenses for tax compensation payments are in proportion to the governments' shareholdings in Snowy Hydro Limited.

Agriculture, forestry and fishing

Table 13: Summary of expenses

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Wool industry	71	74	77	77	77
Grains industry	123	129	133	136	139
Dairy industry	281	249	252	252	252
Cattle, sheep and pig industry	100	99	99	99	99
Fishing, horticulture and other agriculture	171	167	169	174	177
General assistance not allocated to specific industries	306	315	303	249	226
Rural assistance	381	388	185	48	24
Natural resources development	339	385	444	427	346
General administration	173	168	170	137	126
Total agriculture, forestry and fishing	**1,945**	**1,974**	**1,831**	**1,598**	**1,466**

(a) Refinement of the functional attribution of the departmental expenses of the Department of Environment and Heritage has led to a reclassification of expenses from the Natural Resources Development Sub-Function to National Estates and Parks Sub-Function (Recreation and Culture Function).

This function includes expenses from the following portfolios:

- Agriculture, Fisheries and Forestry; and
- Environment and Heritage.

Nature of expenses and major trends

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

Expenses decline progressively over the forward years primarily reflecting declining expenses within the General Assistance and Rural Assistance Sub-functions.

Wool industry

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

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

Grains industry

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

Expenses gradually increase over the forward estimates period in line with a projected post-drought recovery in production, which will increase the Government's contributions for research and development.

Dairy industry

The Government supports dairy industry promotion, administration, market support and research and development. The bulk of the expenses in this sub-function relate to levy-funded grants paid to the Australian Dairy Corporation (ADC) for the $1.93 billion Dairy Structural Adjustment Package. Dairy Australia Limited will replace the ADC and the Dairy Research and Development Corporation from 1 July 2003, bringing together the industry's research and development, marketing, and trade development activities.

Expenses are expected to remain stable over the forward years.

Cattle, sheep and pig industry

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

Expenses are expected to remain stable over the forward years.

Fishing, horticulture and other agriculture

This sub-function includes expenses associated with the Australian Fisheries Management Authority (AFMA), the Fisheries Research and Development Corporation (FRDC), the Grape and Wine Research and Development Corporation (GWRDC), and Horticulture Australia Limited (HAL).

AFMA recovers costs from the commercial fishing industry through levies and fees, while the Government funds community service obligations. Industry levies also fund the activities of the FRDC, GWRDC and HAL. The Government provides a matching contribution for research and development activities in these industries up to a maximum of 0.5 per cent of the gross value of production in each industry.

Expenses are expected to grow only slowly over the forward years.

General assistance not allocated to specific industries

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

Expenses increase in 2003-04 due to enhanced quarantine border control initiatives and pest eradication programmes, but decline in the forward years with the expected completion of these activities.

Rural assistance

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

Policy decisions taken since the *2002-03 Mid-Year Economic and Fiscal Outlook* (MYEFO) have increased estimated expenses in this sub-function. Major new policy decisions in this Budget for 2003-04 include additional drought assistance funding of $577 million from 2002-03 to 2004-05 inclusive, comprising $407 million in Exceptional Circumstances assistance to farmers, and a further $170 million in interim income support and interest rate subsidies. Most expenses for drought relief are met by the Department of Agriculture, Fisheries and Forestry, with the remainder being funded by other Commonwealth departments — the Department of Education, Science and Training (reported against the Vocational and Industry Training Sub-function (Other Economic Affairs Function)), the Department of Family and Community Services (reported against the Common Youth Allowance Sub-function (Social Security and Welfare Function)), the Department of Health and Ageing (reported against the Pharmaceutical Services and Benefits Sub-function (Health Function)), and the Department of Industry, Tourism and Resources (reported against the Urban and Regional Development Sub-function (Housing and Communities Amenities Function)).

Expenses for this sub-function decline progressively in the forward years due to the expected return to normal seasonal conditions in Australia.

Natural resources development

Expenses in this sub-function include water, land and forest management programmes which are administered by the Department of Agriculture, Fisheries and Forestry.

The trend in expenses for this sub-function reflects the funding profile of the Natural Heritage Trust (NHT) and the National Action Plan for Salinity and Water Quality (NAP).

Expenses for NHT and NAP are scheduled over the forward years to meet anticipated major project funding requirements emanating from Bilateral Agreements with the States and Territories.

Expenses for NAP have been reprofiled in the 2003-04 Budget. Resourcing of \$42.7 million in 2002-03, \$24.4 million in 2003-04 and \$4.5 million in 2004-05, totalling \$71.6 million, has been rescheduled to 2007-08.

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

General administration

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

Expenses remain relatively stable to 2004-05 but decline from 2005-06 due to the conclusion of a range of programmes.

Manufacturing and mining

Table 14: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Mining and mineral resources (other than fuels); manufacturing and construction	1,519	1,628	1,558	1,404	1,204
Total mining and mineral resources	**1,519**	**1,628**	**1,558**	**1,404**	**1,204**

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

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

The increase in 2003-04 is mainly due to increased assistance under the Strategic Investment Co-ordinator initiative to attract projects to Australia with significant economic and employment benefits. The decrease in 2004-05 results from the Pharmaceuticals Industry Incentive Programme (PIIP) drawing to a close. This programme is to be replaced by the new Pharmaceutical Partnerships Program commencing in July 2004 which will provide $150 million over five years for a grants programme to encourage additional research and development by pharmaceutical companies in Australia.

In 2005-06 expenses decline due to the transitional effects arising from the conclusion of the current Automotive Competitiveness and Incentive Scheme (ACIS) on 31 December 2005 and the commencement of the new ACIS scheme from 1 January 2006. The further decrease in 2006-07 is due to reductions in the R&D Start and the Textile Clothing and Footwear Strategic Investment Programme (TCF SIP) programmes. R&D Start will be reviewed as part of a review of the *Backing Australia's Ability* programme. The Government will consider longer term arrangements for these programmes in the next year. Future TCF arrangements are currently being considered by the Productivity Commission.

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

The main determinants of these expenses lie in the following programmes: ACIS, R&D Start, the Export Market Development Grants Scheme (EMDG), TCF SIP, Strategic Investment Coordination and the PIIP:

- ACIS provides import duty credits to registered automotive industry participants and is aimed at encouraging new investment and innovation in the automotive industry. ACIS is capped at $2 billion over five years to December 2005. A new scheme will commence on 1 January 2006 and will cost $4.2 billion over ten years.

- R&D Start provides grants to small to medium enterprises for research and development and the commercialisation of new products and technologies. Funding was increased and extended in the Government's innovation action plan *Backing Australia's Ability*, announced in January 2001, and will total $597 million over the four years 2003-04 to 2006-07.

- The EMDG Scheme pays cash rebates to small and medium sized Australian based businesses that have promoted their products in overseas markets.

- The TCF SIP is providing $678 million over the five years from 2001-02 through to 2005-06 through a competitive grants programme to promote investment and innovation in the industry and the development of sustainable jobs.

- The Strategic Investment Coordinator initiative aims to attract to Australia projects with significant net economic and employment benefits that would otherwise locate offshore.

- The PIIP is a competitive grants programme designed to promote greater investment in pharmaceutical research and development and production value added in Australia. This is a five year programme that concludes at the end of 2003-04. From 1 July 2004, a new pharmaceuticals industry programme will commence which rewards research and development only, costing $150 million over five years.

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

Transport and communication

Table 15: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Communication	461	422	271	230	199
Rail transport	18	1	21	6	6
Air transport	161	166	134	108	107
Road transport	1,293	1,359	1,599	1,138	1,058
Sea transport	229	195	194	194	194
Other transport and communication	107	129	111	101	103
Total transport and communication	**2,268**	**2,272**	**2,330**	**1,778**	**1,667**

This function includes expenses from the following portfolios:

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

Nature of expenses and major trends

Transport and Communication Function expenses support the infrastructure and regulatory framework for Australia's transport and communications sectors.

Expenses are expected to peak in 2004-05 and then decline over the forward years due mainly to movements in expenses in the Communication, Road Transport, Air Transport and Rail Transport Sub-functions.

Communication

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

Expenses are forecast to continue to decline in 2003-04 and over the forward years due to the conclusion of programmes which were associated with the sale of 49.9 per cent of Telstra through two sales of shares in 1997 and 1999. Funding of $250 million was allocated to these programmes over five years from 1997-98 and a further $670 million over five years was allocated in 1999-2000 to improve telecommunications service standards and broaden access to telephone and internet services in rural, regional and remote Australia.

The decline in expenses is partially offset by funding announced as part of *Backing Australia's Ability* to support innovation in information technology and by the

Government's response to the Besley Report, which will further strengthen telecommunications performance in Australia, particularly in rural and regional areas.

Rail transport

Expenses decline sharply in 2003-04 following the bringing forward of $8.9 million from 2003-04 into 2002-03 for the Alice Springs to Darwin Railway.

Expenses in 2004-05 relate to the finalisation of the Albury-Wodonga Bypass Project funded under the Upgrade of the Mainline Interstate Rail Track Programme. The conclusion of this programme at the end of 2004-05 causes the decline in expenses for this sub-function from 2005-06 onwards.

Air transport

This sub-function includes expenses for the operations of the Civil Aviation Safety Authority (CASA), the Provision of Aviation Infrastructure, and Noise Amelioration Programmes around selected airports. Funding under this sub-function peaks in 2003-04 and then declines over the forward estimates period.

The continuation of airport infrastructure upgrades at Melbourne Airport as part of Australia's response to Foot and Mouth Disease and other quarantine risks in 2003-04, contributes to the peak in funding in 2003-04. Completion of upgrades and reduction in activity under the Adelaide Airport Noise Amelioration Programme in 2003-04 contribute to the decline in expenses in 2004-05.

A pricing subsidy provided to Airservices Australia for the provision of location-specific air traffic control tower services has been extended to 2003-04 to support affordable transport access in regional Australia.

Air safety operations will continue to be enhanced through the CASA Improvement Programme. The regional aviation industry will continue to be assisted by the Government's payment of enroute air traffic control charges on regional Regular Public Transport aircraft with a maximum take-off weight of 15 tonnes or less, and on aeromedical aircraft, at a cost of $21 million from 2001-02 to 2004-05. Termination of this assistance and CASA's Improvement Programme in 2004-05 contribute to the decline in expenses in 2005-06.

Road transport

The Government funds the National Highway System and contributes to the capital cost of State/Territory roads that have been identified to be of national importance. The Government also funds the Federal Road Safety Black Spot Programme to reduce road accidents on Australian roads by targeting funding to those locations which are known to be of high risk for traffic accidents.

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

Expenses peak in 2004-05 mainly due to rescheduling of projects in the National Highway and Roads of National Importance Programme and the Roads to Recovery Programme announced in the 2002-03 Budget. The significant decline in expenses in 2005-06 reflects the conclusion of the rescheduled projects and the conclusion of the Roads to Recovery Programme in 2004-05.

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

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

Box 6.3: Components of Road Transport Funding

Table 15.1: Trends in major components of the Road Transport Sub-Function

	2002-03	**2003-04**	2004-05	2005-06	2006-07
	$m	**$m**	$m	$m	$m
National Highway and Roads of National Importance(a)	981	**932**	1,251	1,055	1,020
Road Safety Black Spot Programme	45	**45**	45	45	0
Roads to Recovery	202	**302**	252	0	0
Other	65	**81**	52	38	38
Total(b)	**1,293**	**1,359**	**1,599**	**1,138**	**1,058**

(a) Largely Specific Purpose Payment funding to States and Territories but with a small additional component for land transport research.
(b) See Outcome 1 of *Transport and Regional Services 2003-2004 Portfolio Budget Statements*.

Sea transport

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

Expenses decline in 2003-04 largely as a result of final Commonwealth contributions from the Federation Fund for the development of marine facilities in Jervoise Bay, Western Australia in 2002-03.

Other transport and communication

This sub-function covers expenses relating to the administration of relevant programmes in the Transport and Regional Services portfolio and the expenses for the construction of the Asia Pacific Space Centre on Christmas Island (through the Industry, Tourism and Resources portfolio). The fluctuation in expenses across this sub-function reflects the funding profile for this project, which peaks in 2003-04 and concludes in 2004-05.

