

# STATEMENT 7 — THE PUBLIC SECTOR

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# STATEMENT 7 — THE PUBLIC SECTOR

## PART I: INTRODUCTION

Statement 7 examines trends in the finances of the Commonwealth and State/local levels of government from two perspectives — underlying deficits and the stock of outstanding liabilities. Its focus on the total public sector provides a broader context in which to consider developments in the Commonwealth budget sector.

This Statement uses the ABS' classifications of the non-financial public sector to present data both by level of government and institutional sector. The former refers to the distinction between the Commonwealth and the State/local government levels while the latter differentiates between the general government sector and the public trading enterprise (PTE) sector within each main level of government.

- The general government sector, through government departments and agencies, provides public services which are mainly non-market in nature, are mainly for the collective consumption of the community, or involve the transfer or redistribution of income. These services are financed mainly through taxes and other compulsory levies, although user charging and external funding have increased in recent years.
- The PTE sector consists of bodies which provide goods and services which are mainly market, non-regulatory and non-financial in nature, financed mainly through sales to the consumers of these goods and services. In general, PTEs are legally distinguishable from the governments owning them.

This classification provides a consistent framework for making comparisons across the whole public sector. For the Commonwealth, for example, the general government sector extends beyond the budget sector to include non-budget general government authorities such as the ABC.

The historical data used in this Statement have been drawn from GFS publications. Preliminary 1996-97 data and projections for the States were compiled by the Commonwealth Treasury, drawing on general government sector information provided by the States for the *National Fiscal Outlook*, published in March 1997, updated for recent State budgets. Projections for the Commonwealth incorporate the parameter assumptions which underlie the Commonwealth Budget forward estimates.

Consistent with the focus of the Budget Papers on the Commonwealth's underlying budget balance, this statement examines trends in the public sector underlying deficit. By so abstracting from net advances — which simply involve the transfer or exchange of a financial asset and therefore have no impact on government net lending or net worth — the underlying deficit is broadly consistent with the national accounts net lending measure. It thus provides a good estimate of the savings-investment gap for the relevant sector. For the Commonwealth general government sector, net advances mainly comprise the proceeds of equity asset sales and State debt repayments to the Commonwealth.

The underlying deficit differs from the ABS adjusted deficit measure by not excluding increases in provisions. This is to maintain consistency with the ABS national accounts

treatment which excludes increases in provisions from the net lending estimates. The difference is further explained in the statistical notes at Appendix B to this Statement.

The net debt position can change without a corresponding movement in the underlying deficit. This is mainly because the proceeds of asset sales, while excluded from the underlying deficit, result in lower borrowing requirements (or repayments of previous borrowings) and therefore lower net debt.

Part II of this Statement examines trends in underlying deficits, outlays and revenue, while Part III discusses movements in the stock of public sector financial assets and liabilities, including net debt.

Appendix A outlines the size and structure of the public sector, reflecting the respective roles of the Commonwealth and State/local governments. Appendix B provides notes on the data used in this Statement. Appendix C presents data on public sector revenue, outlays and underlying deficits by institutional sector and level of government, own-purpose outlays, and net interest outlays. In line with the agreement between the Commonwealth, the States and the Territories on the uniform presentation of government financial information, Appendix D provides GFS consistent data for the Commonwealth general government, PTE and consolidated sectors. It also discusses the distinction between budget and GFS data.

## **BOX 1: REVISED UNIFORM PRESENTATION FRAMEWORK**

In March 1997, the Australian Loan Council agreed to implement a revised uniform presentation framework for Commonwealth, State and Territory financial information.

This framework updates the May 1991 Premiers' Conference uniform presentation agreement to take account of early budgets and integrate the Loan Council and *National Fiscal Outlook* reports.

- The primary objective of this agreement is to ensure that a common core of financial information is provided in jurisdictions' budget papers. This is achieved through presenting information on the ABS GFS basis.

The revised uniform presentation framework represents a significant improvement on existing reporting arrangements. In particular, it includes valuable enhancements such as the presentation of general government forward estimates and the publication of a mid-year report by each jurisdiction.

Under the revised framework:

- Commonwealth, State and Territory governments will continue to report core financial information in their budget papers. However, these reports will be made more forward looking by including three-year forward estimates for the general government sector.
- All jurisdictions will also publish a mid-year report providing updated information, including forward estimates and a revised Loan Council Allocation estimate. The mid-year update will take into account fiscal and economic developments since the commencement of the budget year. As a consequence quarterly Loan Council reporting will be discontinued.
- The NFO will continue to present forward estimates for the general government sector; however, these estimates will now be based on jurisdictions' mid-year reports.

The revised framework is to be implemented in two stages. Revised Loan Council reporting arrangements will commence immediately, while the remainder of the framework will come into effect from 1998-99. A paper setting out the revised framework is available from the Commonwealth and State Treasuries.

The ABS will also continue to present annual information on government outlays, revenue and deficits for the Commonwealth, States and Territories in the GFS and Government Financial Estimates (GFE) publications (Catalogue Nos. 5512.0 and 5501.0 respectively). The GFS is usually published in April and the GFE in November of each year. Information on public sector financial assets and liabilities is published annually in ABS Cat. No. 5513.0.

## PART II: TRENDS IN PUBLIC SECTOR BALANCES

### PUBLIC SECTOR UNDERLYING DEFICIT

Trends in total public sector balances in Australia have been largely determined by developments in the Commonwealth budget through its influence on the general government sector. Movements in PTE sector balances have made a smaller contribution to the total and tend to be driven by the State/local level of government which has a relatively large PTE sector.

Chart 1 shows the trend in the total public sector underlying deficit as a share of GDP and the contributions of the general government and PTE sectors. Apart from a small surplus in 1988-89, deficits have been recorded consistently over recent decades. Despite the decline from a recent peak of 4.5 per cent of GDP in 1992-93 to 1.4 per cent in 1995-96, deficits have been recorded throughout the expansionary phase of the cycle.

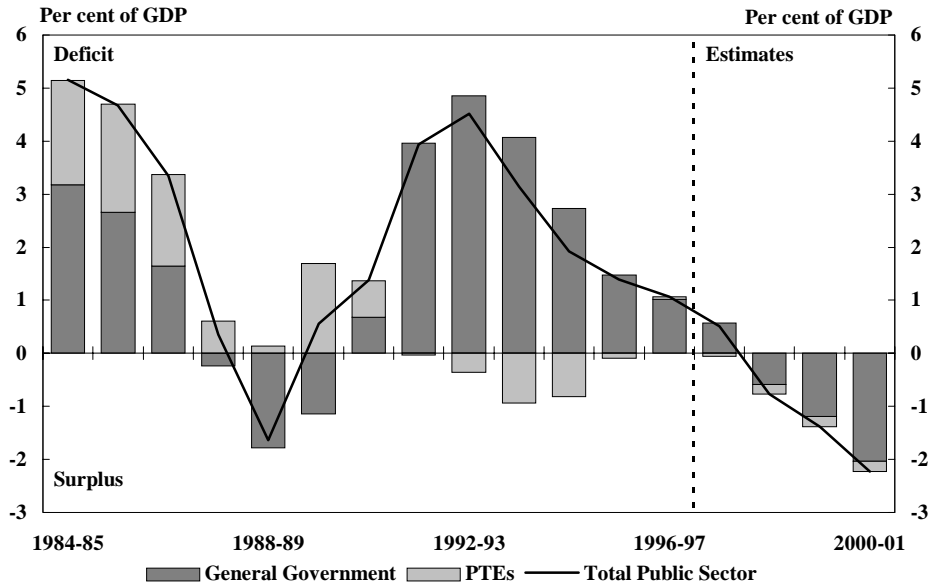
A further decline to an estimated 1.1 per cent of GDP in 1996-97 reflects the measures implemented in the 1996-97 Budget as part of the Government's fiscal consolidation programme. The overall improvement has been achieved notwithstanding an expected fall in the State/local public sector's underlying balance from a surplus of 0.8 per cent of GDP in 1995-96 to a 0.5 per cent surplus in 1996-97.

Chart 1 also shows projections for the period to 2000-01.<sup>1</sup> The total public sector is expected to move into surplus in 1998-99, at about 0.8 per cent of GDP, largely due to the Government's fiscal consolidation programme including the measures announced in the Budget.

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<sup>1</sup> These projections incorporate the parameter assumptions which underlie the Commonwealth Budget forward estimates and information provided by the States for the 1997 *National Fiscal Outlook*.

**Chart 1: Non-financial Public Sector Underlying Deficit by Sector**



The deficit since 1984-85 for each level of government and institutional sector is shown in Chart 2. This demonstrates the major impact of past deficits in the Commonwealth general government sector on the total public sector deficit and, over the projection period, the role that fiscal consolidation by the Commonwealth will play in ensuring that the public sector makes a positive contribution to national saving.

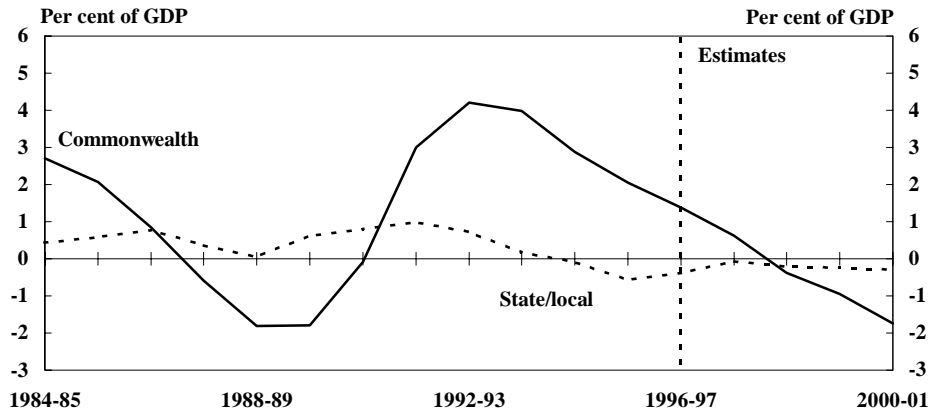
The State/local general government sector has recorded small surpluses since 1994-95 following an improvement in fiscal performance beginning in 1991-92. Although the surplus is expected to decline in 1996-97 and 1997-98, the sector is expected to remain in small surplus over the projection period.

With the total PTE sector also expected to remain close to balance, the projections show the transition to a total public sector surplus in 1998-99 being driven by a shift to surplus in the Commonwealth general government sector in the same year. The total surplus is projected to increase to 2.2 per cent of GDP in 2000-01.

