

BUDGET
BUDGET STRATEGY AND OUTLOOK
BUDGET PAPER NO. 1

2008-09

CIRCULATED BY

THE HONOURABLE WAYNE SWAN MP
TREASURER OF THE COMMONWEALTH OF AUSTRALIA

AND

THE HONOURABLE LINDSAY TANNER MP
MINISTER FOR FINANCE AND DEREGULATION
OF THE COMMONWEALTH OF AUSTRALIA

FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2008-09

13 MAY 2008

© Commonwealth of Australia 2008

ISBN 978-0-642-74451-7

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the:

Commonwealth Copyright Administration
Attorney-General's Department
Robert Garran Offices
National Circuit
BARTON ACT 2600

Or posted at:
<http://www.ag.gov.au/cca>

Internet

The Commonwealth budget papers and budget related information are available on the central Budget website at: www.budget.gov.au

Printed by CanPrint Communications Pty Ltd

Notes

- (a) The following definitions are used in this Budget Paper:
- ‘real’ means adjusted for the effect of inflation;
 - real growth in expenses is measured by the non-farm Gross Domestic Product (GDP) deflator;
 - the budget year refers to 2008-09, while the forward years refer to 2009-10, 2010-11 and 2011-12; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- estimates under \$100,000 are rounded to the nearest thousand;
 - estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.
- (d) The following notations are used:
- | | |
|---------|---|
| NEC/nec | not elsewhere classified |
| - | nil |
| na | not applicable (unless otherwise specified) |
| (e) | estimates (unless otherwise specified) |
| (p) | projections (unless otherwise specified) |
| \$m | \$ million |
| \$b | \$ billion |

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

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

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

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

Budget Strategy and Outlook 2008-09 is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.

CONTENTS

STATEMENT 1: BUDGET OVERVIEW	1-1
Introduction.....	1-3
Economic outlook.....	1-3
Fiscal strategy	1-4
Fiscal outlook	1-4
Budget priorities and overview	1-5
Working Families Support Package	1-8
Meeting our commitments to Australia's future	1-17
A new era of responsible economic management	1-33
 STATEMENT 2: ECONOMIC OUTLOOK	 2-1
Overview	2-3
The outlook for the international economy	2-7
The outlook for the domestic economy	2-13
 STATEMENT 3: FISCAL STRATEGY AND OUTLOOK	 3-1
The Government's fiscal strategy.....	3-3
Assessment of the fiscal outlook against the strategy	3-4
Medium-term fiscal outlook	3-20
 STATEMENT 4: BOOSTING AUSTRALIA'S PRODUCTIVE CAPACITY: THE ROLE OF INFRASTRUCTURE AND SKILLS.....	 4-1
Introduction.....	4-3
The productive capacity of the economy	4-4
Achieving better outcomes in infrastructure.....	4-7
Achieving better outcomes in education, training and skills	4-15
Conclusion.....	4-26
References	4-28
 STATEMENT 5: REVENUE	 5-1
Overview	5-3
Variations in the revenue estimates since the 2007-08 Budget.....	5-3
Cash receipts	5-18
Revenue estimates by revenue head	5-19

STATEMENT 6: EXPENSES AND NET CAPITAL INVESTMENT 6-1
Overview6-3
General government expenses6-3
General government net capital investment6-36

STATEMENT 7: ASSET AND LIABILITY MANAGEMENT 7-1
The Australian Government’s major assets and liabilities7-3
Asset management7-5
Liability management7-7

STATEMENT 8: STATEMENT OF RISKS 8-1
Risks to the Budget — overview8-3
Economic and other parameters8-6
Fiscal risks8-6
Contingent liabilities — quantifiable8-7
Contingent liabilities — unquantifiable8-10
Contingent assets — unquantifiable8-21

STATEMENT 9: BUDGET FINANCIAL STATEMENTS 9-1
Notes to the Financial Statements9-13

STATEMENT 10: HISTORICAL AUSTRALIAN GOVERNMENT DATA 10-1