

PART I. BUDGET OUTLAYS OVERVIEW

1. FEATURES OF THE 1996-97 BUDGET

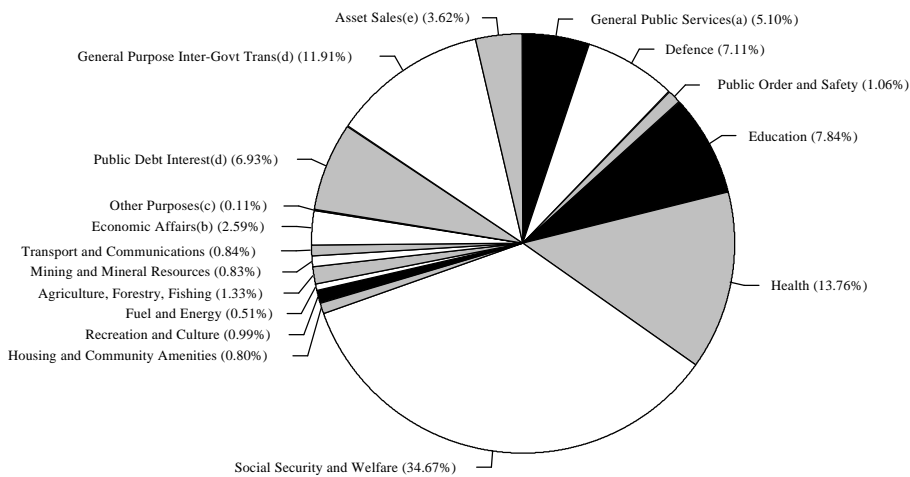
Table 1. Summary of Outlays

	1995-96	1996-97	1997-98	1998-99	1999-00
	Actual	Budget	Estimate	Estimate	Estimate
Outlays	\$m 126705.2	129686.5	130425.5	141847.2	149986.2
<i>Real growth over previous year</i>	% 1.1	-0.5	-2.1	5.7	2.7
<i>Outlays as a proportion of GDP</i>	% 26.1	25.2	23.9	24.5	24.3
Net Advances	\$m -5272.5	-6123.1	-8185.6	-2517.7	-71.8
Underlying Outlays	\$m 131977.7	135809.6	138611.1	144364.8	150058.0
<i>Real growth over previous year</i>	% 3.9	0.1	-0.7	1.2	1.0
<i>Underlying Outlays as a proportion of GDP</i>	% 27.2	26.4	25.4	24.9	24.3

Underlying Outlays are Outlays less Net Advances. Net Advances predominantly consists of equity asset sales (returns from the sale of government enterprises - refer Table 7) and the repayment of public policy loans to the Commonwealth from various sources including State Governments (refer Table 8 for Net Advances by economic type).