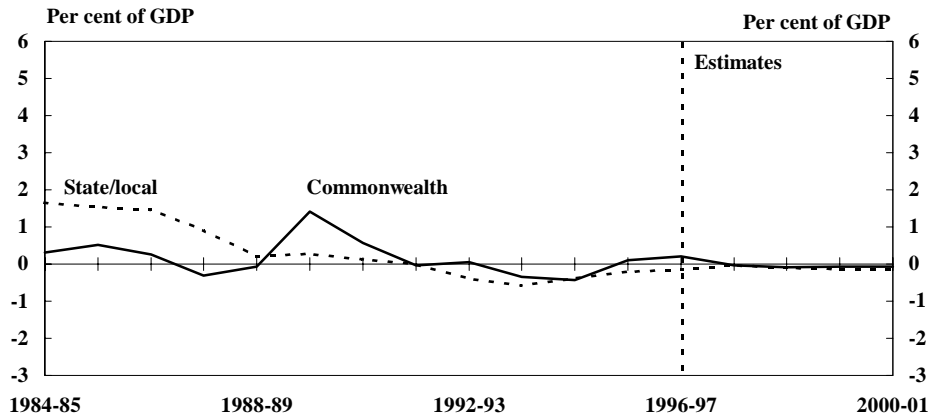
Trends in general government and PTE sector deficits are analysed in more detail in the following sections.

**Chart 2: Underlying Deficit by Sector and Level of Government**

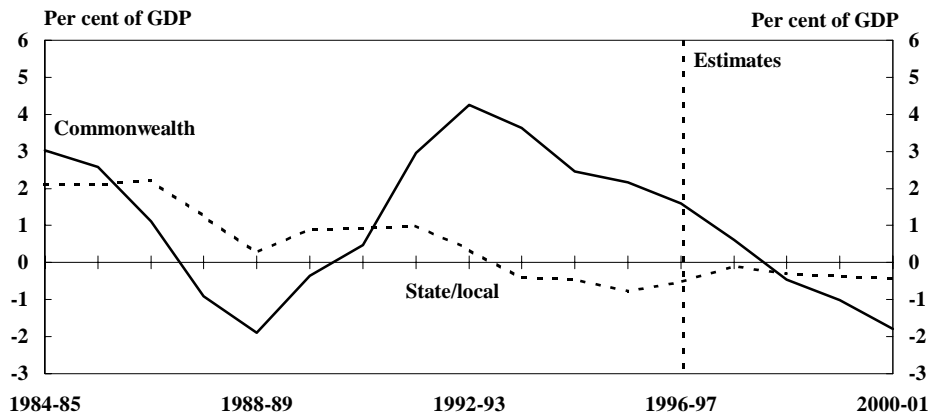
**A: General Government**



**B: Public Trading Enterprises**



**C: Consolidated**



## GENERAL GOVERNMENT SECTOR

The general government sector is the appropriate primary focus for any assessment of the public sector's impact on the national economy. It is the sector responsible for taxation and for the provision of government services such as social welfare, public hospitals, schools and police. Where governments intentionally use the impact of expenditure and taxation to affect the level of economic activity in the private sector, they generally do so through the general government sector. The PTE sector has become more and more commercially orientated and thus more akin to the private sector.

Saving of the general government sector depends on the balance between its current expenditure and its revenue. If it is not saving, or if its saving is insufficient to fund its capital expenditure, then it is adding directly to the national saving-investment imbalance. This direct contribution to the national saving-investment imbalance, represented by the difference between underlying outlays and revenue, will vary depending on the stage of the economic cycle and the stance of government policy.

The PTE sector, on the other hand, should be a significant ongoing saver if it operates efficiently, leaving only part of its investment needs to be funded from borrowing. Nevertheless, it is appropriate for the PTE sector to be a consistent borrower to fund capital expenditure that generates an ongoing revenue stream and/or provides services over a considerable period of time. Thus it can be expected to contribute to some degree to the national saving-investment imbalance over the medium term even if its investment and borrowing decisions are commercially based. In fact, Chart 2 indicates that this contribution has been minor, particularly in the period since the late 1980s when PTEs have been set on a more commercial path.

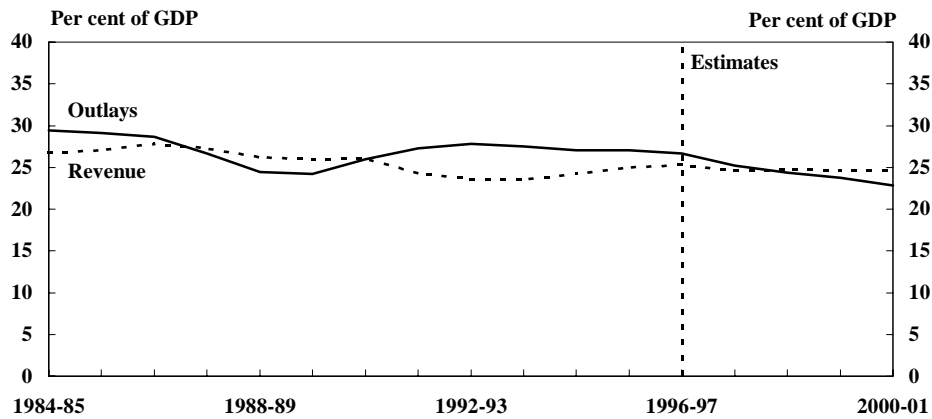
Chart 3 shows trends in general government underlying outlays and revenue and their effect on the general government deficit. Panel A indicates the cyclical nature of Commonwealth outlays and revenue due to the Commonwealth's responsibility for social security and welfare outlays and the sensitivity of revenues to rates of economic growth and price and income pressures.

However, structural factors and policy decisions have also been an influence — the maintenance of high levels of Commonwealth outlays (as a proportion of GDP) during the cyclical upturn; and a flat outlook for revenues as a proportion of GDP at levels below those recorded in the mid-1980s, reflecting the low inflation environment, slower indirect tax growth and lower interest receipts from the States.

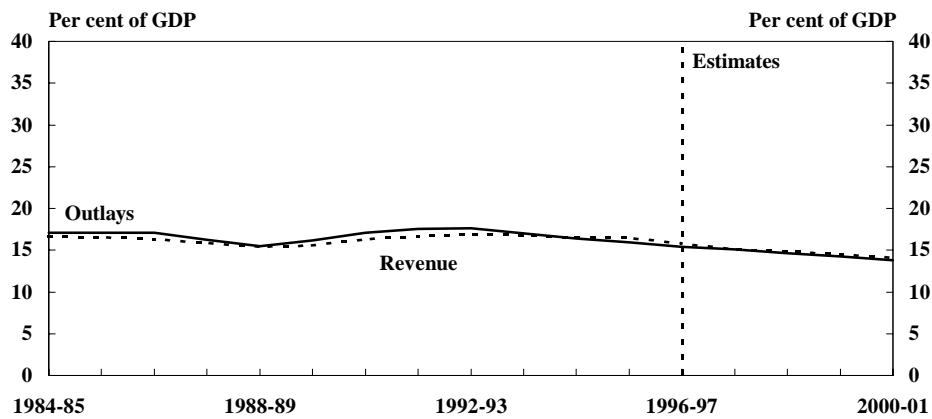
The projections in Chart 3 demonstrate the importance of outlays restraint to achieving the Government's fiscal objectives. Reductions in underlying outlays as a share of GDP will be achieved through lower current outlays across a range of government functions, whereas capital outlays (abstracting from net advances) are expected to remain broadly constant over the projection period.

**Chart 3: General Government Underlying Outlays and Revenue by Level of Government**

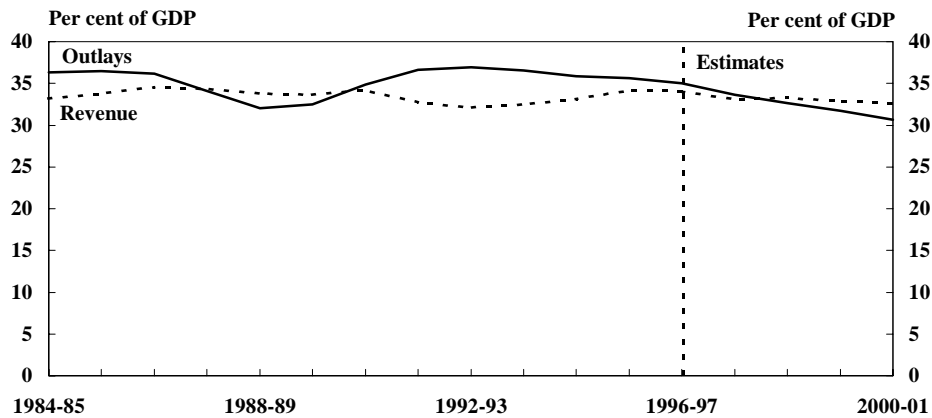
**A: Commonwealth**



**B: State/local**



**C: Total General Government**



The State/local general government sector is less sensitive than the Commonwealth to changes in economic conditions. Panel B of Chart 3 shows the underlying surpluses achieved by the State/local level in 1994-95 and 1995-96. These largely reflected outlays restraint. Total outlays are projected to decline as a share of GDP over the projection period due mainly to restraint in the growth of current outlays, reflecting improvements in public sector efficiency and lower interest costs associated with declining net debt.

Both grants from the Commonwealth and own-source revenue are expected to decline as a share of GDP over the projection period. State/local revenue is expected to grow more slowly than economic activity, with a number of States explicitly seeking to constrain tax levels. Privatisations are also reducing revenue streams through lower dividends from the PTE sector to the general government sector, although this is offset by savings in public debt interest.

Although fiscal and economic performance continues to differ between States, the extent of these differences has decreased since the early 1990s. All States and Territories have announced medium term fiscal strategies which aim to improve their fiscal positions over the medium term. These strategies are expected to underpin a continuation of combined State/local surpluses, although faster than anticipated growth in wages and demand for health services could pose some risk to this outlook. Any deterioration in State/local fiscal performance would offset the contribution of Commonwealth fiscal consolidation to the savings task.

Fiscal consolidation in Australia is being driven by outlays restraint across the general government sector. In contrast, OECD projections suggest that the significant consolidation being undertaken in other industrialised countries places greater emphasis on the revenue side. The IMF and OECD have found that fiscal consolidation is more likely to be durable and encourage sustained economic growth if it is achieved through outlays restraint.

### **Own-Purpose Outlays**

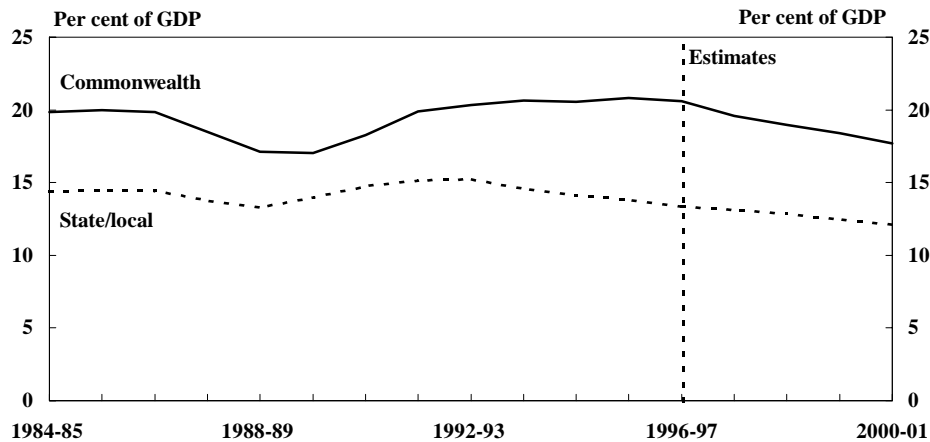
Trends in general government own-purpose outlays are illustrated in Chart 4. Commonwealth own-purpose outlays are defined here as outlays excluding net advances, adjusted mainly to exclude Commonwealth payments to the States other than specific purpose payments made 'through' the States. This differs from the published ABS measure which does not remove all net advances and excludes all payments to the States, including payments 'through'. (The methodology is explained in more detail in Appendix B.) While conceptual difficulties remain, the adjusted measure used here provides a better basis for comparison of relative outlays restraint by the Commonwealth and State/local levels of government.