Other economic affairs

Table 16: Summary of expenses

	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
Tourism and area promotion	134	126	130	131	118
Vocational and industry training	505	585	590	590	596
Labour market assistance to job seekers and industry	1,592	1,712	1,712	1,732	1,787
Industrial relations	314	300	304	304	308
Immigration	740	784	696	713	725
Total labour and employment affairs	*3,151*	*3,381*	*3,302*	*3,339*	*3,416*
Other economic affairs nec(a)	691	750	749	751	741
Total other economic affairs	**3,976**	**4,257**	**4,181**	**4,221**	**4,275**

(a) The growth in Other Economic Affairs nec between 2002-03 and 2003-04 is largely attributable to adjustments in funding (and associated functional classification) between the Department of Environment and Heritage and the Bureau of Meteorology at the time that the Bureau of Meteorology became a prescribed agency in September 2002.

This function includes expenses from the following portfolios:

- Education, Science and Training;
- Employment and Workplace Relations;
- Environment and Heritage;
- Finance and Administration;
- Immigration and Multicultural and Indigenous Affairs;
- Industry, Tourism and Resources;
- Transport and Regional Services;
- Treasury; and
- Veterans' Affairs.

Nature of expenses and major trends

The Other Economic Affairs Function includes expenses on tourism and area promotion, labour market assistance, immigration, industrial relations and other economic affairs not elsewhere classified (nec).

Trends in expenses in this function are mainly attributable to increases in 2003-04 and 2006-07 in Job Network programme funding under the Labour Market Assistance to Job Seekers and Industry Sub-Function, and an appropriate expense allowance in

2003-04 for the offshore processing of unauthorised boat arrivals, and more comprehensive processing and checking of visa applicants and arrivals in Australia as a result of a changed business environment.

Tourism and area promotion

Commonwealth funding contributes to tourism research and analysis, policy development, international and domestic tourism marketing, and funding for specific tourism programmes and projects. These expenses are mainly incurred by the Australian Tourist Commission and some programme expenses administered by the Department of Industry, Tourism and Resources.

The decrease in expenses in 2006-07 is due to a number of programmes, including the See Australia Initiative and the Regional Tourism Programme, drawing to a close at the end of June 2006.

Labour and employment affairs

Vocational and industry training

Expenses largely cover wage subsidies and incentive payments to employers, and allowances to apprentices and trainees. Expenses also cover pre-apprenticeship and traineeship training for people who are disadvantaged in the labour market and strategic project funding to support the national vocational education and training system.

The Vocational and Industry Training Sub-function has previously experienced strong growth due to a rise in apprenticeship/traineeship commencements since 1997-98. The increase in commencements is due in part to the introduction of the New Apprenticeship System from 1 January 1998, and the introduction of new flexibilities such as user choice in selecting training providers. This trend is now expected to stabilise over the period 2003-04 to 2006-07 based on anticipated labour market trends.

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

Labour market assistance to job seekers and industry

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

Overall expenses are expected to remain relatively stable but with significant growth in 2003-04 and 2006-07. The increase in 2003-04 is mainly attributable to additional funding under the Job Network programme and the Work for the Dole initiative, which will increase expenses under this sub-function by $75 million. Increases from 2005-06 are primarily attributable to additional funding estimated for the Job Network programme.

Industrial relations

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

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

The decline in expenses between 2002-03 and 2003-04 reflects the reduced level of expenses for SEESA in 2003-04, expense flows for which peaked in previous years. While these expenses have been recorded under this sub-function, according to GFS accounting standards, expenditure is expected to be neutral in its overall underlying cash impact as cash payments are balanced by receipts from the Air Passenger Ticket Levy which has been put in place to fund these arrangements.

Immigration

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

Expenses under this sub-function increase in 2003-04 for several reasons:

- An appropriate allowance for expenses ($22.7 million) in 2003-04 for the offshore processing of unauthorised boat arrivals. The 2002-03 estimate has been revised, on the basis of experience in the year to date, and is now based on the assumption that there will be no new arrivals in the year, whereas, for estimates purposes, there are assumed to be 1,000 arrivals in 2003-04 and all the forward years.

- Increased expenses of $4.9 million in 2003-04 announced as part of the *A Safer Australia* package, for the integration of DIMIA data processing systems.

- Increased expenses of $6.6 million in 2003-04 as part of the Government's International Education package.

- Increased expenses of $15.5 million for more comprehensive processing and checking of visa applicants and all arrivals in Australia. The expenses form part of the additional $97.8 million provided in the Budget as a result of the review of DIMIA's funding arrangements. The balance of the additional funding of $97.8 million does not contribute to the variance between 2002-03 and 2003-04 in this sub-function for two reasons:
  - $65.5 million represents an extension of the increased expenses in both 2002-03 and 2003-04 for enhanced visa processing and the costs of removal of detainees; and
  - $16.8 million represents the increased cost of Integrated Humanitarian Settlement Services. These expenses are classified to the Other Welfare Programmes Sub-function (Social Security and Welfare Function).

The increase in expenses is partially offset by savings in the costs of detention facilities achieved through closure of the Woomera Immigration Reception and Processing Centre ($10.7 million).

The reduction in expenses in the forward years is due to additional resources for International Education and visa processing being agreed for 2003-04 only, pending a detailed review of DIMIA's business processes and costs. Provision for funding for 2004-05 and beyond as a result of the review of DIMIA's business processes and costs is included in the Contingency Reserve - see Contingency Reserve Sub-function (Other Purposes Function).

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

Other economic affairs (nec)

This sub-function covers economic services provided by the Commonwealth which are not included in other functional classifications. Expenses mainly comprise the operational costs of a number of advisory and regulatory agencies, including the Productivity Commission, the Australian Competition and Consumer Commission (ACCC), the Australian Securities and Investments Commission (ASIC), IP Australia, the National Competition Council, the Bureau of Meteorology, the Ionospheric Prediction Service and the Commonwealth Grants Commission. Also included in this sub-function are the Australian Government Analytical Laboratories, the National Standards Commission and the National Measurement Laboratory which will be amalgamated in 2003-04 to form the National Measurement Institute.

Expenses in this sub-function are expected to increase in 2003-04, partly as a result of the Australian Securities and Investments Commission receiving additional funding for the HIH Investigations and Litigation Taskforce, flowing from the outcome of the HIH Royal Commission. The decrease in expenses in 2006-07 is mainly due to the conclusion in 2005-06 of the small business assistance package administered by the Department of Industry, Tourism and Resources.

Other purposes

Table 17: Summary of expenses

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Interest on Commonwealth's behalf	4,597	4,125	3,938	3,500	3,331
Interest on behalf of States and Territories	30	19	11	1	0
Interest received on Commonwealth stock	0	0	0	0	0
Public debt interest	*4,627*	*4,144*	*3,949*	*3,501*	*3,331*
Nominal superannuation interest	5,350	5,209	5,507	5,591	5,773
General revenue assistance - States and Territories	1,554	1,596	1,303	1,542	387
General capital assistance - States and Territories	0	0	0	0	0
Debt assistance	0	0	0	0	0
Local government assistance	1,454	1,508	1,564	1,620	1,679
Revenue assistance to the States and Territories	152	158	161	165	170
Assistance to other governments	478	380	371	384	393
General purpose inter-government transactions	*3,638*	*3,641*	*3,399*	*3,712*	*2,628*
Natural disaster relief	141	107	92	92	92
Contingency reserve	-144	52	2,301	4,231	7,233
Total other purposes	**13,612**	**13,152**	**15,248**	**17,126**	**19,056**

This function includes expense from the following portfolios:

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

Nature of expenses and major trends

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

Excluding the Contingency Reserve, Nominal Superannuation Interest and Natural Disaster Relief Sub-functions, the general trend is for a real decline in expenses over the Budget and forward years mainly associated with reduced debt-servicing costs or reduced Budget Balancing Assistance to the States and Territories as GST revenues increase.

The increase in the Contingency Reserve from 2003-04 over the forward years is largely due to the conservative bias allowance — an allowance that compensates for the trend in expenses on existing Commonwealth programmes to be underestimated by agencies in the forward years.

Public debt interest

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

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

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

Expenses in this sub-function are forecast to decrease over 2003-04 and the forward years largely due to projected reductions in the volume of Commonwealth debt on issue.

Nominal superannuation interest

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

The decline in estimated nominal superannuation interest expenses between 2002-03 and 2003-04 mainly reflects the impact of changes in military superannuation estimates, as recognised by the actuarial review of employer superannuation liabilities relating to the Commonwealth's military superannuation schemes, undertaken in August 2002. From 2004-05 onwards these expenses resume their tendency to increase over time in line with increases in the unfunded liability of the superannuation schemes.

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

General purpose inter-government transactions

This sub-function includes grants and advances to the States and Territories and local government authorities, which are not classifiable to other functions. Detailed information on the Commonwealth's financial relations with State, Territory and local governments is provided in Budget Paper No. 3, *Federal Financial Relations 2003-04*.

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

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

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

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

The Assistance to Other Governments component consists primarily of Offshore Petroleum Royalties/Fees to Western Australia for administration of petroleum exploration and production leases within Commonwealth jurisdiction. This payment is expected to decline between 2002-03 and 2003-04 due to a projected reduction in production. The payment is expected to increase over the forward years, largely due to projected increases in production (including from the Yodel gas field) and projected increases in crude oil, Liquified Natural Gas (LNG) and Liquified Petroleum Gas (LPG) prices.

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

Expenses for the General Purpose Inter-Government Transactions Sub-function are projected to decrease over the years to 2004-05 and in 2006-07, largely due to projected increases in GST revenues causing corresponding decreases in BBA. BBA is projected to increase in 2005-06 as the loss of State and Territory revenue resulting from the abolition of debit taxes in that year will be included in the BBA calculation.

Natural disaster relief

This sub-function comprises expenses associated with natural disaster relief.

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

Commonwealth assistance towards natural disaster relief reflects the unpredictability of these events in terms of incidence and severity. The peak in expenses in 2002-03 is driven largely by previous and current year disasters for which claims have been submitted by State Governments under NDRA in 2002-03. For example, claims from the 2001 Christmas bushfires in NSW have been submitted in 2002-03. Provision of funding for aerial firefighting assistance and contributions to the NSW, Victoria and Canberra bushfires appeals have also contributed to the peak in 2002-03. The forward estimates are based on a broad average of annual net payments over recent years, with additional funding being provided in 2003-04 to assist States and Territories to meet aerial firefighting needs.

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

Contingency Reserve

The Contingency Reserve is used in budget estimates reporting to reflect anticipated events which cannot easily be allocated to specific agency or functional areas or where it is not appropriate to allocate to specific agencies or functions.

While the reserve ensures that aggregate estimates are as close as possible to expected outcomes, it is not appropriated in the Budget. Items in the Contingency Reserve will be allocated to specific agencies for appropriation and for outcome reporting closer to the time when they eventuate.

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

Items in the Contingency Reserve include:

- a regular conservative bias allowance to adjust for the historical tendency of forward year expense estimates for existing programmes to be understated in aggregate. The conservative bias allowance is intended to improve the accuracy of the forward estimates by increasing estimated expenses in each of the forward years;

- a provision for underspends in the current year, adjusting for the tendency of agencies to overestimate expenses for the current financial year;

- commercial-in-confidence and national-security-in-confidence items that cannot be disclosed separately in agency and functional categories; and

- the effect of economic parameter revisions received too late in the process to be allocated against individual agency or functional classifications. The effect of these revisions is included as an aggregate item. An example of a late parameter revision is the estimated impact of the Australian Industrial Relations Commission's Living Wage Case Decision released on 6 May 2003.

The Asset Sales component includes expenses associated with the Government's major asset sales and associated administration costs.

The estimates for 2002-03 and 2003-04 include funding for a range of previously announced asset sales, including the Sydney Basin Airports (other than Sydney Kingsford Smith Airport which was sold in 2002-03) and a scoping study of the Albury Wodonga Development Corporation. The estimates in the latter years relate to the assumed timing of the proposed sale of Telstra.

GENERAL GOVERNMENT NET CAPITAL INVESTMENT

In 2003-04, forecast net capital investment has increased by $51 million since the 2002-03 MYEFO. This increase is largely due to new policy decisions that increase net capital investment by $65 million, including funding to increase Centrelink's capacity to deliver services online.