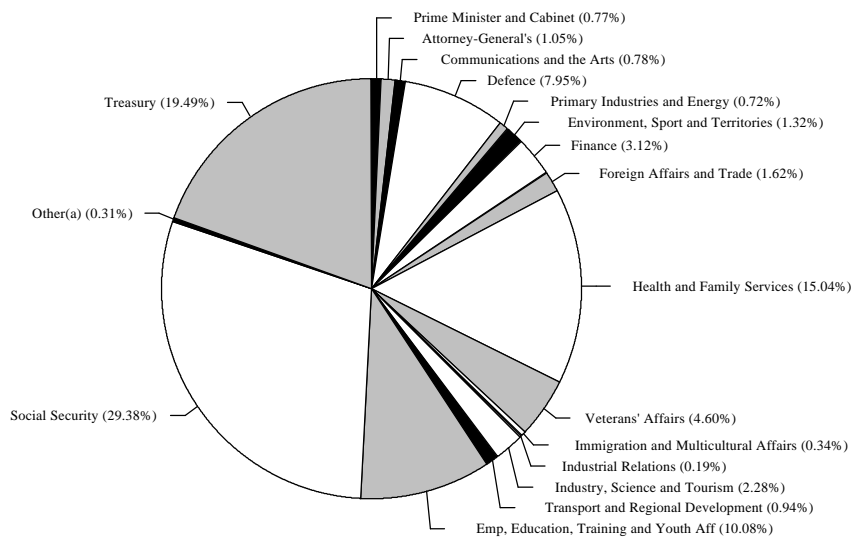
- **The 1996-97 Budget has been formulated against the Government's announced intention to achieve an underlying budget balance with a fiscal consolidation programme over 1996-97 and 1997-98.**
- **In aggregate terms for 1996-97:**
 - **underlying outlays (ie outlays excluding net advances) are expected to increase by 2.9% in nominal terms and not to change in real terms;**
 - **measures taken between the 1995-96 Budget and the Federal Election increased estimated underlying outlays by about a net \$550 million; and**
 - **measures taken between the Federal Election and the 1996-97 Budget decreased estimated underlying outlays by around a net \$2810 million .**
- **In aggregate, over the forward years (1997-98 to 1999-00 inclusive):**
 - **underlying outlays are expected to rise by 6.2% in nominal terms and 1.5% in real terms;**
 - **the major sources of real growth in underlying outlays are expected to be in the Social Security and Welfare and Health functions; and**
 - **increases in these functions are partially offset by real declines in some other functions, most notably Public Debt Interest and Labour and Employment Affairs.**
- **The ratio of underlying outlays to GDP is estimated to decline by 2.0 percentage points over the period to 1999-00; which brings it to 24.3%, well below the average ratio of 26.6% for the ten years to 1995-96.**
- **Chart 1 presents outlays by function for 1996-97 while Chart 2 presents outlays by portfolio for 1996-97.**

**Chart 1. Outlays by Function ^(f)
1996-97**



- (a) Includes Legislative and Executive Affairs (0.37%), Financial and Fiscal Affairs (1.28%), Foreign Economic Aid (1.46%), General Research (0.83%), General Services (0.09%) and Government Superannuation Benefits (1.05%)
- (b) Includes Other Economic Affairs (0.22%), Labour and Employment Affairs (2.28%) and Tourism and Area Promotion (0.07%)
- (c) Includes Contingency Reserve (0.13%) and Natural Disaster Relief (0.02%).
- (d) Part of "Other Purposes" but shown separately
- (e) Asset Sales are presented as a positive (although it is a net receipt and reduces outlays)
- (f) The function classifications are contained in the Guide for Readers located at the beginning of Statement 3.

**Chart 2. Outlays by Portfolio
1996-97**



- (a) Includes Contingency Reserve (0.13%), Parliament (0.12%) and Administrative Services (0.32%)

2. BUDGET AND FORWARD ESTIMATES, 1996-97 TO 1999-00

The budget process is based on a system of rolling forward estimates, compiled by the Department of Finance in consultation with other departments and agencies. They record the minimum cost of on-going Government policy but do not include any provision for new programmes or expansion of existing programmes that has not been agreed by the Government or for programmes that are not expected to continue.

The estimates published in this Budget for 1996-97 and the forward years are based upon the forward estimates published with the 1995-96 Budget updated for subsequent parameter changes, decisions and other variations.

Table 2 summarises revisions to the forward estimates from presentation of the 1995-96 Budget to the Federal Election, and from the Federal Election to the 1996-97 Budget. It also summarises total outlays less net advances (underlying outlays) at the 1995-96 Budget, the Federal Election and the 1996-97 Budget.

The outlay estimates for 1996-97:

- decreased by \$1217 million from the forward estimates published in the 1995-96 Budget;
- increased by \$3886 million in the period from the 1995-96 Budget to the Federal Election; and
- decreased by \$5103 million from the Federal Election to the 1996-97 Budget.

Underlying outlays for 1996-97:

- increased by \$915 million since the 1995-96 Budget;
- increased by \$2609 million from the 1995-96 Budget to the Federal Election; and
- decreased by \$1694 million from the Federal election to the 1996-97 Budget.

Table 3 provides a disaggregation of this change by function and shows the contribution made by parameter and other estimates variations and by policy decisions. The effect of policy decisions on the 1997-98 estimates is also provided.