As shown in Panel A of Chart 4, Commonwealth general government own-purpose outlays increased as a proportion of GDP in the six year period to 1995-96, in contrast to a declining trend for the State/local level from 1992-93. Panel B shows that, in real terms, State/local own-purpose outlays increased over the six year period but at a substantially slower rate than the Commonwealth's.

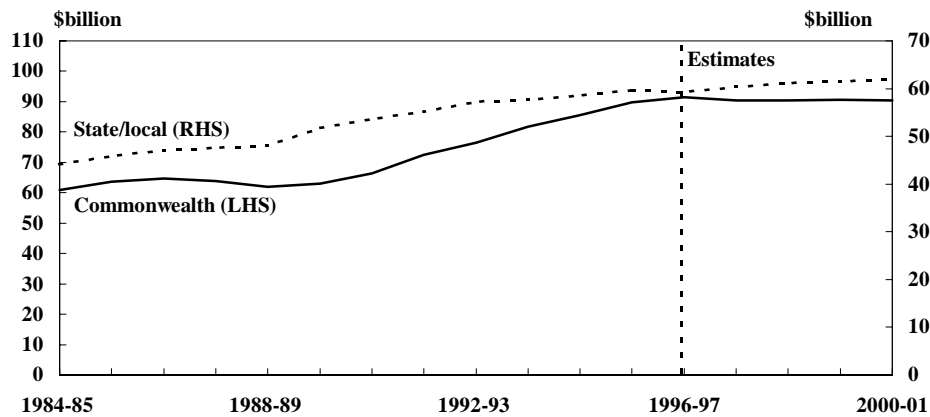
The projections for the Commonwealth show an expected substantial decline in own-purpose outlays as a share of GDP over the period to 2000-01 as a result of the Government's budget measures. A smaller decline is expected for the State/local level.

**Chart 4: General Government Underlying Own-purpose Outlays  
by Level of Government**

**A: Per cent of GDP**



**B: Real (1989-90 base)**



Source: *Government Finance Statistics*, unpublished ABS data. Estimates for State/local own-purpose outlays are based on information supplied by the States for the 1997 *National Fiscal Outlook*, supplemented by recent State budgets.

**PUBLIC TRADING ENTERPRISE SECTOR**

The PTE sector is an important provider of economic infrastructure and contributes significant revenue to general government, mainly in the form of dividends. Whereas the Commonwealth is dominant within the general government sector, the State/local level is more significant within the PTE sector (accounting for around 65 per cent of total PTE revenue and outlays). This reflects State responsibility for infrastructure and service provision in areas such as electricity, gas and water and public transport.

The PTE sector has undergone significant changes in recent years, involving privatisations, an increased emphasis on operating efficiency—particularly in loss-making enterprises—and improvements in profit performance and market orientation. Governments are continuing to assess whether it is appropriate for the public sector to own businesses and the conditions under which they operate. The Competition Principles Agreement between the Commonwealth and the States provides a framework in which these changes can be considered.

Recent major PTE privatisations have included those in the Victorian electricity industry, which have generated proceeds of \$17.8 billion in 1995-96 and 1996-97 (mainly used to repay State debt), and the Commonwealth's sale of Qantas. Other major sales have occurred in the public financial enterprise sector (at the Commonwealth level, the Commonwealth Bank and Commonwealth Funds Management Limited, while the sale of AIDC Limited is also proposed).

The Commonwealth is proceeding with the sale by public float of one-third of its equity in Telstra Corporation Limited (which will, however, remain classified to the Commonwealth PTE sector) and has announced an intention to sell the Australian National Railways Commission, ANL Limited, and long-term leases over Federal airports. Victoria has announced the restructuring of its gas utility, GASCOR, with a view to privatisation of individual units from mid-1998, and Western Australia has indicated that it intends to privatise (at least partially) the Dampier to Bunbury Natural Gas Pipeline in 1997-98.

The PTE sector has typically been in underlying deficit, reflecting a business need to borrow on a net basis to finance capital investment. As shown in Chart 1, the deficit has declined gradually, moving into surplus in 1991-92. Much of the improvement since the late 1980s was due to an increase in commercial focus under corporatisation policies and increased efficiency. These influences have also contributed to a decline in PTE sector capital outlays as a share of GDP from a peak in the early 1980s and (as discussed in Part III) to reduced PTE sector net debt levels.

The PTE sector projections indicate that small surpluses will continue over the projection period in line with economic growth and continued PTE reform.

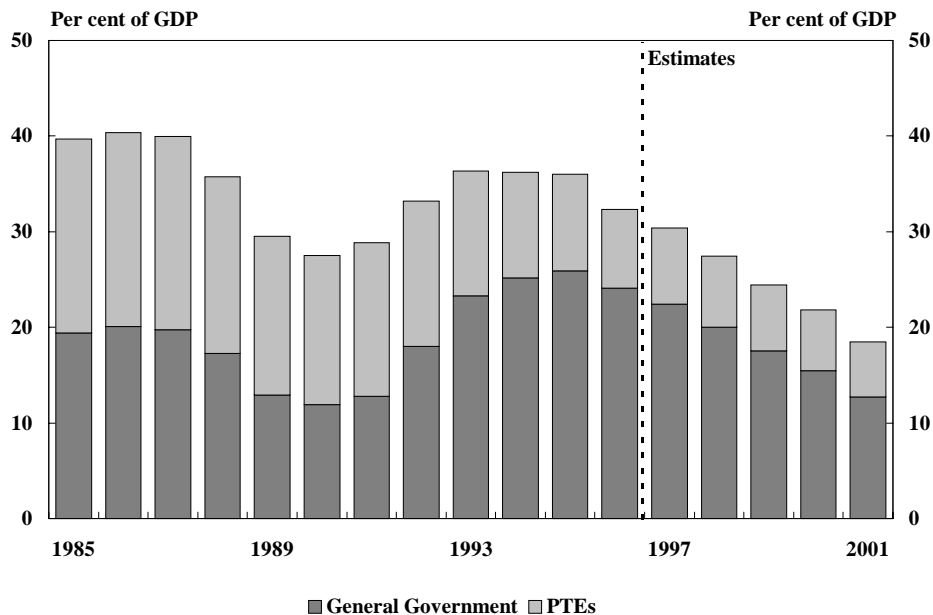
## PART III: PUBLIC SECTOR LIABILITIES

The level of public sector financial assets and liabilities, in particular net debt, is an important indicator of a government's overall financial position. High or rapidly increasing net debt levels may raise questions about vulnerability to economic shocks and the sustainability of policy settings, and may limit policy flexibility, including (for the Commonwealth) the scope to use fiscal policy for stabilisation purposes.

### TRENDS IN PUBLIC SECTOR NET DEBT

Net debt comprises the stock of selected gross financial liabilities less financial assets. The change in net debt does not correspond to the underlying deficit as the proceeds of equity transactions, such as equity asset sales, which reduce the borrowing task, are not included in the underlying balance. The derivation of the net debt estimates used in this Statement is discussed in Appendix B.

**Chart 5: Public Sector Net Debt by Sector**  
Outstanding Stock as at 30 June



Net debt trends for the total public sector, and the contributions of the general government and PTE sectors, are shown in Chart 5. Two major trends are evident — the increase in general government net debt as a share of GDP following the recession of the early 1990s, to a level higher than the previous peak in the mid-1980s, reflecting the financing of Commonwealth budget deficits that continued into the cyclical upturn; and the decline in PTE sector net debt as a share of GDP since the late 1980s, reflecting lower levels of capital expenditure, improved efficiency and privatisations.

The net result has been high but relatively stable levels of net debt to GDP for the total public sector in the four years to 1995-96. The improvement evident since then reflects

lower net borrowing requirements for the Commonwealth and the application of privatisation proceeds to debt retirement at the State/local level. Following privatisations in its electricity industry, Victoria has repaid substantial amounts of outstanding debt in both the general government and PTE sectors.

Through the projection period, general government net debt as a share of GDP is expected to decline further — mainly due to Commonwealth fiscal consolidation, but also Commonwealth asset sales and continuing fiscal restraint at the State/local level. For the PTE sector, net debt as a share of GDP is expected to decline slowly, consistent with a profile of small surpluses. These trends would result in total public sector net debt of around 18 per cent of GDP in 2000-01, compared with the most recent peak of 36 per cent in 1994-95.

The distribution of debt across institutional sectors differs between levels of government, making comparisons difficult. Most Commonwealth net debt is owed by the general government sector whereas more than half of State/local net debt is owed by the PTE sector. This is demonstrated in Chart 6, which shows movements in net debt by sector and level of government since 1972.

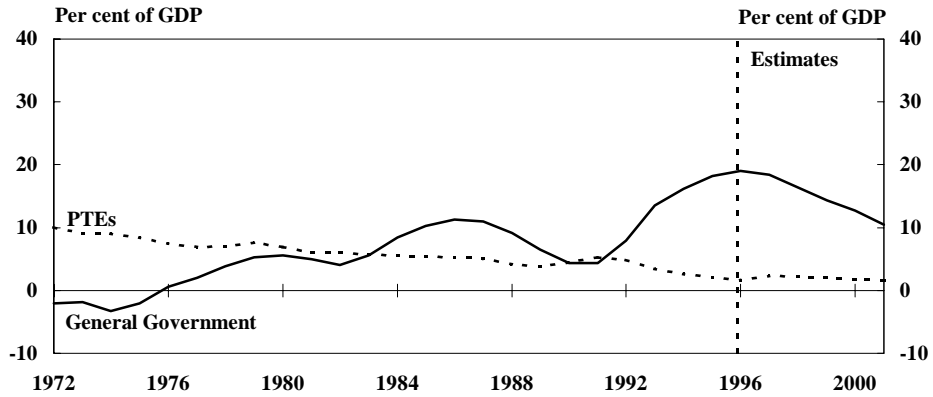
Panel A of Chart 6 shows that Commonwealth general government sector net debt as a share of GDP ratcheted up from low levels in the 1970s to a peak of 19 per cent in 1995-96, with a sharp acceleration in the current decade. In contrast, general government sector net debt at the State/local level has declined from 32 per cent of GDP in 1971-72 to around 4 per cent in 1996-97, as shown in Panel B. The recent trend for the State/local general government sector reflects the impact of relatively large deficits between 1988-89 and 1991-92, followed by fiscal consolidation and the achievement of consolidated surpluses, and asset sales.

The projections for the Commonwealth include the expected impact of measures announced in this Budget. They indicate that Commonwealth general government sector net debt will decline from 19 per cent of GDP in 1995-96 to around 10 per cent in 2000-01. State/local general government net debt as a share of GDP should continue to decline gradually in line with explicit or implicit debt reduction programmes which form part of States' medium-term fiscal strategies.