Net capital investment estimates for the period from 2002-03 to 2006-07 are provided in Table 18.

Table 18: Estimates of total net capital investment

	2002-03		2003-04	2004-05	2005-06	2006-07
	MYEFO(a)	Revised	Estimate		Projections	
Total net capital investment ($m)	**-495**	**-235**	**-417**	**-381**	**-256**	**-448**
Real growth on previous year(%)(b)	-58.9	-80.5	73.6	-10.4	-34.0	71.4
Per cent of GDP	-0.1	0.0	-0.1	0.0	0.0	0.0

(a) As published in *the Mid-Year Economic and Fiscal Outlook 2002-03*.
(b) Real growth is calculated using the non-farm gross domestic product (GDP) deflator.

Negative net capital investment of $417 million is expected in 2003-04, largely reflecting the ongoing property sales programmes of the Department of Defence and the Defence Housing Authority (DHA).

Reconciliation of net capital investment since the 2002-03 Budget

Table 19 provides a reconciliation of the 2002-03 Budget, 2002-03 MYEFO and 2003-04 Budget net capital investment estimates, showing the effect of policy decisions and economic parameter and other variations since the estimates were published in the 2002-03 Budget.

Table 19: Reconciliation of net capital investment

	2002-03	2003-04	2004-05	2005-06
	$m	$m	$m	$m
Net capital investment at 2002-03 Budget	**-725**	**-634**	**-537**	**-370**
Changes between 2002-03 Budget and MYEFO				
Effect of policy decisions	26	11	0	-7
Effect of parameter and other variations	206	154	-8	0
Total variations	**232**	**165**	**-9**	**-6**
Net capital investment at 2002-03 MYEFO	**-495**	**-468**	**-546**	**-377**
Changes between MYEFO and 2003-04 Budget				
Effect of policy decisions	192	65	111	72
Effect of parameter and other variations	67	-14	54	50
Total variations	**259**	**51**	**165**	**121**
Net capital investment at 2003-04 Budget	**-235**	**-417**	**-381**	**-256**

Policy decisions

Policy decisions since the 2002-03 MYEFO affecting net capital investment estimates include a number of initiatives associated with the improved security and border control arrangements:

- additional funding of $55.2 million over four years for the construction of the Christmas Island Immigration Reception and Processing Centre, with the funding being provided to the Department of Finance and Administration (to oversight construction) and the Department of Transport and Regional Services (DoTRS — to construct services infrastructure). The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) will manage the completed centre;

- provision of $5.6 million to DIMIA to enhance fire compliance and detainee management options at the Baxter immigration detention facility (near Port Augusta) and to support alternative detention arrangements for those considered at risk;

- provision of $13.1 million over three years to the Department of Finance and Administration for the refurbishment and enhancement of the Ministerial Communications Network to ensure a secure, reliable and up-to-date communications network, particularly given the current heightened security environment;

- provision of $3.5 million to the Australian Secret Intelligence Service in 2003-04 to sustain and further enhance Australia's counter-terrorism capability;

- provision of $3.3 million in 2003-04 and 2004-05 to DoTRS to meet the fitout and information technology costs involved in implementing the International Maritime Organisation's new International Ship and Port Facility Security Code;

- provision of $7.9 million over four years to DIMIA to enhance and develop systems to more accurately verify the identity of persons of concern thereby reducing the risk of unlawful entry to Australia;

- provision of $9.9 million in 2003-04 to the Department of Foreign Affairs and Trade for the infrastructure and support costs for an expansion of Australia's secure diplomatic network to cover an additional 23 locations in Australia and overseas; and

- provision of $11.1 million to the Australian Nuclear Science and Technology Organisation in 2003-04 and 2004-05 to enhance the security of its facility.

Other policy decisions since the 2002-03 MYEFO affecting net capital investment estimates, include:

- $120.7 million over five years ($105.7 million over the Budget and three forward years and $15 million in 2007-08) for Centrelink to purchase hardware and develop software to ensure information technology reliability and improve service delivery;

- $3.9 million to Centrelink to facilitate specific improvements in information technology-based service delivery: $1.5 million (over 2003-04 and 2004-05) for the development of software and addition of storage capacity to support an increase in investigations into identity fraud; $0.4 million in 2003-04 for the development of software to improve the operation of the Assurance of Support Scheme; $1.8 million in 2003-04 for the purchase of equipment and development of software to facilitate the monitoring of concessional pharmaceutical benefits entitlements; and $0.2 million in 2003-04 to equip 50 new Centrelink access points in rural and remote Australia;

- $48.4 million over five years (including $9.6 million in 2007-08) for a Bureau of Meteorology asset replacement programme which will enable the Bureau to maintain and enhance its meteorological forecasting capacity. The Bureau will purchase fifteen new meteorological radars as replacements for its oldest radar assets, and a further six selected radars with enhanced Doppler capability;

- $67 million capital works programme (from 2003-04 to 2006-07) for the Sydney Harbour Federation Trust. This is part of the eight year, $115.5 million Commonwealth contribution to the Trust's business masterplan for remediation and rehabilitation of the Trust's Sydney Harbour properties, to protect and conserve environmental and heritage values of Trust lands and enhance public access to sites;

- $37.6 million over four years for refurbishment or construction or rectification at a variety of Australian overseas posts: Geneva, Baghdad, New Delhi, Paris, Washington and Wellington. The bulk of this investment will be funded by the Department of Foreign Affairs and Trade.

In addition to the costs mentioned above, depreciation flows associated with these projects would also have an impact on the overall level of net capital investment.

Parameter and other variations

Since the 2002-03 MYEFO, parameter and other variations have led to an decrease in estimated net capital investment of $14 million in 2003-04. Variations in the Budget and forward years are largely due to:

- revised forecasts of proceeds from planned Defence property sales; and

- revised levels of net property investment proceeds from the DHA.

Net capital investment estimates by function

Table 20 provides estimates for Commonwealth general government net capital investment by function for the period 2002-03 to 2006-07.

Table 20: Estimates of net capital investment by function

	Estimates		Projections		
	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m
General public services	118	171	38	-68	-104
Defence	-555	-455	-303	-204	-216
Public order and safety	107	56	-2	-12	-2
Education	4	2	0	1	0
Health	23	30	26	7	-5
Social security and welfare	78	23	-11	9	-12
Housing and community amenities	-190	-68	-156	-76	-76
Recreation and culture	-4	11	32	73	-3
Fuel and energy	1	0	1	0	0
Agriculture, forestry and fishing	0	-1	-2	-3	-11
Mining and mineral resources (other than fuels); manufacturing and construction	10	2	0	3	1
Transport and communications	85	24	-2	-5	-6
Other economic affairs	83	23	84	24	-9
Other purposes	3	-236	-87	-5	-5
Net capital investment	**-235**	**-417**	**-381**	**-256**	**-448**

Net capital investment is expected to fall between 2002-03 and 2003-04. This is partially offset by net increases between 2002-03 and 2003-04 for the Defence and Housing and Community Amenities functions reflecting higher inventory purchases by Defence, offset by lower expected property sales, and the DHA's building and sales programme, as well as a net increase for the General Public Services Function.

Most of the remaining functions are expected to record positive net capital investment in 2003-04, including:

- **General Public Services**, for the investment by the Department of Finance and Administration for its property portfolio including construction of the Adelaide Law Courts building; investment by the Australian Nuclear Science and Technology Organisation in a new nuclear reactor at Lucas Heights, refurbishing of overseas posts by the Department of Foreign Affairs and Trade and updating of secure communications systems;

- **Public Order and Safety**, for investment in equipment and facilities by the Australian Customs Service and the Australian Federal Police;

- **Health**, for investment in information technology infrastructure by the Department of Veterans' Affairs and the Health Insurance Commission;

- **Social Security and Welfare**, for investment in information technology infrastructure for Centrelink;

- **Recreation and Culture**, for implementation of the masterplan for rehabilitation and remediation of Sydney Harbour Federation Trust sites, the completion of ABC building works at East Perth, the divestment of ABC properties at Adelaide Terrace in Perth and at Gore Hill in Sydney, the ongoing digital television conversion programme being carried out by the ABC and SBS, and capital works at the Australian Institute of Sport;

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

- **Other Economic Affairs**, for investment by the Bureau of Meteorology in replacing older equipment with new meteorological radars and the construction of the Christmas Island Immigration Reception and Processing Centre.

APPENDIX A: EXPENSE ESTIMATES BY FUNCTION AND SUB-FUNCTION

Table A1: Estimates of expenses by function and sub-function

	Actuals	Estimates		Projections		
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m	$m
General public services						
Legislative and executive affairs	778	781	752	842	760	765
Financial and fiscal affairs	3,567	3,187	3,282	3,381	3,624	3,602
Foreign affairs and economic aid	2,151	2,364	2,157	2,252	2,314	2,219
General research	1,698	1,830	2,034	2,108	2,318	2,210
General services	550	553	580	596	594	601
Government superannuation benefits	1,497	2,095	2,120	2,186	2,197	2,204
Total general public services	**10,241**	**10,810**	**10,924**	**11,366**	**11,807**	**11,601**
Defence	**12,017**	**13,143**	**13,970**	**14,125**	**14,555**	**15,529**
Public order and safety						
Courts and legal services	545	567	574	584	588	599
Other public order and safety	1,311	1,538	1,779	1,652	1,668	1,660
Total public order and safety	**1,856**	**2,104**	**2,353**	**2,237**	**2,256**	**2,259**
Education						
Higher education	4,004	4,162	4,314	4,574	4,902	5,282
Vocational and other education	1,217	1,360	1,452	1,492	1,525	1,539
Non-government schools	3,737	3,975	4,373	4,712	5,062	5,425
Government schools	2,058	2,140	2,262	2,389	2,515	2,647
Schools	*5,795*	*6,115*	*6,636*	*7,101*	*7,576*	*8,072*
Student assistance	567	578	622	648	655	668
General administration	44	2	2	2	2	2
School education - specific funding	134	126	134	112	116	111
Total education	**11,761**	**12,342**	**13,160**	**13,928**	**14,776**	**15,674**
Health						
Medical services and benefits	11,107	11,776	12,491	13,052	13,486	13,893
Hospital services	1,408	1,577	1,639	1,766	1,940	2,116
Health care agreements	6,709	7,244	7,539	7,966	8,384	8,828
Hospital services and health care agreements	*8,117*	*8,820*	*9,178*	*9,732*	*10,324*	*10,944*
Pharmaceutical services and benefits	5,077	5,704	5,825	6,294	6,687	7,091
Aboriginal and Torres Strait Islander health	202	231	258	266	277	289
Health services	578	674	900	920	897	946
Other health services	1,343	963	1,054	1,113	1,141	1,187
Other health services	*1,920*	*1,636*	*1,954*	*2,033*	*2,039*	*2,133*
General administration	1,125	1,329	1,402	1,373	1,404	1,429
Health assistance to the aged(a)	65	69	75	80	86	93
Total health	**27,614**	**29,566**	**31,183**	**32,830**	**34,303**	**35,872**
Social security and welfare						
Assistance to the aged(a)	23,218	24,851	26,323	27,767	29,310	30,950
Assistance to veterans and dependants	5,499	5,578	5,734	5,834	5,931	6,002
Assistance to people with disabilities	8,915	9,625	10,117	10,405	10,883	11,448
Assistance to families with children	19,774	19,464	20,474	21,338	22,297	23,253

Table A1: Estimates of expenses by function and sub-function (continued)