Policy Decisions

Policy decisions taken since the 1995-96 Budget have had the following effects on estimates of 1996-97 and 1997-98 outlays:

- since the 1995-96 Budget decisions have reduced outlays by \$2245 million in 1996-97 and \$4097 million in 1997-98;
- over the period from the 1995-96 Budget to the Federal Election decisions increased outlays by \$561 million in 1996-97 and \$544 million in 1997-98; and
- since the Federal Election decisions have reduced outlays by \$2806 million in 1996-97 and by \$4642 million in 1997-98.

Table2. Reconciliation of the Budget and Forward Estimates of Outlays in Aggregate

	1995-96 Actual \$m	1996-97 Budget \$m	1997-98 Estimate \$m	1998-99 Estimate \$m
BUDGET AND FORWARD ESTIMATES				
OF OUTLAYS AS AT 1995-96 BUDGET (a)	123682	130904	136451	143478
Real growth over preceding year (%)	-1.2	2.5	1.2	2.0
Outlays as proportion of GDP (%)	25.1	24.8	24.3	24.0
<i>Net Advances</i>	-7465	-3991	-1820	643
<i>Underlying Outlays (b)</i>	131147	134894	138271	142834
Real growth over preceding year (%)	1.4	-0.4	-0.5	0.2
<i>Underlying Outlays as proportion of GDP (%)</i>	26.7	25.6	24.6	23.9
Decisions and other variations				
From 1995-96 Budget to Federal Election				
• Policy Decisions: -	455	561	544	616
<i>of which decisions affecting underlying outlays</i>	231	552	614	616
• Revisions to economic parameters:				
- JSA/NEWSTART	935	1399	2058	2126
- Prices and Wages	285	561	862	641
- Interest and Exchange Rates	1	-24	-15	-15
- Public Debt Interest	-706	105	820	1370
Sub-total revisions to economic parameters	514	2042	3725	4122
• Programme Specific Parameters	-334	-47	326	449
• Slippage in 1995-96 Budget Decisions	-20	29	2	0
• Other Revisions	-1317	1301	-551	166
Total Decisions and other variations	-702	3886	4047	5353
REVISED, BUDGET AND FORWARD ESTIMATES OF OUTLAYS AS AT FEDERAL ELECTION				
	122980	134790	140498	148831
<i>Net Advances</i>	-8813	-2714	-2562	679
<i>Underlying Outlays</i>	131794	137503	143060	148151
Decisions and other variations				
From Federal Election to 1996-97 Budget				
• Policy Decisions	347	-2806	-4642	-3641
<i>of which decisions affecting underlying outlays</i>	347	-2809	-4634	-3767
• Revisions to economic parameters:				
- JSA/NEWSTART	53	292	517	430
- Prices and Wages	85	-624	-1371	-1614
- Interest and Exchange Rates	20	-136	-88	-88
- Public Debt Interest	-317	-404	-510	-781
Sub-total revisions to economic parameters	-158	-872	-1453	-2054
• Programme Specific Parameters	512	1179	1226	1107
• Slippage in 1995-96 Budget Decisions	-53	72	21	2
• Other Revisions (c)	3077	-2676	-5225	-2398
Total Decisions and other variations	3725	-5103	-10072	-6983
1995-96 ACTUAL AND BUDGET FORWARD ESTIMATES AS AT 1996-97 BUDGET				
	126705	129686	130425	141847
Real growth over preceding year (%)	1.1	-0.5	-2.1	5.7
Outlays as proportion of GDP (%)	26.1	25.2	23.9	24.5
<i>Net Advances</i>	-5272	-6123	-8186	-2518
<i>Underlying Outlays</i>	131978	135810	138611	144365
Real growth over preceding year (%)	3.9	0.1	-0.7	1.2
<i>Underlying Outlays as proportion of GDP (%)</i>	27.2	26.4	25.4	24.9
Change in Underlying Outlays				
• 1995-96 Budget to Federal Election	647	2609	4789	5317
• Federal Election to 1996-97 Budget	184	-1694	-4449	-3786
• 1995-96 Budget to 1996-97 Budget	830	915	340	1531

(a) Figures may differ from published 1995-96 Budget estimates due to classification changes introduced throughout the year.