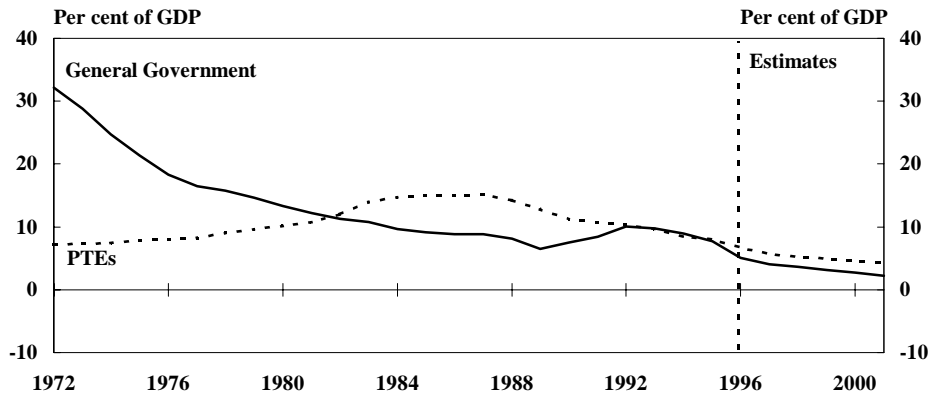
Panel C indicates the importance of the Commonwealth reduction for the projected decline in the total public sector figure from 32 per cent of GDP in 1995-96 to around 18 per cent in 2000-01. This also incorporates an expected further small decline in total PTE sector net debt as a share of GDP, reflecting a continued reduction at the State/local level with the Commonwealth figure expected to remain flat at around 2 per cent of GDP.

**Chart 6: Public Sector Net Debt by Level of Government and Sector**

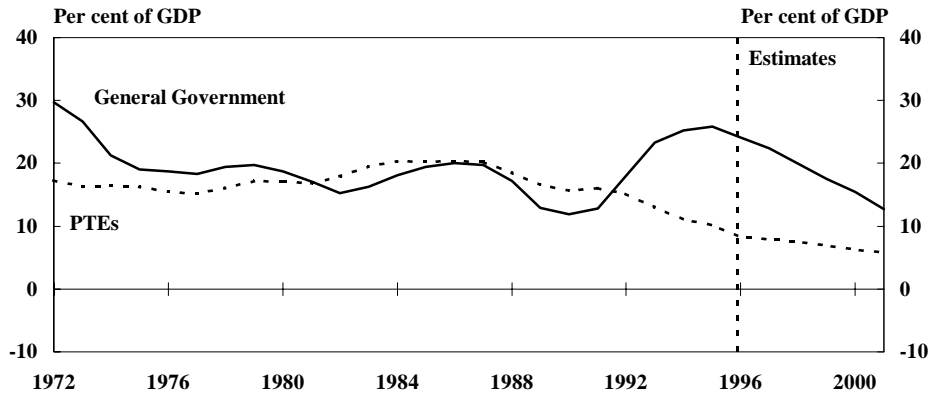
**A: Commonwealth**



**B: State/local**



**C: Total public sector**



## **BROADER MEASURES OF PUBLIC SECTOR LIABILITIES**

As noted, net debt is an important indicator of a government's financial position. However, changes in holdings of other financial assets and liabilities are also relevant. A broader measure, published under the Uniform Presentation Agreement, is the excess of total liabilities over financial assets. In addition to net debt, this measure includes items such as unfunded employee entitlements, equity holdings and accounts receivable and payable. (The broader measure of net liabilities still gives only a partial picture in that it does not reflect accumulated physical assets which also affect a government's net asset position.)

In particular, unfunded employer contributions to public sector superannuation schemes, accrued long service leave and other employee entitlements are a significant liability for governments. For the Commonwealth general government sector, these unfunded entitlements amounted to \$68.7 billion at 30 June 1996, or 14.1 per cent of GDP, while those of the States and Territories totalled \$53.8 billion or 11 per cent of GDP — although the position varies considerably between individual States and Territories, ranging from 8.9 per cent to 19.9 per cent of gross state product.

The future growth of these unfunded entitlements is expected to be limited by moves by most States toward funding accruing superannuation liabilities and the introduction of less expensive public sector superannuation schemes. The Commonwealth has reduced its future superannuation costs by closing entry to the Commonwealth Superannuation Scheme and Defence Force Retirement and Death Benefits Scheme in 1990 and 1991 respectively, and replacing them with two lower cost schemes (the Public Sector Superannuation Scheme and the Military Superannuation and Benefits Scheme).

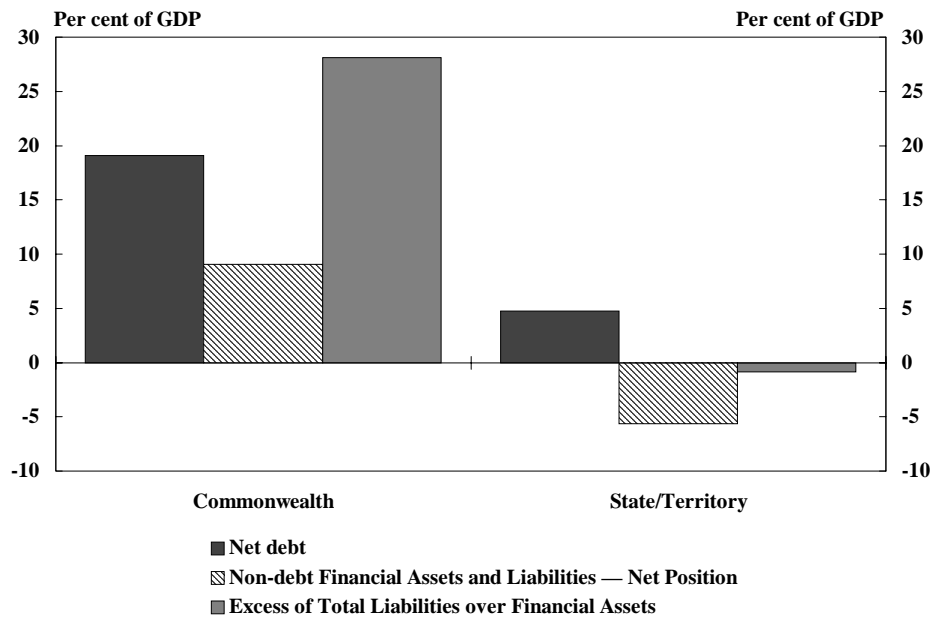
The broader measure of financial assets and liabilities also takes into account changes in equity holdings. It thus recognises, for example, that where the proceeds of sale of a PTE business reduce general government sector net debt, there will also be an offsetting reduction in the general government sector's holdings of PTE equity.

Chart 7 shows the relative size of total liabilities and financial assets by component parts for the Commonwealth and State/Territory general government sectors at 30 June 1996.<sup>2</sup>

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<sup>2</sup> Analysis of the broader measure of public sector financial assets and liabilities is hampered by data limitations. The general government data used in Chart 7 are in some cases unpublished estimates. From 1996-97, all jurisdictions are obliged under the uniform presentation agreement to publish full format financial assets and liabilities statements, including information on non-debt financial assets and liabilities.

**Chart 7: General Government Net Liabilities Position  
As at 30 June 1996**



The State/Territory general government sector is in a small net asset position overall, with net debt more than offset by an excess of non-debt financial assets over non-debt liabilities.<sup>3</sup> This excess mainly reflects the fact that equity holdings are larger than unfunded employee entitlements. In contrast, the Commonwealth has a high level of unfunded employee entitlements and a low level of equity holdings.

**FLows ARISING FROM HOLDINGS OF FINANCIAL ASSETS AND LIABILITIES**

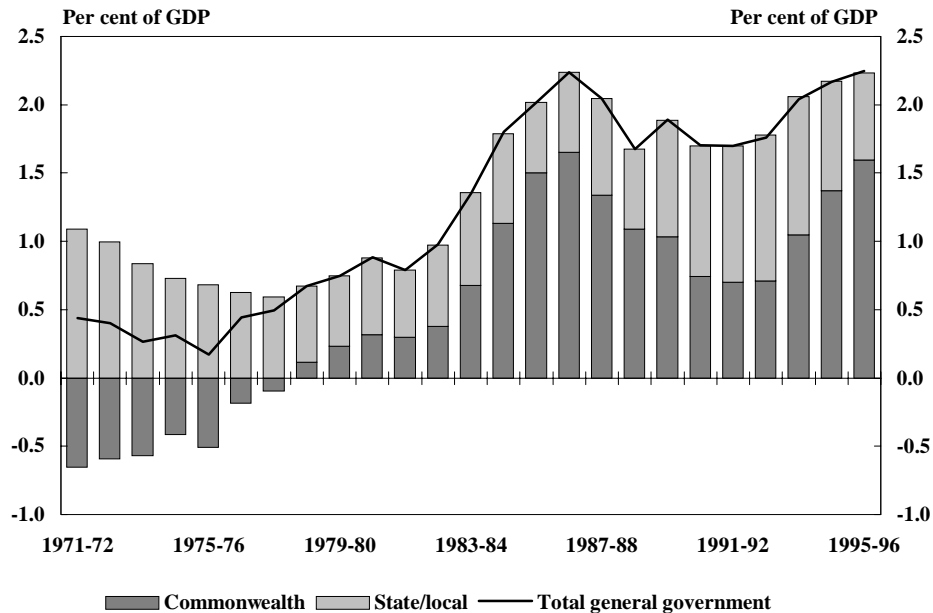
Net interest outlays arise from net debt holdings, and dividends are a return on general government sector equity holdings in PTEs. Each represents the fiscal impact of holding particular financial assets and liabilities.

Net interest outlays are defined as interest payments on gross debt less interest received on loans and advances, and are affected by the volume of net debt on issue and interest rates. As shown in Chart 8, the Commonwealth general government sector moved in the late 1970s from being a net interest recipient to a net payer. Net interest outlays of the total general government sector peaked in the mid 1980s at around 2.2 per cent of GDP, reflecting the cyclical increase in general government sector (particularly Commonwealth) net debt and prevailing high interest rates. The total fell to about 1.8 per cent in 1992-93 mainly due to the lagged effect of falling interest rates.

<sup>3</sup> The combined State/Territory general government position is significantly influenced by Queensland which has a large excess of total financial assets over liabilities.

Since then, the persistence of Commonwealth budget deficits into the expansionary phase of the cycle has put upward pressure on net interest outlays as a share of GDP, more than offsetting recent improvements at the State/local level in line with reduced levels of net debt to GDP.