	Actuals	Estimates		Projections		
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m	$m
Social security and welfare (continued)						
Assistance to the unemployed	5,808	5,569	5,695	6,382	6,497	6,440
Assistance to the sick	94	85	90	105	119	124
Assistance to the unemployed and the sick	*5,902*	*5,655*	*5,785*	*6,487*	*6,617*	*6,564*
Common youth allowance	2,214	2,239	2,295	2,368	2,427	2,473
Other welfare programmes	313	325	337	340	360	366
Aboriginal advancement nec	1,268	1,297	1,408	1,439	1,470	1,507
General administration	1,979	2,280	2,403	2,426	2,449	2,460
Total social security and welfare	**69,081**	**71,313**	**74,875**	**78,404**	**81,743**	**85,022**
Housing and community amenities						
Housing	1,619	1,358	1,220	1,228	1,240	1,250
Urban and regional development	188	132	194	164	130	101
Environment protection	403	244	248	240	228	209
Total housing and community amenities	**2,210**	**1,733**	**1,662**	**1,632**	**1,598**	**1,560**
Recreation and culture						
Broadcasting	1,004	1,040	1,100	1,128	1,124	1,130
Arts and cultural heritage	704	692	685	656	662	650
Sport and recreation	137	147	160	153	156	160
National estate and parks	190	232	239	264	267	266
Total recreation and culture	**2,036**	**2,111**	**2,185**	**2,201**	**2,209**	**2,207**
Fuel and energy	**3,052**	**4,092**	**4,436**	**4,650**	**4,802**	**4,957**
Agriculture, forestry and fishing						
Wool industry	80	71	74	77	77	77
Grains industry	111	123	129	133	136	139
Dairy industry	266	281	249	252	252	252
Cattle, sheep and pig industry	135	100	99	99	99	99
Fishing, horticulture and other agriculture	150	171	167	169	174	177
General assistance not allocated to specific industries	295	306	315	303	249	226
Rural assistance	219	381	388	185	48	24
Natural resources development	318	339	385	444	427	346
General administration	117	173	168	170	137	126
Total agriculture, forestry and fishing	**1,691**	**1,945**	**1,974**	**1,831**	**1,598**	**1,466**
Mining and mineral resources (other than fuels), manufacturing and construction	**1,686**	**1,519**	**1,628**	**1,558**	**1,404**	**1,204**
Transport and communication						
Communication	443	461	422	271	230	199
Rail transport	174	18	1	21	6	6

Table A1: Estimates of expenses by function and sub-function (continued)

	Actuals	Estimates		Projections		
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m	$m
Transport and communication (continued)						
Air transport	163	161	166	134	108	107
Road transport	1,596	1,293	1,359	1,599	1,138	1,058
Sea transport	193	229	195	194	194	194
Other transport and communication	78	107	129	111	101	103
Total Transport and Communication	**2,647**	**2,268**	**2,272**	**2,330**	**1,778**	**1,667**
Other economic affairs						
Tourism and area promotion	142	134	126	130	131	118
Vocational and industry training	440	505	585	590	590	596
Labour market assistance to job seekers and industry	1,445	1,592	1,712	1,712	1,732	1,787
Industrial relations	621	314	300	304	304	308
Immigration	738	740	784	696	713	725
Total labour and employment affairs	*3,243*	*3,151*	*3,381*	*3,302*	*3,339*	*3,416*
Other economic affairs nec	513	691	750	749	751	741
Total other economic affairs	**3,899**	**3,976**	**4,257**	**4,181**	**4,221**	**4,275**
Other purposes						
Interest on Commonwealth's behalf	5,007	4,597	4,125	3,938	3,500	3,331
Interest on behalf of States and Territories	31	30	19	11	1	0
Interest received on Commonwealth stock	0	0	0	0	0	0
Public debt interest	*5,038*	*4,627*	*4,144*	*3,949*	*3,501*	*3,331*
Nominal superannuation interest	4,987	5,350	5,209	5,507	5,591	5,773
General revenue assistance - States and Territories	4,576	1,554	1,596	1,303	1,542	387
General capital assistance - States and Territories	0	0	0	0	0	0
Debt assistance	0	0	0	0	0	0
Local government assistance	1,394	1,454	1,508	1,564	1,620	1,679
Revenue assistance to the States and Territories	148	152	158	161	165	170
Assistance to other governments	443	478	380	371	384	393
General purpose inter-government transactions	*6,561*	*3,638*	*3,641*	*3,399*	*3,712*	*2,628*
Natural disaster relief	87	141	107	92	92	92
Contingency reserve(b)	64	-144	52	2,301	4,231	7,233
Total other purposes	**16,736**	**13,612**	**13,152**	**15,248**	**17,126**	**19,056**
Total expenses	**166,525**	**170,534**	**178,031**	**186,521**	**194,176**	**202,351**

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

(b) Asset sale related expenses are now treated as a component of the Contingency Reserve.

APPENDIX B: EXPENSE MEASURES

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis)

	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m
AGRICULTURE, FISHERIES AND FORESTRY				
Department of Agriculture, Fisheries and Forestry				
Additional Drought Assistance Measures	7.3	4.8	-	-
Aquaculture Industry Action Agenda	2.5	-	-	-
Aquaculture industry - reprioritisation of funding	-2.5	-	-	-
Australia's Southern Ocean - surveillance and enforcement programme	1.8	-	-	-
Country Women's Association Emergency Aid Fund	-	-	-	-
Drought affected areas - interim support	30.5	12.6	-	-
Drought Assistance - Exceptional Circumstances Declarations	204.6	108.6	-	-
Farm Help - interim extension	-	-	-	-
Melbourne Airport - additional quarantine infrastructure	-3.9	-	-	-
National Landcare Programme - continuation	-	-	-	-
Pest Animal Management Grants Programme	-	-	-	-
Red Imported Fire Ant - additional funding for eradication	5.2	-	-5.2	-
Tasmanian Wheat Freight Shipping - continuation	-	-	-	-
Tuberculosis Freedom Assurance Programme - continuation	1.0	0.6	0.2	0.1
Tuberculosis Freedom Assurance Programme - reprioritisation of funding	-1.0	-0.6	-0.2	-0.1
Portfolio total	**245.5**	**126.0**	**-5.2**	**-**
ATTORNEY-GENERAL'S				
Administrative Appeals Tribunal				
Administrative Appeals Tribunal	7.7	8.0	8.3	8.6
Attorney-General's Department				
A Safer Australia - Attorney-General's Department and the Australian Security Intelligence Organisation - enhanced counter-terrorism training	3.6	3.6	3.7	3.8
A Safer Australia - armoured VIP limousines	1.0	1.1	1.1	1.1
A Safer Australia - continuous operation of the national crisis management Watch Office	1.2	1.3	1.3	1.3
A Safer Australia - enhanced Diplomatic and Australian Office Holder guarding services	20.7	-	-	-
A Safer Australia - National Security Hotline	6.0	-	-	-
A Safer Australia - upgrade of the Australian Secure Network communications infrastructure	9.6	3.0	3.1	3.2
Family Court of Western Australia - additional funding	0.9	1.0	1.1	1.2
Family Law Pathways - continuation of Children's Contact Services	4.1	4.2	4.3	4.4
Family Law Pathways - continued contribution to the Victorian Court Network	0.1	0.1	0.1	0.1
Family Law Pathways - measures to improve compliance with Family Court child contact orders	0.5	0.5	0.5	0.5
Family Law Pathways - online access to family law information and services	1.3	1.3	1.4	1.4

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
ATTORNEY-GENERAL'S (continued)				
Firearms policy development - continuation of funding	0.9	0.9	1.0	1.0
Handgun buyback programme	55.9	10.1	-	-
International Criminal Court - Australia's contribution	3.3	1.4	1.4	1.4
National Crime Prevention Programme - building safer communities	4.0	-	-	-
National Illicit Drugs Strategy - prevention of illicit drug manufacturing strategy	1.1	1.1	1.0	1.1
Australian Crime Commission				
Australian Crime Commission - additional funding to target money laundering and fraud	7.3	7.4	7.5	7.7
National Illicit Drugs Strategy - enhanced technical capacity for the Australian Crime Commission and the Australian Federal Police	-	-	-	-
Australian Customs Service				
A Safer Australia - increased use of x-ray facilities for shipping container inspections	16.3	16.3	16.3	-
Australia's Southern Ocean - surveillance and enforcement programme	9.5	-	-	-
Melbourne Airport - additional quarantine infrastructure	-3.9	-	-	-
Australian Federal Police				
A Safer Australia - enhanced checking of aviation security identification card holders	0.8	0.2	0.2	0.2
National Illicit Drugs Strategy - Australian Federal Police communications network	-	-	-	-
National Illicit Drugs Strategy - Australian Federal Police Law Enforcement Cooperation Programme	-	-	-	-
National Illicit Drugs Strategy - Australian Federal Police Overseas Liaison Network	-	-	-	-
National Illicit Drugs Strategy - enhanced technical capacity for the Australian Crime Commission and the Australian Federal Police	-	-	-	-
Australian Institute of Criminology				
National Illicit Drugs Strategy - continued drug use monitoring by the Australian Institute of Criminology	1.1	1.1	1.1	1.0
Australian Security Intelligence Organisation				
A Safer Australia - Attorney-General's Department and the Australian Security Intelligence Organisation - enhanced counter-terrorism training	0.2	0.2	0.2	0.3
A Safer Australia - enhanced checking of aviation security identification card holders	0.7	0.6	0.6	0.6
A Safer Australia - enhancing the counter-terrorism capabilities of the Australian Security Intelligence Organisation	3.6	2.6	2.7	2.8

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
ATTORNEY-GENERAL'S (continued)				
Australian Transaction Reports and Analysis Centre				
A Safer Australia - additional funding for financial monitoring by the Australian Transaction Reports and Analysis Centre	3.1	-	-	-
National Illicit Drugs Strategy - enhanced financial intelligence to target illicit drug trafficking and related activities	2.3	-	-	-
National Illicit Drugs Strategy - financial intelligence intensive training and support for the Australian Transaction Reports and Analysis Centre	-	-	-	-
National Illicit Drugs Strategy - funding to the Australian Transaction Reports and Analysis Centre for the High-Risk Cash Dealer Strategy	-	-	-	-
Federal Magistrates Service				
Federal Magistrates Services - additional magistrates	1.0	1.1	1.1	1.2
Insolvency and Trustee Services Australia				
Proceeds of Crime legislation - additional funding for implementation	0.5	0.7	-	-
Office of the Director of Public Prosecutions				
Identity fraud - improving and increasing the number of investigations	2.0	3.0	3.0	3.0
Proceeds of Crime legislation - additional funding for implementation	1.9	2.9	-	-
Portfolio total	**168.5**	**73.7**	**61.1**	**45.9**
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
Australian Broadcasting Authority				
NetAlert	-0.5	-0.5	-0.5	-
Australian Broadcasting Corporation				
Australian Broadcasting Corporation	-	-	-	-
Australian Broadcasting Corporation - continuation of funding for Radio Australia	3.0	3.0	3.1	-
Australian Communications Authority				
Freephone and Local Rate telephone number auctions	1.6	0.6	0.4	0.4
Premium rate numbers - service provider rules	0.3	0.1	0.1	0.1
Submarine Telecommunications Cables - protection	0.6	0.4	0.2	0.2