(b) Underlying outlays are outlays less net advances.

(c) Other Revisions include estimates of receipts from the partial privatisation of Telstra which are contingent upon approval of the Telstra Sale Legislation.

Note: Estimates may not add to totals due to rounding.

Table 3. Reconciliation of Forward and Budget Estimates 1996-97 by Function - \$millions

	1996-97 Forward Estimates (a) \$m	1996-97 Budget Estimates \$m	Difference Between Budget & Forward Estimates \$m	Parameter & Other Estimates Variations \$m	1996-97 Policy Decisions \$m	1997-98 Policy Decisions \$m
1 A Legislative & Executive Affairs	501	524	23	39	-16	-25
B Financial & Fiscal Affairs	1565	1812	246	251	-5	-14
C Foreign Economic Aid	2196	2066	-131	54	-185	-327
D General Research	1165	1174	9	5	4	52
E General Services	34	129	95	126	-31	-388
F Govt Superannuation Benefits	1235	1492	258	255	2	-1
2 Defence	10192	10027	-165	-164	0	0
3 Public Order & Safety	926	1492	565	94	471	-129
4 Education	11036	11064	28	214	-186	-630
5 Health	19280	19408	129	654	-525	-145
6 Social Security & Welfare	45966	48895	2931	2680	250	-373
7 Housing & Community Amenities	956	1122	166	225	-59	-103
8 Recreation & Culture	1341	1390	49	77	-28	-88
9 Fuel & Energy	-695	-725	-30	-1	-30	-2
10 Agriculture, Forestry & Fishing	1896	1878	-18	-39	21	-13
11 Mining & Mineral Resources	1782	1774	-8	104	-112	-170
12 Transport & Communication	1339	1191	-149	-89	-60	-53
13 A Tourism & Area Promotion	103	98	-5	-1	-3	-7
B Labour & Employment Affairs	3780	3235	-544	83	-627	-989
C Other Economic Affairs, Nec	324	316	-7	3	-10	-23
14 A Public Debt Interest	10080	9781	-299	-299	-1116	-670
B General Purpose Inter-Govt Trans	17016	16797	-219	455		
C Natural Disaster Relief	30	30	0	0		
D Contingency Reserve	947	-184	-1131	-1131		
E Asset Sales	-2091	-5100	-3009	-2568		
Total	130904	129686	-1217	1028	-2245	-4097

(a) At the time of the 1995-96 Budget, adjusted for subsequent classification changes. Note: Estimates may not add to totals due to rounding.

Policy decisions, taken since the 1995-96 Budget have had the following effects on estimates of 1996-97 and 1997-98 underlying outlays:

- since the 1995-96 Budget decisions have reduced underlying outlays by \$2257 million in 1996-97 and \$4020 million in 1997-98;
- over the period from the 1995-96 Budget to the Federal Election decisions increased underlying outlays by \$552 million in 1996-97 and \$614 million in 1997-98; and
- since the Federal Election decisions have reduced underlying outlays by \$2809 million in 1996-97 and \$4634 million in 1997-98

Table 4 lists major policy measures since the 1995-96 Budget by portfolio. Major measures are defined as those with an impact on the relevant portfolio of more than \$40 million in any one year or are significant in policy terms. These major measures are described below. Some of these measures have a lesser impact on other portfolios which are not reported in this table, but are fully reported in the function chapters.