**Chart 8: General Government Net Interest Outlays by Level of Government**



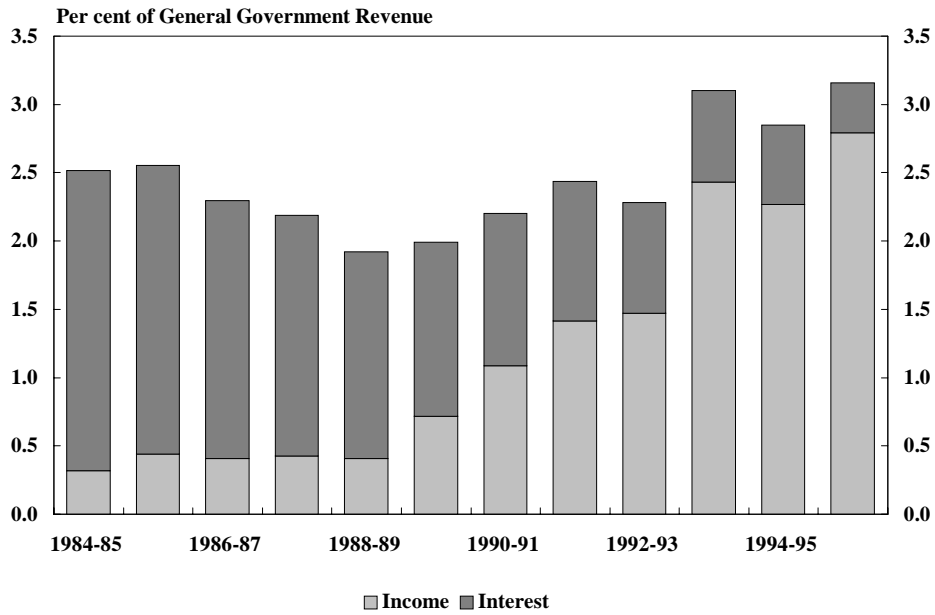
In contrast, the PTE sector has been able to reduce its net interest outlays as a share of GDP over the longer term. This is particularly evident at the State/local level and is consistent with lower levels of net debt to GDP stemming from reduced capital outlays and improvements in PTE performance. It also reflects a reduction in the size of the PTE sector through privatisation. As a result, the contribution of the PTE sector to total net interest outlays is now significantly lower than in the mid 1980s.

The PTE sector is an important source of revenue to the general government sector, particularly at the State/local level, with dividend streams corresponding to equity holdings and interest payments reflecting the stock of general government sector loans to the PTE sector.

Since the early 1980s, the financial relationship between the general government and PTE sectors at all levels has changed considerably, and is now at arm's length in most cases. Advances from general government to PTEs have largely been repaid and new borrowings undertaken from financial markets, either directly or through State central borrowing authorities. Capital structures and dividend policies are now more comparable with those applying in the private sector. Privatisations have the effect of reducing both dividend and interest payments to the general government sector.

The net effect of these changes has been an increasing trend in income transferred to general government by PTEs, as shown in Chart 9, with growth in dividends (despite privatisations) more than offsetting a decline in interest paid.

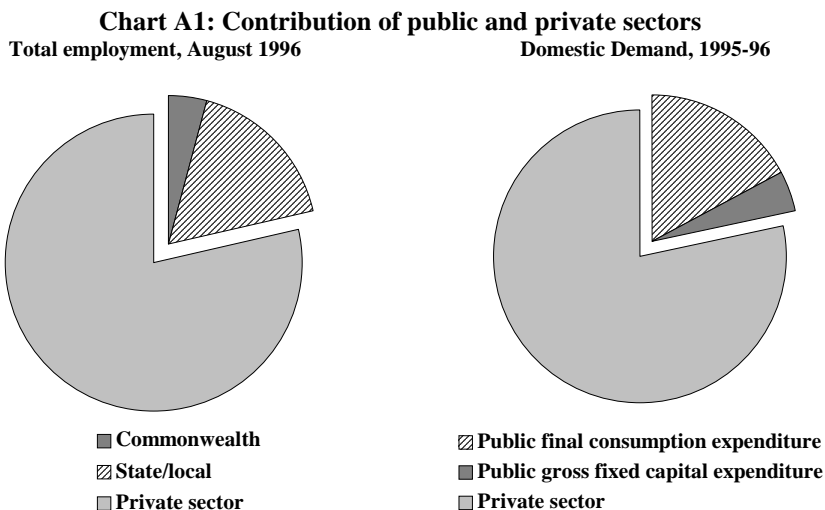
**Chart 9: Income and Interest Transferred from PTEs to General Government Sector**



## APPENDIX A: SIZE AND STRUCTURE OF THE PUBLIC SECTOR

This Appendix provides an overview of the size and structure of the Australian non-financial public sector to assist in interpreting the trends discussed in Parts II and III of the Statement.

As shown in Chart A1, the public sector directly accounts for around 26 per cent of total employment (excluding the armed forces) and 22 per cent of final domestic demand<sup>4</sup>. The State/local level accounts for about 77 per cent of total public sector civilian employment and 72 per cent of public final demand — reflecting its major responsibilities for service delivery, for example in the areas of education and health, and for infrastructure.



Source: ABS 5206.0 and unpublished ABS data

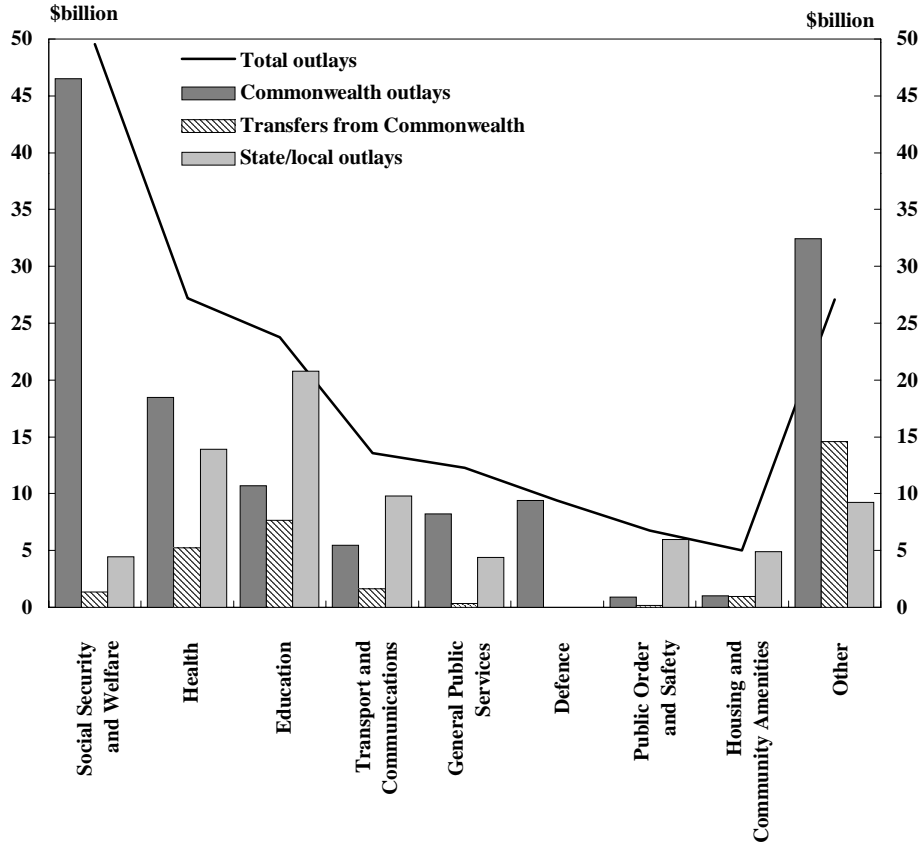
Within the total public sector, the general government sector is substantially larger than the PTE sector, accounting for 61 per cent of public sector output and 80 per cent of public sector civilian employment. The PTE sector is nevertheless an important provider of economic infrastructure. In terms of assets, the largest Commonwealth PTEs are Telstra and Australia Post. Major State PTEs include authorities responsible for electricity, gas and water services.

There are significant differences in the roles and responsibilities of the levels of government, as shown in Chart A2. Major outlays functions performed by the Commonwealth include defence expenditure and transfer payments in relation to social security and welfare and health. The Commonwealth also has a major role in funding education and health services provided by the States and the private sector. Major State/local functions include the delivery of education, health, and public order and safety services.

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<sup>4</sup> Transfer payments by the Commonwealth — for example, income support — are not included in public final demand.

**Chart A2: Commonwealth and State/local Outlays by Major Function, 1995-96**



In 1995-96, the Commonwealth raised 73 per cent of total general government revenue. However, adjusted Commonwealth own purpose outlays only directly accounted for 62 per cent of total general government outlays. A significant share of Commonwealth revenue is passed on to the State/local level in the form of grants, which account for 42 per cent of State/local general government revenue. Further information on inter-governmental transfers is provided in *Budget Paper No. 3*.

## APPENDIX B: STATISTICAL NOTES

### MEASURES OF THE UNDERLYING DEFICIT

The underlying deficit used throughout this Statement is the headline deficit adjusted for net advances. The latter comprise transactions in financial assets undertaken for policy purposes — ie net policy lending (new policy loans and advances less repayments) and net equity transactions (injections/purchases of equity less equity sales). The underlying deficit is broadly consistent with the net lending concept in the national accounts and thus closely approximates the relevant sector's direct contribution to the national saving/investment imbalance (current account deficit).

To maintain consistency with the net lending concept in the national accounts, the measure of the general government sector underlying deficit used in the Budget Papers is not adjusted for increases in provisions. This is the only source of difference between the measure used here and the ABS general government deficit adjusted for net advances (as published in the GFS and GFE). It mainly affects the data for the Commonwealth, which makes significant provisions for superannuation payments to the PTE sector.

A GFS table for the Commonwealth general government sector, incorporating an adjustment for the increase in provisions, is included at Appendix D.

### OWN-PURPOSE OUTLAYS

The adjusted measure of Commonwealth general government own-purpose outlays used in this Statement comprises outlays excluding net advances, adjusted mainly to exclude Commonwealth payments to the States other than specific purpose payments made 'through' the States. This differs from the published ABS measure (Cat. No. 5501.0) which does not remove all net advances and excludes all payments to the States.

More specifically, the ABS measure excludes all payments to other levels of government and PTEs, such as general revenue assistance, specific purpose payments and advances and subsidies, together with interest payments on borrowings undertaken on their behalf. The adjusted measure adds back in to Commonwealth outlays specific purpose payments 'through' the States (other than those for local government purposes) as these payments — for example in the area of higher education — are generally not for State-like purposes. A corresponding adjustment is made to the State/local series. The adjusted measure also removes State fiscal contributions from the data on grants to the States.

The adjusted measures for both the Commonwealth and the State/local levels abstract from all net advances. They are thus consistent with measures of the underlying deficit in, for example, removing the impact of equity asset sales which would otherwise be included as offsets to outlays.

## NET DEBT

The net debt series used in this Statement incorporates:

- Treasury estimates for the period 1972 to 1987;
- Published ABS data for the period 1988 to 1996 (*Public Sector Financial Assets and Liabilities*, Cat. No. 5513.0); and
- Treasury estimates for the period 1997 to 2001.

Treasury estimates for the period 1972 to 1987 were first incorporated in last year's Budget Statement 6. As discussed in Appendix B to that Statement, comparable data on net debt have been collected by the ABS only since 1988. The earlier series was constructed by deducting estimated annual net borrowing — defined as the ABS headline deficit less net advances — from the ABS measure of the stock of net debt at end June 1988. Net advances include both equity and policy lending transactions. Ideally, the estimates should only abstract from policy lending transactions, since they represent an asset for the lender government. Total net advances were used because separate data on equity transactions were not available. This data limitation is not considered significant, however, as asset sales were relatively small until the late 1980s and are reflected in the ABS net debt series from end June 1988 and in the Treasury projections.