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS (continued)				
Australian Sports Commission				
Olympic and Paralympic Games in Athens 2004	1.0	-	-	-
Tough On Drugs In Sport - drug testing	-0.4	-0.4	-0.4	-0.4
Australian Sports Drug Agency				
Tough On Drugs In Sport - drug testing	1.7	1.7	1.8	1.8
Department of Communications, Information Technology and the Arts				
Bundanon Trust	0.2	0.4	0.8	1.0
Communications, Information Technology and the Arts Portfolio - decreased resourcing in 2003-04	-0.5	-	-	-
Contemporary Visual Arts and Crafts Inquiry - Government response	3.0	4.5	6.0	6.0
Cultural Agencies Review	-0.4	-0.4	-0.6	-0.6
Film Finance Corporation	-	-	-	-
MacArthur Museum Project - Commonwealth contribution	0.4	-	-	-
National Institute of Dramatic Art - additional funding	1.1	1.1	1.2	1.2
NetAlert	0.5	0.5	0.5	0.0
Surf Life Saving Australia, Royal Life Saving Society Australia, Austswim and the Australian Ski Patrol Association - additional funding	0.5	0.5	-	-
National Archives of Australia				
Cultural Agencies Review	-0.6	-0.7	-0.9	-1.1
National Gallery of Australia				
Cultural Agencies Review	-0.2	-0.3	-0.3	-0.4
National Museum of Australia				
Cultural Agencies Review	-0.1	-0.1	-0.1	-0.1
National Office of the Information Economy				
Government Bookshop Network - closure	-4.9	-7.6	-7.5	-7.4
Tough On Drugs In Sport - drug testing	-0.4	-0.4	-0.4	-0.4
Special Broadcasting Service Corporation				
Special Broadcasting Service Corporation	-	-	-	-
Special Broadcasting Service Corporation - exemption from the Efficiency Dividend	0.8	1.7	2.6	-
Special Broadcasting Service Corporation - overseas programme acquisition	3.6	3.7	3.7	-
Portfolio total	**10.2**	**7.9**	**9.6**	**0.3**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
CROSS PORTFOLIO				
Cross Portfolio				
Agency Banking Incentive Scheme - discontinuation	-	-	-	-
Budget estimates - enhanced quality and timeliness	1.1	0.7	0.7	0.7
Portfolio total	**1.1**	**0.7**	**0.7**	**0.7**
DEFENCE				
Department of Defence				
A Safer Australia - continued funding for enhanced protective security	34.6	36.1	-	-
Australian Defence Force personnel numbers - accelerated growth	49.8	36.5	16.5	-
Bougainville Peace Monitoring Group - continuation of the Australian Defence Force contribution to monitoring weapons disposal	-	-	-	-
Coastal surveillance - continuation of funding for increased activity	17.8	-	-	-
Iraq - funding for operations and rehabilitation activities	197.9	25.8	-	-
Logistics funding	244.3	285.5	284.9	229.0
Navy Personnel Retention initiatives	-	-	-	-
Special Operations Command	21.6	35.8	49.2	50.2
Special Purpose Aircraft Facilities at Canberra International Airport	7.1	7.2	7.5	7.8
Portfolio total	**573.1**	**426.9**	**358.1**	**287.0**
EDUCATION, SCIENCE AND TRAINING				
Australian Institute of Marine Science				
Our Universities - marine science institute	2.9	-	-	-
Australian Nuclear Science and Technology Organisation				
A Safer Australia - enhanced security for the Australian Nuclear Science and Technology Organisation	1.7	1.7	1.7	1.7
Commonwealth Scientific and Industrial Research Organisation				
Commonwealth Scientific and Industrial Research Organisation Flagship initiative	20.0	-	-	-
Department of Education, Science and Training				
Additional Drought Assistance Measures	3.4	-1.9	-	-
A Fairer Medicare - additional medical school places	3.7	7.6	11.6	15.8
Cooperative Research Centres Programme - additional funding for 2006-07	-	-	-	62.5
Cross-portfolio Indigenous flexible funding arrangements	-0.4	-0.4	-	-
Education, Science and Training portfolio - reprioritisation	-2.0	-0.3	-0.3	-0.3
International Education - Endeavour Programme scholarships	1.6	2.1	2.1	2.1
International Education - increased profile of Australia's international education sector	8.4	9.3	10.9	13.1

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
EDUCATION, SCIENCE AND TRAINING (continued)				
International Education - International Centres of Excellence	7.9	13.3	10.2	4.1
International Education - National Centre for Language Training	-	2.3	2.3	-
International Education - offshore quality assurance enhancements	3.5	3.0	2.0	2.1
International Education - onshore compliance enhancements	1.6	1.1	1.2	1.2
International Education - reprioritisation of funding from the Quality Outcomes Programme and Systemic Infrastructure Scheme	-	-2.3	-2.3	-
Mount Stromlo Observatory - reconstruction after the bushfires	7.3	-	-	-
National Competitive Grants Programme - additional funding for 2006-07	-	-	-	275.0
National Illicit Drugs Strategy - National Schools Drug Education Strategy	1.8	-	-	-
National literacy and numeracy strategies and projects	-	-	-	-
New Apprenticeships Workforce Skills Development programme - consolidation of programme elements	-3.0	-1.0	-3.0	-3.0
Non-government schools - capital funding	-	-	-	-
Our Universities - Collaboration and Structural Reform Fund	-	6.5	6.7	6.8
Our Universities - Commonwealth Grants Scheme initiatives	-	139.0	252.2	384.2
Our Universities - disadvantaged students improved participation	0.3	5.4	7.1	9.0
Our Universities - Higher Education Contribution Scheme - increased flexibility	-	-	-	-
Our Universities - Higher Education Information Management System	14.5	5.4	5.1	5.3
Our Universities - Higher Education Loans Programme (HELP) - HECS-HELP, FEE-HELP and OS-HELP	-	-15.7	-18.1	-16.8
Our Universities - Marcus Oldham College	2.1	-	-	-
Our Universities - marine science institute	-5.0	-	-	-
Our Universities – national priority funding for additional student places and courses	11.9	47.5	49.8	51.8
Our Universities - quality assurance enhancement	-	0.9	0.9	0.9
Our Universities - regional universities loading	27.9	30.3	31.5	32.9
Our Universities - scholarships	11.2	29.9	49.7	70.7
Our Universities - teaching quality incentives	-	-	79.3	108.9
Our Universities - Workplace Productivity Programme	-	-	27.3	27.9
Pensioner Education Supplement – matching payments to study periods	-0.6	-0.9	-0.8	-0.7

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
EDUCATION, SCIENCE AND TRAINING (continued)				
Radioactive waste management facility	1.7	0.2	0.2	0.2
Strategic Assistance for Improving Student Outcomes Programme - increased funding	-	-	-	-
Student Financial Supplement Scheme - repeal	5.3	12.7	10.7	8.8
Transition (School to Work) Programmes	-1.5	-0.7	-0.7	-1.2
Vocational education and training - continued Commonwealth support	-	-	-	-
Portfolio total	**126.1**	**295.0**	**537.3**	**1063.2**
EMPLOYMENT AND WORKPLACE RELATIONS				
Department of Employment and Workplace Relations				
Australian Industrial Relations Commission and Australian Industrial Registry - relocation	0.8	0.8	0.8	0.8
Commonwealth Unfair Dismissal Scheme - expanded coverage	1.1	5.1	5.1	5.2
Cross-portfolio Indigenous flexible funding arrangements	-0.5	-0.5	-	-
Employee Share Ownership Development Unit	0.4	0.4	0.4	0.4
Employment Innovation Fund	-	-	-	-
Indigenous Capital Assistance Scheme	-	-	-	-
Job search training - early access for young job seekers	-	-	-	-
Royal Commission into the Building and Construction Industry - initial response	17.0	-	-	-
Workplace Relations Act – measures to ensure compliance and enforce relevant orders	-	-	-	-
Portfolio total	**18.8**	**5.8**	**6.4**	**6.5**
ENVIRONMENT AND HERITAGE				
Bureau of Meteorology				
Meteorological radars - replacement and upgrade	1.7	2.0	3.0	3.7
Department of the Environment and Heritage				
Australian Biological Resources Study	-	-	-	-
Biodiversity Policy	-2.0	-2.0	-2.0	-2.0
Distinctively Australian	1.3	3.2	4.0	4.8
Environment Protection Policy	-	-	-	-
Great Barrier Reef Coastal Wetland Protection Programme	1.0	2.0	2.0	2.0
Shipping support for Australia's Antarctic Programme	-	-	-	-
Urban Environment Initiatives	-	-	-	-
World Class Weather Forecasting	-	-	-	-
National Oceans Office				
National Oceans Office	-	-	-	-
Sydney Harbour Federation Trust				
Sydney Harbour Federation Trust	7.5	7.5	7.0	7.0
Portfolio total	**9.6**	**12.8**	**14.0**	**15.5**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
FAMILY AND COMMUNITY SERVICES				
Department of Family and Community Services				
Assurance of Support Scheme - improved operation	2.1	-4.0	-4.5	-4.9
Australians Working Together Measures - changed arrangements	14.2	12.7	11.8	12.0
Bali Terrorist Attacks - ex-gratia payments for the Victims and Family members of Victims	0.5	-	-	-
Centrelink Rural Call Centres - continuation of funding	-	-	-	-
Centrelink Service Delivery - enhanced information technology capability	27.0	7.9	-26.3	-57.3
Child Support Debt Collection - additional compliance activity	-2.3	-2.4	-2.4	-2.5
Child Support improvements - support for unemployed parents	..	-0.1	-0.1	-0.1
Community Development Employment Projects Programme - expansion of 1,000 additional places	-10.7	-11.0	-11.2	-11.5
Compliance reviews – expand data matching and asset reviews to identify incorrect payments	-27.5	-61.7	-66.7	-68.2
Compliance reviews - extend 2002-03 data matching pilot	-19.6	-20.6	-21.2	-21.6
Cross-portfolio Indigenous flexible funding arrangements	-0.5	-0.5	-	-
Disability employment assistance - improved viability of business services	14.6	9.3	-0.4	-0.8
Disability employment assistance - introduction of a case based funding model	6.5	17.2	44.2	44.0
Disability Support Pensions - enhanced reviews	-8.0	-25.7	-27.3	-28.2
Drought Assistance - Exceptional Circumstances Declarations	6.1	3.7	0.6	-
Holocaust payments - extension of means test exemptions	0.2	0.1	0.1	0.1
Household, Income and Labour Dynamics in Australia (HILDA) Survey – extended funding	0.5	2.8	0.2	-
Identity fraud - improving and increasing the number of investigations	-7.6	-17.5	-21.8	-23.6
Men and Family Relationships and Family Relationships Education Programmes - extended funding	6.1	6.2	6.3	6.5
National Illicit Drugs Strategy - strengthening and supporting families coping with illicit drug use	-	-	-	-
Notification arrangements for people departing Australia and consistent treatment of foreign debt recovery	2.7	-0.2	-2.0	-3.5
Parenting Payment - enhanced profiling capacity to ensure correct payment	-3.4	-8.3	-8.6	-9.0
Pensioner Education Supplement – matching payments to study periods	-5.1	-10.2	-10.4	-10.7
Personal counselling services for drought-affected communities in rural regions	-	-	-	-

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
FAMILY AND COMMUNITY SERVICES (continued)				
Reconnect and Job Placement, Employment and Training	1.5	1.6	1.8	2.0
Research into emerging areas of risks to the social security system	2.6	-	-	-
Respite support for carers of young people - continuation of funding	-	-	-	-
Social Security Act 1991 - further legislative simplification	-	-0.8	-0.7	-0.7
Social Security Agreement with Chile	-	-	-	-
Social Security Agreement with Malta - revised agreement	0.3	..	-0.2	-0.3
Special Needs Subsidy Scheme – additional funding	6.3	6.4	6.5	6.7
Student Financial Supplement Scheme - repeal	20.6	58.4	48.5	38.9
Support for Indigenous people - continue funding for Centre for Aboriginal Economic and Policy Research	-	-	-	-
Support for Indigenous people - expansion of Centrelink's agent and access point network	0.7	1.6	2.7	3.0
Support for Indigenous people - longitudinal study of Indigenous children	0.6	1.3	5.9	0.8
Temporary overseas absence provisions - reduction to 13 weeks	3.1	0.1	-3.5	-3.7
Youth Allowance - ex-gratia payments to former recipients in South Australia	..	-	-	-
Youth and student assistance - restructured reviews	-16.8	-13.9	-9.9	-6.5
Portfolio total	**14.7**	**-47.6**	**-88.6**	**-139.2**
FINANCE AND ADMINISTRATION				
Commonwealth Grants Commission				
Commonwealth Grants Commission - additional funding	0.1	0.1	0.1	-0.1
Department of Finance and Administration				
Asset sales function - continuation of resourcing	6.2	-	-	-
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	2.5	7.2	3.9	-
Ministerial Communications Network - refurbishment and enhancement	0.2	0.1	0.1	-0.2
Portfolio total	**9.0**	**7.3**	**4.0**	**-0.3**
FOREIGN AFFAIRS AND TRADE				
Australian Agency for International Development				
Bali - construction of a community eye treatment centre	-	-	-	-
Bali - creation of a Bali memorial medical and health scholarship programme	-	-	-	-
Bali - new intensive care centre at Sanglah Hospital	-	-	-	-
Iraq - humanitarian aid	-	-	-	-
Australian Secret Intelligence Service				
A Safer Australia - measures to further enhance the response to terrorism	4.9	4.6	4.7	4.8
Australian Secret Intelligence Service - enhanced output capabilities	1.9	2.0	2.0	2.1