The derivation of the historical net debt series is discussed in more detail in the Spring 1996 edition of the Commonwealth Treasury's *Economic Round-up*.

## APPENDIX C: SUPPLEMENTARY TABLES

**Table C1: Public Sector Outlays, Revenue and Underlying Deficit by Institutional Sector as a Percentage of GDP**

	General government			Public trading enterprises			Consolidated		
	Outlays(a)	Revenue	Underlying deficit(a)	Outlays(a)	Revenue	Underlying deficit(a)	Outlays (a)(b)	Revenue(b)	Underlying deficit(a)
1984-85	36.4	33.2	3.2	6.7	3.4	2.0	41.8	35.3	5.2
1985-86	36.5	33.8	2.7	7.0	3.6	2.0	42.2	36.1	4.7
1986-87	36.2	34.6	1.6	6.8	3.7	1.7	41.8	37.0	3.3
1987-88	34.1	34.3	-0.2	6.1	4.1	0.6	39.0	37.3	0.4
1988-89	32.0	33.8	-1.8	5.6	4.0	0.1	36.6	36.7	-1.6
1989-90	32.5	33.7	-1.1	7.0	3.8	1.7	38.3	36.3	0.6
1990-91	34.8	34.2	0.7	6.2	4.0	0.7	39.7	36.9	1.4
1991-92	36.7	32.7	4.0	5.7	3.8	0.0	40.8	34.9	3.9
1992-93	36.9	32.1	4.8	5.2	3.7	-0.4	40.6	34.3	4.5
1993-94	36.6	32.5	4.1	4.5	3.9	-0.9	39.3	34.6	3.1
1994-95	35.8	33.1	2.7	4.6	3.5	-0.8	38.8	35.0	1.9
1995-96	35.6	34.1	1.5	4.5	3.1	-0.1	38.3	35.4	1.4
1996-97(e)	na	na	1.0	na	na	0.1	na	na	1.1
1997-98(e)	na	na	0.6	na	na	-0.1	na	na	0.5
1998-99(e)	na	na	-0.6	na	na	-0.2	na	na	-0.8
1999-00(e)	na	na	-1.2	na	na	-0.2	na	na	-1.4
2000-01(e)	na	na	-2.0	na	na	-0.2	na	na	-2.2

(a) The deficit in this table is the underlying deficit outlined in Appendix B. The outlays and underlying deficit measures abstract from net advances.

(b) Components do not sum to totals due to consolidation of transfers between sectors.

(c) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

**Table C2: Public Sector Outlays, Revenue and Underlying Deficit by Level of Government as a Percentage of GDP**

	Commonwealth			State/local				Total public sector			
	Outlays(a)	Revenue	Underlying deficit(a)	Outlays(a)	Own-source revenue	Grants received	Total revenue	Underlying deficit(a)	Outlays (a)(b)	Revenue(b)	Underlying deficit(a)
1984-85	30.7	27.3	3.0	21.3	9.1	9.1	18.2	2.1	42.1	35.3	5.2
1985-86	30.7	27.6	2.6	21.3	9.5	8.8	18.3	2.1	42.5	36.1	4.7
1986-87	30.0	28.4	1.1	21.3	9.6	8.6	18.2	2.2	42.0	37.0	3.3
1987-88	28.0	28.3	-0.9	19.9	9.8	8.0	17.8	1.3	39.0	37.3	0.4
1988-89	25.9	27.2	-1.9	18.6	10.3	7.2	17.4	0.3	36.6	36.7	-1.6
1989-90	27.0	26.8	-0.4	19.2	10.2	7.1	17.4	0.9	38.2	36.3	0.6
1990-91	28.1	27.0	0.5	19.9	10.5	7.5	18.1	0.9	39.8	36.9	1.4
1991-92	28.8	24.8	3.0	20.2	10.7	7.6	18.3	1.0	41.3	34.9	3.9
1992-93	29.3	24.3	4.3	19.8	10.5	8.0	18.5	0.4	40.4	34.3	4.5
1993-94	28.5	24.2	3.6	18.8	10.8	7.5	18.3	-0.4	38.4	34.6	3.1
1994-95	28.3	24.9	2.5	18.2	10.4	7.3	17.7	-0.5	38.6	35.0	1.9
1995-96	28.1	25.4	2.2	17.5	10.3	7.1	17.4	-0.8	35.7	35.4	1.4
1996-97(e)	na	na	1.6	na	na	na	na	-0.5	na	na	1.1
1997-98(e)	na	na	0.6	na	na	na	na	-0.1	na	na	0.5
1998-99(e)	na	na	-0.5	na	na	na	na	-0.3	na	na	-0.8
1999-00(e)	na	na	-1.0	na	na	na	na	-0.4	na	na	-1.4
2000-01(e)	na	na	-1.8	na	na	na	na	-0.4	na	na	-2.2

(a) The deficit in this table is the underlying deficit outlined in Appendix B. The outlays and underlying deficit measures abstract from net advances.

(b) Components do not sum to totals due to consolidation of transfers between sectors.

(e) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

**Table C3: General Government Underlying Own-purpose Outlays**

	Commonwealth		State/local	
	\$ m	Per cent of GDP	\$ m	Per cent of GDP
1971-72	5040	12.8	4559	11.6
1972-73	5790	12.9	5216	11.6
1973-74	6994	13.0	6204	11.6
1974-75	9920	15.3	8426	13.0
1975-76	12469	16.3	10609	13.8
1976-77	14688	16.8	11984	13.7
1977-78	16300	17.1	13600	14.3
1978-79	17827	16.4	14884	13.7
1979-80	19884	16.1	16579	13.4
1980-81	22770	16.2	19071	13.6
1981-82	26747	16.9	21332	13.4
1982-83	31945	18.5	24431	14.2
1983-84	37388	19.1	27638	14.1
1984-85	43067	19.8	31204	14.4
1985-86	48130	20.0	34753	14.4
1986-87	52492	19.8	38151	14.4
1987-88	55355	18.5	41243	13.8
1988-89	58128	17.1	45023	13.3
1989-90	63023	17.0	51697	14.0
1990-91	69257	18.3	55885	14.8
1991-92	77022	19.9	58545	15.1
1992-93	82226	20.3	61583	15.2
1993-94	88773	20.7	62669	14.6
1994-95	94089	20.6	64583	14.1
1995-96	101728	20.8	67621	13.8
1996-97(e)	105818	20.6	68613	13.3
1997-98(e)	na	19.6	na	13.1
1998-99(e)	na	19.0	na	12.8
1999-00(e)	na	18.4	na	12.5
2000-01(e)	na	17.7	na	12.1

(e) Treasury estimates based on available information, including information provided by the States for the 1997 *National Fiscal Outlook*.

**Table C4: General Government Net Interest Outlays**

	Commonwealth		State/local	
	\$ m	Per cent of GDP	\$ m	Per cent of GDP
1971-72	-257	-0.7	428	1.1
1972-73	-266	-0.6	447	1.0
1973-74	-306	-0.6	449	0.8
1974-75	-267	-0.4	471	0.7
1975-76	-389	-0.5	521	0.7
1976-77	-162	-0.2	550	0.6
1977-78	-92	-0.1	564	0.6
1978-79	124	0.1	605	0.6
1979-80	289	0.2	631	0.5
1980-81	442	0.3	795	0.6
1981-82	472	0.3	778	0.5
1982-83	649	0.4	1027	0.6
1983-84	1322	0.7	1335	0.7
1984-85	2455	1.1	1426	0.7
1985-86	3617	1.5	1240	0.5
1986-87	4376	1.7	1546	0.6
1987-88	3999	1.3	2120	0.7
1988-89	3704	1.1	1978	0.6
1989-90	3826	1.0	3161	0.9
1990-91	2809	0.7	3630	1.0
1991-92	2710	0.7	3858	1.0
1992-93	2878	0.7	4317	1.1
1993-94	4512	1.0	4342	1.0
1994-95	6284	1.4	3667	0.8
1995-96	7802	1.6	3125	0.6

## APPENDIX D: COMMONWEALTH GOVERNMENT FINANCE STATISTICS

This Appendix discusses the conceptual differences between Commonwealth budget statistics and GFS, and presents Commonwealth GFS data for the general government, PTE and consolidated non-financial public sectors. These data are consistent with the revised uniform presentation framework (UPF) between the Commonwealth and State and Territory Governments agreed at the March 1997 Loan Council meeting.<sup>5</sup>

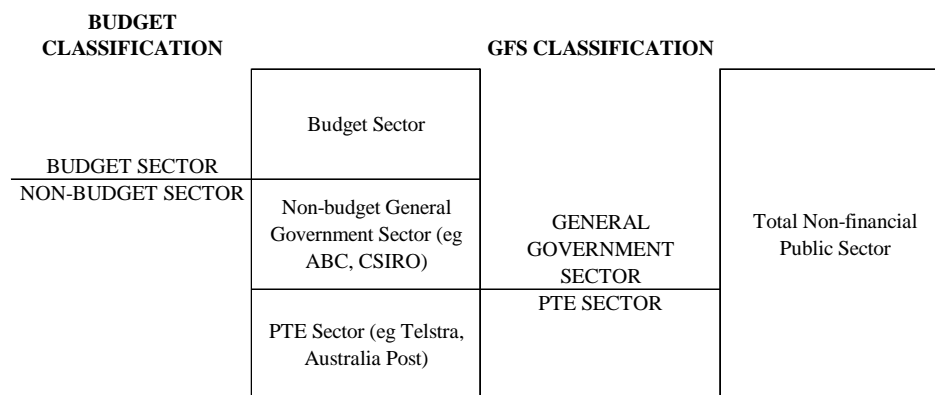
In presenting statistics the Government adopts the standards established by the ABS in its *Government Finance Statistics: Concepts, Sources and Methods* (Cat. No. 5514.0). This standard integrates the 1968 United Nations publication *A System of National Accounts* (SNA) and the 1986 IMF publication *A Manual on Government Finance Statistics*, drawing on features of both. A revised version of the SNA standard was issued in 1993 but this has not yet been incorporated into ABS Government Finance or National Accounts statistics. The IMF standard is currently being revised.

### SECTORAL COVERAGE

There are two ways to view the Commonwealth non-financial sector as shown in the following diagram:

- budget/non-budget sectors; and
- general government/public trading enterprise sectors.

**Diagram D1: Commonwealth Non-financial Public Sector**



Commonwealth financial enterprises, such as the AIDC and Reserve Bank, are currently excluded from Commonwealth government statistics in line with ABS practice.

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<sup>5</sup> A full set of financial assets and liabilities data, in the format required by the uniform presentation framework, will be published as a supplement to the Statement of Commonwealth Financial Transactions and will also be incorporated in the ABS publication, *Public Sector Financial Assets and Liabilities, Australia*, scheduled for release in November 1997.