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
FOREIGN AFFAIRS AND TRADE (continued)				
Australian Trade Commission				
Australian Trade Commission - realignment of overseas network	-0.2	-0.5	-0.5	-0.5
Iraq - reopening of an Australian office	0.6	0.7	0.7	0.8
Department of Foreign Affairs and Trade				
A Safer Australia - enhanced travel advice dissemination	2.5	2.3	2.4	2.5
A Safer Australia - expansion of Australia's secure diplomatic communication network	-0.5	-	-	-
A Safer Australia - research into passport biometrics	1.9	-	-	-
International Development Law Organisation grant	..	0.1	0.1	0.1
International Relations Grants Programme	-	-	-	-
Iraq - reopening of an Australian office	3.2	3.6	4.0	4.1
Nauru - maintenance of a temporary Consulate-General	1.7	-	-	-
World Trade Organisation - informal meeting of Ministers	-	-	-	-
Portfolio total	**16.0**	**12.8**	**13.5**	**13.9**
HEALTH AND AGEING				
Department of Health and Ageing				
100 extra aged care beds in regional health services - maintain funding	-	-	-	-
A Fairer Medicare - access to broadband technology	4.1	5.1	-	-
A Fairer Medicare - additional medical school places	1.4	0.8	0.8	0.6
A Fairer Medicare - encourage GP take up of HIC Online	4.2	2.0	1.3	0.2
A Fairer Medicare - GP incentive payments to bulk bill patients with concession cards	46.8	80.0	103.1	115.6
A Fairer Medicare - improved information and practice management	1.8	1.9	1.4	1.0
A Fairer Medicare - information for the public and medical professionals	19.1	-	-	-
A Fairer Medicare - more practice nurses and allied health workers for urban areas of workforce shortage	15.0	15.7	16.4	17.1
A Fairer Medicare - new GP training places	12.9	37.5	63.0	76.0
A Fairer Medicare - new Medicare safety net for patients with concession cards	12.8	17.9	17.7	18.1
A Fairer Medicare - new private health insurance safety net for out-of-hospital Medicare expenses	16.3	24.2	23.5	24.4
A Fairer Medicare - reducing up front costs for GP visits	4.7	1.9	1.8	1.8
Aged Care Assessment Teams	2.5	-	-	-
Australian Health Care Agreements	-108.9	-172.0	-264.6	-372.9
Australian Radiation Protection and Nuclear Safety Agency	2.2	0.4	0.4	0.4
Commonwealth Carelink	-	-	-	-
Commonwealth Hearing Services Programme - indexation of charges	-0.3	-0.6	-0.9	-1.2

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
HEALTH AND AGEING (continued)				
Compliance reviews - expand data matching and asset reviews to identify incorrect payments	-2.1	-4.6	-5.0	-5.3
Compliance reviews - extend 2002-03 data matching	-1.4	-1.5	-1.7	-1.8
Cross-portfolio Indigenous flexible funding arrangements	-0.5	-0.5	-	-
Dementia and challenging behaviours initiative	-	-	-	-
Diagnostic imaging - new agreements	-	-	-	-
Drought Assistance - Exceptional Circumstances Declarations	6.5	3.4	-	-
Enhanced Divisional Quality Use of Medicines Programme - maintain funding	10.9	17.0	19.2	21.6
Focus on prevention - community awareness and infrastructure	2.1	1.5	0.7	-
Focus on prevention - primary care providers working together	2.7	4.6	4.6	4.5
Focus on prevention - priority setting mechanism	-	-	-	-
Food Standards Australia New Zealand - development of primary production and processing standards	0.5	0.5	0.5	0.5
Food Standards Australia New Zealand - increased funding	0.2	0.2	0.2	0.2
General Practice Education, Support and Community Linkages Programme - redirection of funding	-1.4	-1.7	-1.8	-1.8
GPs in rural and remote areas - retention payments	-	-	-	-
GP involvement in coordinated care planning	-	-	-	-
Health*Connect* - a national information network	2.5	2.5	-	-
Hepatitis C prevention and education - maintain funding	-	-	-	-
Identity fraud - improving and increasing the number of investigations	-0.2	-0.5	-0.6	-0.7
Improved Monitoring of Pharmaceutical Benefits Scheme Entitlements initiative	14.8	-	-	-
Lifetime Health Cover - terminate funding for the implementation	-1.5	-1.5	-1.6	-1.8
Medical Indemnity Insurance Framework - rural obstetricians	3.8	2.3	2.1	2.1
Medicare Easyclaim	-	-	-	-
Multidisciplinary case conferencing	-	-	-	-
National Blood Authority - establishment and new Commonwealth funding arrangements	-3.4	-9.1	-11.2	-11.4
National Breast Cancer Centre	-	-	-	-
National Health and Medical Research Council - regulation of research involving embryos and prohibition of human cloning	3.3	3.3	-	-
National Illicit Drugs Strategy - Australian Drug Information Network	0.3	0.3	0.3	0.3
National Illicit Drugs Strategy - cannabis cessation strategies	-0.3	-0.3	-0.3	-0.3
National Illicit Drugs Strategy - continuation of funding for the Illicit Drug Diversion Initiative	-	-	-	-

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
HEALTH AND AGEING (continued)				
National Illicit Drugs Strategy - maintain education, counselling and referral services through Needle and Syringe Programmes	-	-	-	-
National Illicit Drugs Strategy - National Comorbidity Initiative	1.7	2.7	-	-
National Illicit Drugs Strategy - Needle and Syringe Programme distribution of injecting equipment	-	-	-	-
National Illicit Drugs Strategy - psychostimulants initiative	1.0	1.0	-	-
National Illicit Drugs Strategy - redirection of funds from the Community Partnerships Initiative	-1.1	-1.1	-1.1	-1.1
National Illicit Drugs Strategy - reprioritising of funding for the retractable needles and syringes	-3.3	-5.4	-	-
National Illicit Drug Strategy - research fund	0.7	0.7	0.7	0.7
National Illicit Drug Strategy - rural and regional initiative	1.0	1.0	1.0	1.0
National Meningococcal C Campaign - additional funding	1.3	0.4	0.4	0.4
Office of the Gene Technology Regulator	8.1	8.4	-	-
Pathology - Quality and Outlays Agreement	-	-	-	-
Pharmaceutical Benefits Scheme - improved entitlement validation of concession cards	11.6	2.8	-14.0	-32.7
Pre-1 October 1997 nursing home residents - maintain funding	-	-	-	-
Preventing falls in older people	-	-	-	-
Private Health Insurance Ombudsman - maintain existing funding	-	-	-	-
Private Health Insurance Premium - further measures to contain future increases	-0.1	-10.4	-14.4	-24.7
Professional Services Review	-	-	-	-
Regional Health Services Programme	-	-	-	-
Regional medical schools	-2.5	-2.5	-2.5	-2.5
Rural medical students funding to assist with their studies	-	-	-	-
Rural Women's GP Service	-	-	-	-
Severe Acute Respiratory Syndrome	1.7	-	-	-
Sharing health care initiative	-	-	-	-
Support services for women with breast cancer	-	-	-	-
Trans-Tasman Therapeutic Products Agency - establishment	5.4	2.6	-	-
Voluntary annual health assessments for older Australians	-	-	-	-
Health Insurance Commission				
Health Insurance Commission - additional funding	40.0	-	-	-
National Blood Authority				
National Blood Authority - establishment and new Commonwealth funding arrangements	4.4	3.1	2.9	2.9
Portfolio total	**141.5**	**34.0**	**-57.8**	**-169.2**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS				
Aboriginal and Torres Strait Islander Commission				
Community Development Employment Projects Programme - expansion of 1,000 additional places	10.7	11.0	11.2	11.5
Cross-portfolio Indigenous flexible funding arrangements	-1.0	-1.0	-	-
Department of Immigration and Multicultural and Indigenous Affairs				
A Safer Australia - enhanced border protection processing systems	4.9	1.6	-	-
Assurance of Support Scheme - improved operation	-0.1	-0.1	-0.1	-0.1
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	-0.3	-0.3	3.3	2.6
Community Settlement Services Scheme - update on funding	0.9	-	-	-
Cross-portfolio Indigenous flexible funding arrangements	3.0	3.0	-	-
Department of Immigration and Multicultural and Indigenous Affairs - review of funding arrangements	97.8	-	-	-
Humanitarian Programme 2003-04 - coordinating community support	-	-	-	-
Immigration detention onshore - review of long-term strategy	-7.1	-9.6	-9.7	-9.9
International Education - electronic initiatives	0.5	-	-	-
International Education - increased profile of Australia's international education sector	2.6	-	-	-
International Education - onshore compliance enhancements	0.9	-	-	-
International Education - Professional Development Visa	1.9	-	-	-
International Education - Student Guardian Visa	0.6	-	-	-
International Education - working holiday maker arrangements	0.1	-	-	-
Iraq - reopening of an Australian office	0.5	0.5	0.5	0.5
Multicultural policy development and implementation - extension of funding	1.1	1.1	1.1	-
Reconciliation Place - Stage Two	1.1	-	-	-
Portfolio total	**118.2**	**6.3**	**6.3**	**4.7**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
INDUSTRY, TOURISM AND RESOURCES				
Department of Industry, Tourism and Resources				
Additional Drought Assistance Measures	39.0	23.0	-	-
Automotive assistance package post-2005	0.5	0.9	141.6	572.3
Fuel tax reform - ethanol production grants	27.0	45.0	61.0	62.0
Geoscience Australia - Core Petroleum Programme	8.7	8.9	9.1	9.3
Geoscience Australia - seismic data acquisition and preservation	2.5	5.0	7.5	10.0
ISONET/SAMP - extension of funding	-	1.0	-	-
National Measurement Institute - establishment	-	-	-	-
Pharmaceuticals Partnerships Program	-	15.0	18.7	30.0
R&D Start - extension of funding for 2006-07	-	-	-	41.0
R&D Start - programme flexibility	-	-	-	-
Tourism promotion in the Australian Capital Territory	-	-	-	-
Portfolio total	**77.7**	**98.8**	**237.9**	**724.6**
PARLIAMENTARY DEPARTMENTS				
Department of the House of Representatives				
A Safer Australia - enhanced Parliament House security	3.4	3.1	3.1	3.2
Citizenship Visit Programme - increase in funding	0.1	0.1	0.1	0.1
Parliamentary Departments - efficiency measures	-	-1.2	-1.3	-1.3
Department of the Parliamentary Library				
Parliamentary Departments - efficiency measures	-	-1.2	-1.3	-1.3
Department of the Parliamentary Reporting Staff				
Parliamentary Departments - efficiency measures	-	-1.2	-1.3	-1.3
Department of the Senate				
A Safer Australia - enhanced Parliament House security	3.4	3.1	3.1	3.2
Citizenship Visit Programme - increase in funding	0.1	0.1	0.1	0.1
Parliamentary Departments - efficiency measures	-	-1.2	-1.3	-1.3
Joint House Department				
Parliamentary Departments - efficiency measures	-	-1.2	-1.3	-1.3
Portfolio total	**6.9**	**0.2**	**0.2**	**0.2**
PRIME MINISTER AND CABINET				
Department of the Prime Minister and Cabinet				
A Safer Australia - national security public awareness campaign	-	-	-	-
Australian Honours and Awards System - administration	0.4	0.4	0.4	0.4

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
PRIME MINISTER AND CABINET (continued)				
Policy advice and the coordination of government policy - increased capacity	4.2	3.6	3.6	3.7
Women's Programme - additional funding	7.6	2.5	-	-
Office of National Assessments				
A Safer Australia - enhanced analytical and technological capabilities for the Office of National Assessments	3.2	2.3	2.3	2.3
Office of the Commonwealth Ombudsman				
Commonwealth Ombudsman - maintaining services	0.8	0.8	0.5	0.5
Portfolio total	**16.2**	**9.6**	**6.8**	**6.9**
TRANSPORT AND REGIONAL SERVICES				
Civil Aviation Safety Authority				
Civil Aviation Safety Authority - supplementary funding to cover the shortfall in aviation fuel excise revenue	6.5	-	-	-
Department of Transport and Regional Services				
A Safer Australia - aviation security information management system	0.2	0.3	0.3	0.3
A Safer Australia - enhanced maritime security arrangements	4.9	7.3	-	-
A Safer Australia - enhanced screening at Christmas Island and Cocos (Keeling) Islands airports	0.5	0.4	0.4	0.4
Airservices Australia - extension of the Location Specific Pricing Subsidy	7.0	-	-	-
Auslink development and national transport regulation	3.8	2.5	2.6	2.6
Australian Capital Territory sawmills	-	-	-	-
Australian Transport Safety Bureau - new safety functions	3.2	3.3	3.3	3.4
Bushfire - aerial firefighting assistance	5.5	-	-	-
Bushfire Appeals - contributions to New South Wales, Victoria and the Australian Capital Territory	-	-	-	-
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	0.8	0.8	0.8	0.8
Cross-portfolio Indigenous flexible funding arrangements	-0.1	-0.1	-	-
Disaster Mitigation Australia Package	6.2	13.2	6.9	6.7
Melbourne Airport - additional quarantine infrastructure	7.7	-	-	-
National Airspace Reforms - supplementary funding	2.1	-	-	-
National Highway and Roads of National Importance Programme - additional funding	-	-	25.0	-
Regional office network	0.9	0.9	0.9	1.0
Regional Partnerships	-	-	-	-
Sydney Airport Noise Amelioration Programme	9.9	6.3	0.6	0.1
Weipa electricity generation compensation package	2.2	2.2	2.2	2.2
Portfolio total	**61.5**	**37.2**	**43.0**	**17.5**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
TREASURY				
Australian Competition and Consumer Commission				
Australian Competition and Consumer Commission - cessation of cost recovery for airport regulation	-0.9	-	-	-
Australian Competition and Consumer Commission - implementation of the Wilkinson Report	1.5	0.6	0.2	-
Australian Competition and Consumer Commission - monitoring medical indemnity insurance premiums	0.5	0.5	-	-
Australian Competition and Consumer Commission - telecommunications competition regulation	5.8	5.6	5.7	5.8
Australian Prudential Regulation Authority				
Australian Prudential Regulation Authority - strengthened capabilities in prudential regulation	5.9	5.2	5.3	5.5
Australian Securities and Investments Commission				
Australian Securities and Investments Commission - corporate disclosure initiatives	3.0	3.0	3.1	3.2
Australian Securities and Investments Commission - corporate insolvency initiative	3.0	3.0	3.1	3.2
Australian Securities and Investments Commission - funding for the HIH investigations taskforce	17.5	10.7	-	-
Superannuation Complaints Tribunal - additional funding	2.1	1.3	1.4	1.5
Australian Taxation Office				
Fuel tax reform - biodiesel production grants	15.0	44.0	76.0	99.0
Measures for a Better Environment - cleaner fuel - incentive to switch to low sulphur fuels	-	-	1.0	41.0
Measures for a Better Environment - cleaner fuel - ultra low sulphur diesel excise differential - compensation for the agricultural sector	10.0	13.0	4.0	-
Measures for a Better Environment - cleaner fuel - Energy Grants (Credits) Scheme - inclusion of liquefied natural gas and biodiesel	3.0	5.0	5.0	5.0
Commonwealth Ombudsman - maintaining services	-0.3	-0.3	-	-
Fuel tax reform - fuel tax framework	-	-	-	-
Student Financial Supplement Scheme - repeal	0.2	0.1	0.1	0.1
Department of the Treasury				
Financial Reporting Council - funding to support expanded role	1.0	1.0	1.0	1.0
Languages Other Than English courses provided by ethnic schools - variation in Budget Balancing Assistance as a result of making courses GST-free	1.8	0.7	0.7	0.6
Productivity Commission				
Productivity Commission - reporting on key indicators of Indigenous disadvantage	0.6	0.6	0.6	0.6
Portfolio total	**69.5**	**94.0**	**107.2**	**166.5**

Table B1: Expense measures since the 2002-03 MYEFO (accrual basis) (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
VETERANS' AFFAIRS				
Department of Veterans' Affairs				
A Fairer Medicare - veteran access fee for Local Medical Officers	15.6	14.7	15.3	16.0
Commemorative activities - increase funding	3.9	1.3	1.3	1.3
Commonwealth Hearing Services Programme - indexation of charges	0.1	0.1	0.2	0.3
Community Care Grants Programme - maintain funding	1.5	1.5	1.6	1.6
Enhanced compliance programme	0.9	-1.3	-4.9	-7.1
Holocaust payments - extension of means test exemptions	..	..	..	..
Pre-1 October 1997 nursing home residents - maintain funding	-	-	-	-
Portfolio total	**22.1**	**16.4**	**13.5**	**12.1**
Depreciation expense(a)	**22.8**	**20.7**	**29.8**	**40.3**
Total expense measures	**1,728.9**	**1,238.3**	**1,298.0**	**2,097.1**

(a) Aggregate depreciation expenses in relation to capital measures.

Table B2: Expense measures up to the 2002-03 MYEFO

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
AGRICULTURE, FISHERIES AND FORESTRY				
Department of Agriculture, Fisheries and Forestry				
Banana Black Sigatoka Fungal Disease Programme	-	-	-	-
Combating illegal fishing in Australia's sub-Antarctic waters	-	-	-	-
Establishment of an egg industry service provider company	-0.5	-0.5	-0.5	-0.5
Exceptional Circumstances - Bourke and Brewarrina	2.6	0.7	-	-
Farmhand drought appeal	-	-	-	-
Interim income support for drought affected farmers in Bourke and Brewarrina regions of New South Wales and the Peak Downs region of Queensland	-	-	-	-
Marketing campaign for Meat and Livestock Australia	-	-	-	-
Repriorisation of funding from the Forest Industry Structural Adjustment Package	-	-	-	-
Review of aggregate sawlog licence volumes in Victoria	0.9	0.4	-	-
Sugar Package - exit assistance	10.0	10.0	7.5	-
Sugar Package - income support and administration costs	11.5	0.5	0.5	0.2
Sugar Package - Industry Guidance Group and Regional Action Groups	2.5	2.5	2.5	-
Sugar Package - regional projects	10.0	10.0	10.0	-
Sugar Package - replanting interest rate subsidy	3.5	-	-	-
Sugar Package - viability tests and business plans	2.5	-	-	-
Portfolio total	**43.0**	**23.6**	**20.0**	**-0.3**
ATTORNEY-GENERAL'S				
Australian Customs Service				
Enhanced travel document screening system	2.3	2.5	2.5	2.5
Australian Security Intelligence Organisation				
Additional funding for the Australian Security Intelligence Organisation	6.1	6.2	6.2	6.4
Supplementation for the Australian Security Intelligence Organisation	-	-	-	-
Attorney-General's Department				
Interim Taskforce for the Building and Construction Industry	-	-	-	-
Upgrade of Law Courts Building in Sydney	-	-	-	-
Portfolio total	**8.3**	**8.7**	**8.7**	**8.9**
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
Australian Communications Authority				
Increased regulatory oversight of Australia Post	4.4	2.5	2.6	2.6
Department of Communications, Information Technology and the Arts				
Regional Equalisation Plan funding for Imparja Television	-	-	-	-
Portfolio total	**4.4**	**2.5**	**2.6**	**2.6**

Table B2: Expense measures up to the 2002-03 MYEFO (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
EDUCATION, SCIENCE AND TRAINING				
Department of Education, Science and Training				
Increase in the Parent Migration intake	0.8	0.9	1.1	1.4
Review of the New Apprenticeships Incentives Programme - amendments to the Living Away from Home Allowance	5.1	5.2	5.3	5.4
Review of the New Apprenticeships Incentives Programme - better targeting of the incentive for employing women in non-traditional occupations	-0.4	-1.0	-1.0	-1.0
Review of the New Apprenticeships Incentives Programme - discontinue the Special Assistance Programme	-0.1	-0.1	-0.1	-0.1
Review of the New Apprenticeships Incentives Programme - extension of the Disabled Apprenticeship Wage Support subsidy	0.9	1.8	1.8	1.8
Review of the New Apprenticeships Incentives Programme - marketing of New Apprenticeships	7.0	-	-	-
Review of the New Apprenticeships Incentives Programme - new payment arrangements for Group Training Organisations	0.4	1.1	1.8	4.9
Review of the New Apprenticeships Incentives Programme - redistribution of rural and regional skills shortage progression payment	4.8	11.8	8.6	6.3
Review of the New Apprenticeships Incentives Programme - removal and redistribution of the progression payment	-0.5	-15.0	-31.1	-33.7
Review of the New Apprenticeships Incentives Programme - special incentive for mature aged workers	1.0	2.5	3.0	3.1
Support for the General Sir John Monash Awards	0.9	1.7	2.5	-
Portfolio total	**19.9**	**9.0**	**-8.0**	**-11.7**
EMPLOYMENT AND WORKPLACE RELATIONS				
Department of Employment and Workplace Relations				
Increase in the Parent Migration intake	0.7	1.9	2.8	3.3
Interim Taskforce for the Building and Construction Industry	-	-	-	-
Portfolio total	**0.7**	**1.9**	**2.8**	**3.3**
FAMILY AND COMMUNITY SERVICES				
Department of Family and Community Services				
Commonwealth State Housing Agreement - Offer to States and Territories	-	20.9	32.8	44.9
Exceptional Circumstances - Bourke and Brewarrina	0.1	..	-	-
Ex-gratia payments for victims and family members of victims of the Bali terrorist attacks	0.3	-	-	-
Extension of the Carer Payment	1.3	1.4	1.4	1.5
Family Law legislation amendment	..	..	..	..
Funding for the Red Cross Appeal for victims of the Bali terrorist attacks	-	-	-	-

Table B2: Expense measures up to the 2002-03 MYEFO (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
FAMILY AND COMMUNITY SERVICES (continued)				
Improved flexibility for family assistance payments	13.6	15.3	13.3	12.7
Increase in the Parent Migration intake	2.3	8.0	14.4	19.7
Increased funding to the third Commonwealth-State-Territory Disability Agreement	20.3	25.7	31.2	36.8
International Social Security Agreement with Belgium	-	0.5	..	-0.2
Recognising and improving the work capacity of people with a disability	4.7	54.0	103.4	103.4
Portfolio total	**42.6**	**125.8**	**196.6**	**218.8**
FINANCE AND ADMINISTRATION				
Department of Finance and Administration				
Additional funding for the administration of electorate and ministerial offices	6.2	8.0	8.2	8.4
Enhanced budget advisory capacity	9.0	11.8	12.1	12.4
Enhanced budget information system	5.5	6.5	4.3	2.9
Funding for the review of corporate governance of Statutory Authorities and Office Holders	-	-	-	-
Government assistance to research organisations associated with major political parties	0.1	0.1	0.1	0.1
Increased funding for electorate office relief	2.7	2.8	2.9	3.0
Portfolio total	**23.4**	**29.3**	**27.6**	**26.8**
FOREIGN AFFAIRS AND TRADE				
Australian Agency for International Development				
Increasing counter-terrorism capability in Indonesia	-	-	-	-
Australian Secret Intelligence Service				
Additional funding for the Australian Secret Intelligence Service	6.5	6.1	6.1	6.1
Department of Foreign Affairs and Trade				
Enhanced physical security at Australia's overseas posts	3.9	3.9	3.9	3.9
Ex-gratia payments for victims and family members of victims of the Bali terrorist attacks	-	-	-	-
Solomon Islands International Peace Monitoring Team	-	-	-	-
Portfolio total	**10.3**	**10.0**	**10.0**	**10.0**
HEALTH AND AGEING				
Department of Health and Ageing				
Additional funding for the Hunter Regional After Hours Service	-	-	-	-
Exceptional Circumstances - Bourke and Brewarrina	0.1	..	-	-
Ex-gratia payments for victims and family members of victims of the Bali terrorist attacks	6.9	4.5	0.7	-
Extension of the Pharmaceutical Benefits Scheme listing for Glivec	22.1	24.4	26.3	0.2
Improved monitoring of pharmaceutical benefits entitlements	-	-	-	-
Increase in the Parent Migration intake	8.3	21.0	34.8	34.8
Listing of Singulair on the Pharmaceutical Benefits Scheme	14.1	17.9	20.6	20.8
Listing of Spiriva on the Pharmaceutical Benefits Scheme	18.5	31.0	37.9	43.6