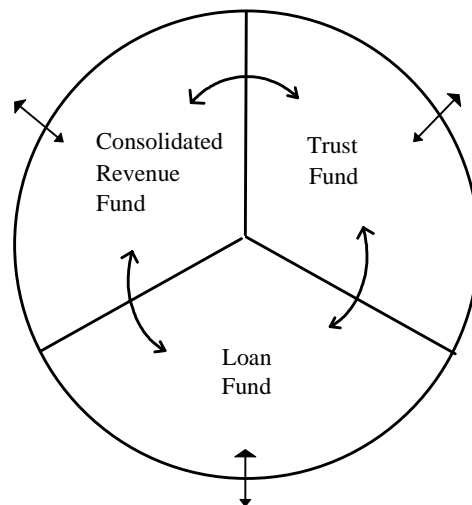
The term government business enterprise (GBE) is not an ABS concept but is used by the Commonwealth to describe a group of companies and authorities, located mainly in the PTE and PFE sectors, which trade goods and/or services in the market with a prime objective of earning a commercial return. Government trading enterprises (GTEs) is a term used in the Council of Australian Governments context and refers to the commercial activities of the Commonwealth, States and Territories.

### Commonwealth Budget Sector

Traditionally, the budget and mid-year statements have mainly presented transactions between the Commonwealth budget sector and other sectors of the economy, including transactions with non-budget Commonwealth entities. The Commonwealth budget sector consists of those departments and agencies whose day to day transactions are recorded in the Commonwealth Public Account, whether via the Consolidated Revenue Fund, Trust Fund or Loan Fund.

Transactions between budget sector agencies — such as payments of fringe benefits tax, customs duty and interdepartmental charges — are identified but net out when calculating total budget outlays or revenue. Only transactions into and out of the Commonwealth Public Account impact on budget outlays and revenue. These treatments of transactions are shown in the following diagram.

**Diagram D2: Commonwealth Budget Sector**



Excluded from the budget sector are many Commonwealth government authorities, such as CSIRO and Telstra, that operate outside the Commonwealth Public Account through their own bank accounts. Although they may depend on appropriations from the Commonwealth budget in some cases, they are classified as part of the non-budget sector. Budget payments to them are classified as transfers to the non-budget sector. The ABS refers to this budget/non-budget distinction as the administrative sector classification.

## ABS Government Sectors

The ABS GFS provides an alternative classification which allocates government units according to their role in providing market or non-market services. This approach recognises the different organisational focus of market oriented units by separating general government units that supply mainly non-market services from PTEs and PFEs which provide market goods and services.

This standardised classification system facilitates direct comparisons between governments in Australia and allows the impact of total government activity to be measured relative to other sectors of the economy.

PFEs are currently regarded as outside the scope of ABS GFS. However, under the revised uniform presentation framework, historical financial enterprise statistics will be phased in by all jurisdictions once the ABS has included PFE information in GFS (currently proposed from 1998-99). This will provide a more complete coverage of the public sector associated with a proposal to reclassify State central borrowing authorities to the PFE sector.

The ABS has decided to reclassify universities from the general government sector of the relevant jurisdiction to a new multi-jurisdictional general government category. It is expected that this change will first be reflected in the *1997-98 Government Financial Estimates* to be published in November 1997. The data in these Budget Papers retain the classification of universities to the relevant jurisdiction as a consistent historical series reflecting the new classification was not available at the time the data were prepared. Accordingly, the two universities within the Commonwealth's responsibility are included in the data for the Commonwealth general government sector.

In practice, the Commonwealth budget and general government sectors are very similar. Since 1989-90 effectively all budget sector activity has been classified to general government. The general government sector also includes non-commercial government agencies that operate through private sector bank accounts, such as the ABC and CSIRO (referred to as general government non-budget).

To present GFS data, Commonwealth budget statistics are supplemented by ABS data on general government non-budget and PTE sector activity. Adjustments made to Commonwealth budget statistics to derive general government data include:

- Budget data are adjusted for the treatment of finance leases consistent with *Australian Accounting Standard 17*. Under that standard the asset and liability associated with a finance lease are brought to account in the financial records of the lessee. A finance lease is recognised where substantially all of the risks and benefits of ownership pass to the lessee;
- Receipts by the Commonwealth of FBT payments by State governments have been reclassified from tax to non-tax revenue. This is because the ABS views such payments as transfers within the Commonwealth and State general government sectors;

- \$190 million of taxation revenue has been removed from 1996-97 and recorded in 1995-96 as a result of it being receipted at the Australian Taxation Office on 30 June 1996 but not officially recorded in the CPA until early July 1996; and
- Transfers of repatriation hospitals from the Commonwealth to the States have been recorded as Commonwealth capital grants to the States (a purchase of a capital asset has been recorded by the ABS in relevant State statistics).

## **CLASSIFICATION OF BUDGET AND GENERAL GOVERNMENT SECTOR TRANSACTIONS**

### **Outlays, Revenue and Financing Transactions**

Government sector transactions can also be viewed from an economic perspective and categorised into outlays, revenue and financing transactions. The difference between outlays and revenue contributes to the level of the reported headline balance. Outlays and revenue transactions are therefore referred to as above-the-line transactions. Financing transactions do not affect the balance and are referred to as below-the-line transactions.

In the general government context, outlays measure the economic activity of government. In particular, they measure the net cost of providing general government goods and services generally allocated through collective political choice rather than through the operation of the market. They also quantify transfers and advances (loans and equity injections) made for public policy reasons.

User charges are offset against relevant payments in calculating outlays. The alternative treatment of classifying user charges as revenue would increase both outlays and revenue and inflate the reported cost of providing public goods and services.

Two other categories of receipts are offset against payments in the calculation of outlays to align with international standards. Advances (including loans to government enterprises, provision of equity to enterprises and, for the Commonwealth, loans to the States) are classified as outlays to reflect their public policy importance. Repayments of these advances, including the purchase of equity in enterprises by the private sector, are offset against payments to determine the net impact of advances. Consistent with the United Nations treatment adopted by the ABS, receipts from the sales of physical assets are recorded as offsets within outlays to assist in the measurement of the net stock of capital assets in the economy.

For the Commonwealth, outlays transactions under the asset sales program, involving sales of equity and physical assets, are separately identified by function in the Budget Papers to enable analysts to make specific allowance for them. Those undertaken in the normal course of government activity remain classified to appropriate functional categories.

To determine the underlying deficit, however, outlays are adjusted to exclude net advances — ie net policy lending and net equity transactions.

Revenue is the primary means of funding government, with any shortfall funded through borrowings or a rundown of financial assets (financing transactions). It comprises tax

receipts (net of refunds) and non-tax receipts (interest, dividends etc) but excludes receipts from user charging, sale of assets and repayments of advances (loans and equity) which are classified as outlays. Revenue therefore measures the value of the resources, other than borrowings, raised by a government to fund outlays.

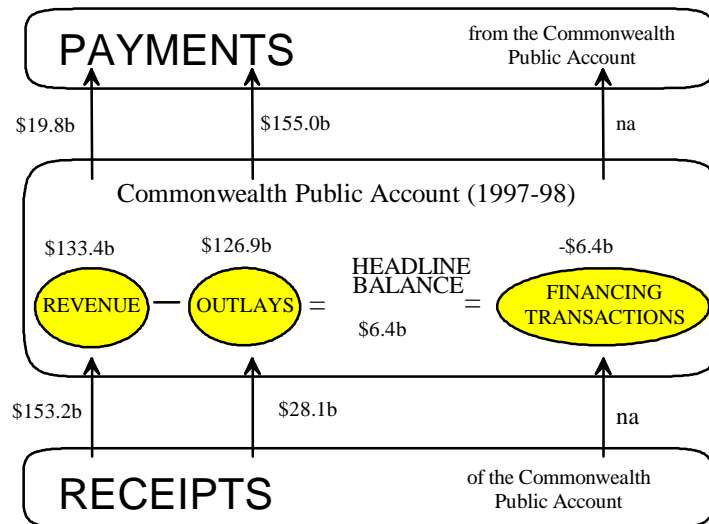
Financing transactions are undertaken to finance the deficit or invest the surplus. They consist of borrowings and changes in holdings of financial assets such as cash or investments (excluding advances).

### Payments and Receipts

In the Commonwealth Budget Papers, the terms payments and receipts indicate money flows out of and into the Commonwealth Public Account. These are essentially accounting concepts used to present the Appropriation Bills and tax and non-tax moneys paid to the Budget (see *Budget Paper No. 4, The Commonwealth Public Account*).

The relationship between accounting and economic concepts is shown in the following diagram for the Commonwealth.

**Diagram D3: Commonwealth Budget Transactions**



## COMMONWEALTH GFS TABLES

Five statistical tables are presented below, showing:

- transactions by economic type for Commonwealth general government, PTE and consolidated non-financial sectors;
- Commonwealth consolidated current and capital outlays by function; and
- the taxes, fees and fines received by the Commonwealth consolidated public sector.

The tables were produced by the ABS under contract with, and in consultation with, the Department of Finance. They fulfil reporting requirements under the revised uniform presentation framework. The ABS sign convention is adopted, where a negative balance represents a surplus. This is in contrast to the presentation of the budget surplus elsewhere in Budget Papers where a negative balance represents a deficit.

Consistent with ABS practice, the current and capital deficits, in relation to the headline deficit, are separated in Tables D1 to D3. Transactions between the Commonwealth general government and PTE sectors are included in Tables D1 and D2 but are removed from Tables D3 to D5 as they are internal transactions within the Commonwealth non-financial sector. Table D3 records net operating surplus of the PTE sector as part of the revenue of the Commonwealth government sector. This is irrespective of whether that net operating surplus is actually remitted to the parent government.

Transactions between the Commonwealth non-financial and PFE sectors are included in all tables. These transactions include income transfers such as dividends paid to general government, net advances paid by general government to PFEs, and taxes paid by PFEs. Any unremitted elements of PFE net operating surplus are not included in Table D3.

The ABS general government deficit adjusted for net advances shown in Table D1 differs from the general government sector underlying deficit used elsewhere in the Budget Papers in the treatment of provisions. The ABS measure is adjusted for the increase in provisions (for superannuation payments to the PTE sector). However, in order to maintain consistency with the national accounts concept of net lending, no such adjustment is made in the general government underlying deficit measure.