Table B2: Expense measures up to the 2002-03 MYEFO (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
HEALTH AND AGEING (continued)				
Medical indemnity insurance - Incurred-But-Not-Reported scheme	*	*	*	*
Medical Indemnity Insurance Assistance Package	64.4	63.7	63.5	63.5
Meningococcal C Vaccination Programme	71.3	61.7	38.9	24.8
Options to contain future private health insurance premium increases	-4.0	-7.5	-11.4	-15.7
Recognising and improving the work capacity of people with a disability	..	0.6	1.1	1.1
Research involving embryos and prohibition of human cloning	-	-	-	-
United Medical Protection (UMP)/Australasian Medical Insurance Ltd (AMIL) Guarantee	*	*	*	*
Portfolio total	**201.6**	**217.3**	**212.4**	**173.2**
IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS				
Department of Immigration and Multicultural and Indigenous Affairs				
Additional Airline Liaison Officers	2.5	2.5	2.5	2.5
Increase in the Parent Migration intake	2.6	4.8	7.1	8.9
Regulation of the migration advice industry	2.3	2.8	3.4	3.4
Supplementary funding for the Community Settlement Services Scheme	0.2	-	-	-
Portfolio total	**7.6**	**10.1**	**13.0**	**14.8**
INDUSTRY, TOURISM AND RESOURCES				
Department of Industry, Tourism and Resources				
Enhanced Printing Industry Competitiveness Scheme	8.9	-	-	-
Ethanol production subsidy	7.2	-	-	-
Support for shale oil demonstration plants	-	-	-	-
Uncapped Automotive Competitiveness and Investment Scheme credits for utility vehicles	-	-	-	-
Portfolio total	**16.1**	**-**	**-**	**-**
TRANSPORT AND REGIONAL SERVICES				
Department of Transport and Regional Services				
Additional funding for Year of the Outback	-	-	-	-
Development of AusLink	-	-	-	-
National Aerial Firefighting Strategy	-	-	-	-
War risk indemnities for the aviation industry	0.3	-	-	-
Portfolio total	**0.3**	**-**	**-**	**-**

Table B2: Expense measures up to the 2002-03 MYEFO (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
TREASURY				
Australian Competition and Consumer Commission				
Increased regulatory oversight of Australia Post	0.9	0.6	0.6	0.6
Medical Indemnity Insurance Assistance Package	-	-	-	-
Department of the Treasury				
Additional funding for the Review of the Trade Practices Act 1974	-	-	-	-
Funding for Principles Based Review of the Law of Negligence	-	-	-	-
Terrorism insurance – commercial cover	-	-	-	-
Variation in Budget Balancing Assistance – application of GST to compulsory third party insurance	9.2	2.6	3.0	2.8
Variation in Budget Balancing Assistance – Government response to the Report of the Inquiry into the Definition of Charities and Related Organisations	-	0.7	0.8	0.7
Portfolio total	**10.1**	**3.9**	**4.4**	**4.1**
VETERANS' AFFAIRS				
Department of Veterans' Affairs				
Kokoda Track	-	-	-	-
Listing of Singulair on the Pharmaceutical Benefits Scheme	0.5	0.6	0.7	0.7
Listing of Spiriva on the Pharmaceutical Benefits Scheme	3.2	5.3	6.5	7.4
Portfolio total	**3.7**	**5.9**	**7.2**	**8.2**
Decisions taken but not announced	0.9	0.6	0.7	0.8
Total expense measures	**393.0**	**448.5**	**497.9**	**459.3**

APPENDIX C: NET CAPITAL INVESTMENT MEASURES

Table C1: Net capital investment measures since the 2002-03 MYEFO

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
ATTORNEY-GENERAL'S				
Australian Customs Service				
Australia's Southern Ocean - surveillance and enforcement programme	0.7	-	-	-
Australian Security Intelligence Organisation				
A Safer Australia -enhanced checking of aviation security identification card holders	1.9	-	-	-
A Safer Australia - enhancing the counter-terrorism capabilities of the Australian Security Intelligence Organisation	2.6	-	-	-
Australian Transaction Reports and Analysis Centre				
A Safer Australia - additional funding for financial monitoring by the Australian Transaction Reports and Analysis Centre	1.4	-	-	-
National Illicit Drugs Strategy - enhanced financial intelligence to target illicit drug trafficking and related activities	1.1	-	-	-
Insolvency and Trustee Services Australia				
Proceeds of Crime legislation - additional funding for implementation	0.1	-	-	-
Portfolio total	**7.7**	**-**	**-**	**-**
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
Australian Communications Authority				
Freephone and Local Rate telephone number auctions	nfp	nfp	nfp	nfp
CROSS PORTFOLIO				
Cross Portfolio				
Budget estimates - enhanced quality and timeliness	0.4	-	-	-
Capital Use Charge - discontinuation	-	-	-	-
Portfolio total	**0.4**	**-**	**-**	**-**
DEFENCE				
Department of Defence				
Retention of Russell Offices	-	-	-	-
Portfolio total	**-**	**-**	**-**	**-**
EDUCATION, SCIENCE AND TRAINING				
Australian Institute of Marine Science				
Our Universities - marine science institute	2.1	-	-	-
Australian Nuclear Science and Technology Organisation				
A Safer Australia - enhanced security for the Australian Nuclear Science and Technology Organisation	5.5	5.6	-	-
Department of Education, Science and Training				
Our Universities - Higher Education Loans Programme (HELP) - HECS-HELP, FEE-HELP and OS-HELP	-	-	-	-
Radioactive waste management facility	0.5	-	-	-
Portfolio total	**8.1**	**5.6**	**-**	**-**

Table C1: Net capital investment measures since the 2002-03 MYEFO (continued))

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
EMPLOYMENT AND WORKPLACE RELATIONS				
Department of Employment and Workplace Relations				
Commonwealth Unfair Dismissal Scheme - expanded coverage	0.1	0.2	-	-
Portfolio total	**0.1**	**0.2**	**-**	**-**
ENVIRONMENT AND HERITAGE				
Bureau of Meteorology				
Meteorological radars - replacement and upgrade	6.4	9.7	10.0	12.7
Sydney Harbour Federation Trust				
Sydney Harbour Federation Trust	9.0	16.5	20.5	21.0
Portfolio total	**15.4**	**26.2**	**30.5**	**33.7**
FAMILY AND COMMUNITY SERVICES				
Centrelink				
Assurance of Support Scheme - improved operation	0.4	-	-	-
Centrelink Service Delivery - enhanced information technology capability	24.1	23.2	33.5	24.9
Identity fraud - improving and increasing the number of investigations	1.2	0.3	-	-
Pharmaceutical Benefits Scheme - improved entitlement validation of concession cards	1.8	-	-	-
Support for Indigenous People - expansion of Centrelink's agent and access point network	0.2	-	-	-
Portfolio total	**27.7**	**23.4**	**33.5**	**24.9**
FINANCE AND ADMINISTRATION				
Department of Finance and Administration				
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	49.0	50.2	23.3	-
Employment National - winding-up	-	-	-	-
Ministerial Communications Network - refurbishment and enhancement	5.0	5.1	3.0	-
Portfolio total	**54.1**	**55.3**	**26.2**	**-**
FOREIGN AFFAIRS AND TRADE				
Australian Secret Intelligence Service				
A Safer Australia - measures to further enhance the response to terrorism	3.5	-	-	-
Australian Secret Intelligence Service - enhanced output capabilities	0.5	-	-	-
Australian Trade Commission				
Iraq - reopening of an Australian office	0.5	-	-	-
Department of Foreign Affairs and Trade				
A Safer Australia - expansion of Australia's secure diplomatic communication network	9.9	-	-	-
A Safer Australia - research into passport biometrics	1.1	-	-	-
Geneva Chancery - defects rectification project	1.7	3.0	-	-
Iraq - reopening of an Australian office	3.2	0.1	-	-

Table C1: Net capital investment measures since the 2002-03 MYEFO (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
FOREIGN AFFAIRS AND TRADE (continued)				
New Delhi Chancery - construction of a new chancery and residential accommodation	-	-	0.9	6.3
Paris Chancery - refurbishment of Apartments	1.5	3.5	4.5	-
Washington Head of Mission Residence - refurbishment	0.7	5.2	-	-
Wellington Chancery - mid-life upgrade and refurbishment	0.1	4.7	1.7	-
Portfolio total	**22.5**	**16.6**	**7.0**	**6.3**
IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS				
Department of Immigration and Multicultural and Indigenous Affairs				
A Safer Australia - border protection processing systems	4.0	1.7	1.3	0.9
A Safer Australia - relocation of operations in Manila	-	-	-	-
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	-74.7	-	-	-
Immigration detention onshore - review of long-term strategy	5.6	-	-	-
International Education - Professional Development Visa	1.0	-	-	-
Iraq - reopening of an Australian office	-	-	-	-
Portfolio total	**-64.0**	**1.7**	**1.3**	**0.9**
PRIME MINISTER AND CABINET				
Commonwealth Ombudsman - equity injection	-	-	-	-
Portfolio total	**-**	**-**	**-**	**-**
TRANSPORT AND REGIONAL SERVICES				
Department of Transport and Regional Services				
A Safer Australia - aviation security information management system	0.3	-	-	-
A Safer Australia - enhanced maritime security arrangements	3.0	0.3	-	-
A Safer Australia - enhanced screening at Christmas Island and Cocos (Keeling) Islands airports	1.3	-	-	-
Australian Transport Safety Bureau - new safety functions	0.4	-	-	-
Christmas Island Permanent Immigration Reception and Processing Centre - completion of construction	7.3	-	-	-
Norfolk Island Airport - runway resurfacing	-	-	-	-
Regional office network	1.3	-	-	-
Portfolio total	**13.7**	**0.3**	**-**	**-**

Table C1: Net capital investment measures since the 2002-03 MYEFO (continued)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
TREASURY				
Department of the Treasury				
Australian Reinsurance Pool Corporation - establishment cost	-	-	-	-
Royal Australian Mint - additional funding	2.1	2.2	2.7	2.5
Portfolio total	**2.1**	**2.2**	**2.7**	**2.5**
Depreciation expense(a)	**-22.8**	**-20.7**	**-29.8**	**-40.3**
Total capital measures	**65.0**	**110.8**	**71.6**	**27.9**

(a) Net capital investment is reduced by depreciation expenses.

Table C2: Net capital investment measures up to the 2002-03 MYEFO

	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m
ATTORNEY-GENERAL'S				
Australian Customs Service				
Enhanced travel document screening system	-0.9	-1.9	-1.9	-1.9
Australian Security Intelligence Organisation				
Additional funding for the Australian Security Intelligence Organisation	-0.2	-0.2	-0.2	-0.2
Portfolio total	**-1.1**	**-2.1**	**-2.1**	**-2.1**
FAMILY AND COMMUNITY SERVICES				
Department of Family and Community Services				
Improved flexibility for family assistance payments	2.3	-0.5	-0.5	-0.5
Portfolio total	**2.3**	**-0.5**	**-0.5**	**-0.5**
FINANCE AND ADMINISTRATION				
Department of Finance and Administration				
Enhanced budget information system	11.2	3.9	-2.9	-2.9
Winding-up of Employment National	-	-	-	-
Portfolio total	**11.2**	**3.9**	**-2.9**	**-2.9**
FOREIGN AFFAIRS AND TRADE				
Australian Secret Intelligence Service				
Additional funding for the Australian Secret Intelligence Service	0.1	-0.1	-0.1	-0.1
Department of Foreign Affairs and Trade				
Enhanced physical security at Australia's overseas posts	-1.0	-1.0	-1.0	-1.0
Portfolio total	**-0.9**	**-1.1**	**-1.1**	**-1.1**
IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS				
Department of Immigration and Multicultural and Indigenous Affairs				
Additional Airline Liaison Officers	-0.2	-0.2	-0.2	-0.2
Increase in the Parent Migration intake	-0.1	-0.1	-0.1	-0.1
Portfolio total	**-0.3**	**-0.3**	**-0.3**	**-0.3**
Total capital measures	**11.1**	**-0.1**	**-6.9**	**-6.9**