**Table D1: Economic Transactions of Commonwealth Government (\$million)**

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	General Government(a)					
<b>Outlays</b>						
<b>Current Outlays</b>						
Final consumption expenditure(b)	25650	26144	27158	27885	29017	29937
Interest payments	9293	9537	9115	9164	8268	7477
Subsidies paid to public trading enterprises	528	409	377	389	397	245
Personal benefit payments	54104	57134	58872	60156	62429	64325
Current grants	36105	36809	36839	37637	39291	40502
To private sector	4399	4074	3948	3912	4072	4170
To State governments	31494	32511	32660	33489	34965	36062
To local governments	211	224	231	236	253	269
Other transfer payments	2489	2791	2586	2447	2369	2288
<i>Total current outlays</i>	<i>128168</i>	<i>132825</i>	<i>134947</i>	<i>137678</i>	<i>141770</i>	<i>144774</i>
<b>Capital outlays</b>						
Expenditure on new fixed assets	1359	1309	1295	1167	1196	1326
Plus Expenditure on secondhand assets (net)	-399	-556	-1024	-792	-502	-449
<i>Equals</i> Gross fixed capital expenditure	<i>960</i>	<i>753</i>	<i>271</i>	<i>376</i>	<i>694</i>	<i>877</i>
Expenditure on land and intangible assets (net)	-30	34	-666	74	58	-12
Capital grants	3194	3629	2703	2577	2519	2526
To other sectors	164	180	147	104	100	94
To other levels of government	3025	3108	2520	2472	2419	2432
To public trading enterprises	6	341	37	0	0	0
Advances paid (net)	-5189	-7404	-10146	-5089	-273	-257
To public trading enterprises	-629	-3088	102	-844	0	0
Abroad	266	158	177	268	252	247
To other levels of government	-4128	-1038	-885	-195	-1251	-1112
Other	-698	-3436	-9540	-4318	725	608
Other capital outlays	4	-8	16	25	9	23
<i>Total capital outlays</i>	<i>-1061</i>	<i>-2996</i>	<i>-7822</i>	<i>-2038</i>	<i>3007</i>	<i>3158</i>
<b>Total outlays</b>	<b>127107</b>	<b>129829</b>	<b>127125</b>	<b>135640</b>	<b>144777</b>	<b>147932</b>
<b>Revenue</b>						
Taxes, fees and fines	116766	124682	129780	138598	146536	155147
Interest received from public trading enterprises	129	85	79	11	11	11
Interest received from other enterprises	1367	1120	969	875	849	722
Other revenue	4033	4219	3033	3412	3429	3562
<b>Total revenue</b>	<b>122296</b>	<b>130106</b>	<b>133861</b>	<b>142896</b>	<b>150825</b>	<b>159441</b>
<b>Financing and deficit measures</b>						
Borrowing (net)	4174	-226	-5331	-6060	-4847	-10053
Increase in provisions (net)	-1050	-1028	-1206	-982	-996	-971
Other financing transactions (net)	1687	977	-199	-214	-206	-485
Total financing	4811	-277	-6736	-7256	-6048	-11509
Less Increase in provisions (net)	-1050	-1028	-1206	-982	-996	-971
<i>Equals</i> Deficit	<i>5861</i>	<i>751</i>	<i>-5530</i>	<i>-6274</i>	<i>-5052</i>	<i>-10538</i>
Of which						
Current deficit	6922	3747	2292	-4236	-8059	-13696
Capital deficit	-1061	-2996	-7822	-2038	3007	3158
Less Advances paid (net)	-5189	-7404	-10146	-5089	-273	-257
<i>Equals</i> <b>Deficit adjusted for net advances</b>	<i>11050</i>	<i>8155</i>	<i>4616</i>	<i>-1185</i>	<i>-4779</i>	<i>-10282</i>

(a) The general government sector is the combination of the budget and non-budget sectors after elimination of transactions internal to that sector and adjustments to the budget sector outlined earlier in this Appendix.

(b) The budget sector contingency reserve is included in final consumption in this table.

**Table D2: Economic Transactions of Commonwealth Government (\$million)<sup>(a)</sup>**

	1995-96	1996-97	1997-98
	Public Trading Enterprises		
<b>Outlays</b>			
<b>Current outlays</b>			
Interest payments	1066	1050	1329
To general government	129	85	79
To other enterprises	937	965	1250
Income transferred to general government	1371	1452	1219
Other transfer payments	1350	1304	1410
<i>Total current outlays</i>	<i>3787</i>	<i>3805</i>	<i>3957</i>
<b>Capital outlays</b>			
Expenditure on new fixed assets	4387	5090	4966
Plus Expenditure on secondhand assets (net)	-149	-293	-233
<i>Equals</i> Gross fixed capital expenditure	<i>4238</i>	<i>4797</i>	<i>4733</i>
Expenditure on land and intangible assets (net)	60	-92	-7
Capital grants to other levels of government	15	0	0
Advances paid (net)	0	0	0
Other capital outlays	-43	-99	-607
<i>Total capital outlays</i>	<i>4269</i>	<i>4606</i>	<i>4119</i>
<b>Total outlays</b>	<b>8056</b>	<b>8411</b>	<b>8077</b>
<b>Revenue</b>			
Sales of goods and services	24767	26931	26574
<i>Plus</i> Subsidies received	<i>503</i>	<i>363</i>	<i>319</i>
<i>Less</i> Operating expenditure	<i>20743</i>	<i>23194</i>	<i>22300</i>
<i>Equals</i> Net operating surplus	<i>4527</i>	<i>4099</i>	<i>4593</i>
Interest received	292	221	158
Capital grants received	6	341	37
Other revenue	33	0	0
<b>Total revenue</b>	<b>4857</b>	<b>4662</b>	<b>4789</b>
<b>Financing and deficit measures</b>			
Advances received (net)	-593	-3050	102
Borrowing (net)	-328	2058	-691
Increase in provisions (net)	2672	2691	3433
For depreciation	2578	2870	3287
Other	94	-179	147
Other financing transactions (net)	1448	2051	443
Total financing	3199	3749	3288
<i>Less</i> Increase in provisions (net)	<i>2672</i>	<i>2691</i>	<i>3433</i>
<i>Equals</i> Deficit	<i>527</i>	<i>1059</i>	<i>-146</i>
Of which			
Current deficit	-3737	-3207	-4228
Capital deficit	4264	4265	4083
<i>Less</i> Advances paid (net)	<i>0</i>	<i>0</i>	<i>0</i>
<i>Equals</i> <b>Deficit adjusted for net advances</b>	<i>527</i>	<i>1059</i>	<i>-146</i>

(a) Data in this table do not go beyond the budget year consistent with reporting requirements under the UPF.

**Table D3: Economic Transactions of Commonwealth Government (\$million)**

	1995-96	1996-97	1997-98
	Consolidated Government(a)		
<b>Outlays</b>			
<b>Current outlays</b>			
Final consumption expenditure	25650	26144	27158
Interest payments	10230	10502	10364
Subsidies paid to public trading enterprises	528	409	377
Personal benefit payments	54104	57134	58872
Current grants	36105	36809	36839
To private sector	4399	4074	3948
To State governments	31494	32511	32660
To local governments	211	224	231
Other transfer payments	2627	2765	2860
<i>Total current outlays</i>	<i>129243</i>	<i>133764</i>	<i>136471</i>
<b>Capital outlays</b>			
Expenditure on new fixed assets	5745	6399	6261
<i>Plus</i> Expenditure on secondhand assets (net)	-548	-849	-1257
<i>Equals</i> Gross fixed capital expenditure	5198	5550	5004
Expenditure on land and intangible assets (net)	30	-59	-673
Capital grants	3203	3288	2666
To other sectors	164	180	147
To other levels of government	3040	3108	2520
Advances paid (net)	-4560	-4315	-10247
Other capital outlays	-39	-106	-591
<i>Total capital outlays</i>	<i>3832</i>	<i>4358</i>	<i>-3841</i>
<b>Total outlays</b>	<b>133075</b>	<b>138122</b>	<b>132630</b>
<b>Revenue</b>			
Taxes, fees and fines	115555	123352	128645
Net operating surplus of public trading enterprises	4527	4099	4593
Interest received	1659	1341	1127
Other revenue	2695	2738	1776
<b>Total revenue</b>	<b>124436</b>	<b>131531</b>	<b>136142</b>
<b>Financing and Deficit measures</b>			
Borrowing (net)	3846	1833	-6022
Increase in provisions (net)	1622	1663	2227
For depreciation	2578	2870	3287
Other	-956	-1206	-1059
Other financing transactions (net)	3171	3096	282
Total financing	8639	6591	-3512
<i>Less</i> Increase in provisions (net)	<i>1622</i>	<i>1663</i>	<i>2227</i>
<i>Equals</i> Deficit	<i>7017</i>	<i>4928</i>	<i>-5740</i>
Of which			
Current deficit	3185	570	-1899
Capital deficit	3832	4358	-3841
<i>Less</i> Advances paid (net)	<i>-4560</i>	<i>-4315</i>	<i>-10247</i>
<i>Equals</i> <b>Deficit adjusted for net advances</b>	<b>11577</b>	<b>9244</b>	<b>4508</b>

(a) The Consolidated Commonwealth sector is the combination of the general government and PTE sectors after elimination of transactions internal to that sector.

**Table D4: Outlays By Purpose of Commonwealth Government (\$million)<sup>(a)</sup>**

	1995-96	1996-97	1997-98
	Consolidated Government		
<b>Current Outlays</b>			
General public services	7526	8263	9878
Defence	9392	9274	9678
Public order and safety	883	1125	994
Education	9521	9970	9999
Health	18442	19223	20688
Social security and welfare	46269	49292	48909
Housing and community amenities	75	32	35
Recreation and culture	1127	1172	1068
Fuel and energy	888	957	948
Agriculture forestry and fishing	1823	1734	1842
Mining manufacturing and construction	400	372	407
Transport and communications	1499	1388	1430
Other economic affairs	4042	3228	2827
Other purposes	27356	27735	27769
<b>Total Current Outlays</b>	<b>129243</b>	<b>133764</b>	<b>136471</b>
<b>Capital Outlays</b>			
General public services	660	347	78
Defence	1	86	6
Public order and safety	30	42	40
Education	1158	1204	1120
Health	43	54	49
Social security and welfare	213	227	105
Housing and community amenities	973	466	749
Recreation and culture	223	127	54
Fuel and energy	38	81	69
Agriculture forestry and fishing	-58	-157	-593
Mining manufacturing and construction	5	30	-34
Transport and communications	3943	5573	-3214
Other economic affairs	144	125	144
Other purposes	-3540	-3845	-2413
<b>Total Capital Outlays</b>	<b>3832</b>	<b>4358</b>	<b>-3841</b>

(a) The ABS application of the Government Purpose Classification (GPC) is used in this table. There are some differences in the application of the GPC to the budget sector component compared to the functional presentation of budget outlays elsewhere in budget statements. These differences are currently being examined and where possible will be eliminated.

**Table D5: Taxes, Fees and Fines of Commonwealth Government<sup>(a)</sup>**

	1995-96	1996-97	1997-98
	Consolidated		
<b>Taxes on income Profits and Capital Gains</b>			
Income and Capital Gains Levied on Individuals	60602	66141	69921
Income and Capital Gains Levied on Enterprises	19287	20433	20453
Other	1489	1286	1411
Total	81378	87860	91785
<b>Taxes on Employers' Payroll and Labour Force</b>	2978	3150	3150
<b>Taxes on Provision of Goods and Services</b>			
Sales Tax	12970	13410	14170
Excises and Levies(b)	13505	13787	14095
Taxes on International Trade	3129	3280	3410
Total	29604	30477	31675
<b>Taxes on Use of Goods and Performance of Activities</b>	397	417	432
<b>Other taxes</b>	18	0	0
<b>Fees</b>	1155	1414	1563
<b>Fines</b>	27	34	40
<b>Taxes Fees and Fines</b>	115555	123352	128645

(a) Data in this table do not go beyond the budget year as the elimination of PTE taxes paid to general government is not possible.

(b) Primary production taxes are treated as excises in this table while they are treated as other taxes, fees and fines in budget tables.