Table 4. Major Policy Measures by Portfolio

Description of Measure	Effect on outlays			
	Budget	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Administrative Services				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Review and rationalisation of Department of Administrative Services commercial businesses (a)	52.5	52.4	20.6	-24.0
Adoption of Commonwealth Property Principles - property disposals and other savings	-64.0	-438.3	58.8	-287.2
Attorney-General				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Implementation of National Firearms Programme	500.0	0.0	0.0	0.0
Change to the funding arrangements for the construction of the Melbourne Law Courts Building	-0.4	-60.0	-38.9	0.0
Communications and the Arts				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Reduced Budget Funding for the ABC	0.0	-55.0	-55.0	-55.0
Employment, Education, Training and Youth Affairs				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Changes to the Migration Programme - tightening of family reunion requirements and processes, and expansion of skilled migration - consequential reduction in outlays on English as a second language education (j)	-1.1	-2.7	-3.3	-3.4
Reduction in migration places under the Humanitarian Programme	-0.7	-1.9	-2.5	-2.6
Reduction in Discretionary Funding for Universities	-84.6	-43.3	-43.4	-43.4
Modern Australian Apprenticeship and Traineeship System	29.6	47.5	54.3	52.0
Increased Funding for Higher Education Research	8.4	30.8	59.0	36.6
Enrolment Benchmark Adjustment in Schools - offset to Abolition of New Schools Policy	0.0	-20.6	-42.5	-65.5
Abolition of the New Schools Policy for Non-Government Schools	10.0	28.4	45.3	66.7
Reduction in Labour Market funds	-577.7	-961.6	-137.8	-183.5

Description of Measure	Effect on outlays			
	Budget	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Establishment of a Shopfront Agency to Deliver Income Support Payments, Childcare Assistance, Student Assistance and Employment Services	13.4	4.7	0.0	0.0
Abolish 5% real growth on base recurrent Technical and Further Education (TAFE) Funding	-5.3	-16.4	-28.4	-41.4
Reductions in Higher Education Operating Grants (d)	-23.4	-118.5	-215.5	-266.2
Increase in Higher Education Contribution Scheme (HECS) with differential rates depending on course (e)	-22.5	-66.0	-101.0	-123.4
Lower compulsory Higher Education Contribution Scheme (HECS) repayment threshold (f)	0.0	-229.9	-269.7	-317.8
Changes to incentive payments for employers of apprentices and trainees	0.0	-10.3	-12.7	-10.7
Tighten AUSTUDY Actual Means Test	-27.6	-60.3	-62.9	-65.0
Raise the Age of Independence for AUSTUDY	-28.3	-62.5	-72.7	-78.3
Environment, Sport and Territories				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Environment, Sport and Territories portfolio savings initiatives	-43.0	-51.4	-46.9	-30.1
Finance				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Review and rationalisation of Department of Administrative Services commercial businesses (g)	np	np	np	np
Foreign Affairs and Trade				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Aid Programme - additional savings mainly through reduced contributions to some international organisations and programme assistance	-64.9	-75.7	-78.0	-80.4
Abolition of International Trade Enhancement Scheme	-18.9	-25.0	-26.0	-47.1
Aid Programme - Development Import Finance Facility abolition	-94.3	-125.9	-129.7	-133.6
Savings from reduced eligibility criteria and application of \$150m cap for EMDGS partially offset by extensions to tourism	0.0	-76.9	-122.1	-145.2
Health and Family Services				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Changes to the Migration Programme - tightening of family reunion requirements and processes, and expansion of skilled migration (j)	-2.1	-6.6	-11.5	-16.8
Withhold 1 November 1996 Medicare Fee Increase (excludes Pathology and Radiology)	-33.2	-60.6	-64.0	-68.0
Limited Medicare Access for New Doctors without Post-Graduate Qualifications	-25.9	-106.1	-181.8	-256.2
Reduction in migration places under the Humanitarian Programme (j)	-0.4	-2.2	-5.1	-8.5
Reductions in Hospital Funding Grants to the States to offset cost-shifting of public hospital related services	-73.5	-76.8	-79.8	-82.6
Cessation of the Commonwealth Dental Programme	-55.6	-112.8	-114.5	-116.5
Review Significant High Cost Pharmaceutical Benefits Scheme Listings	0.1	0.3	-46.6	-51.9
Extension of Funding for the HIV/AIDs and Related Issues Programme	44.7	51.5	52.3	0.0
New Directions in Public Health - Continue National Health Advancement, Innovative Health Services for Homeless Youth and National Drug Strategy	4.5	43.9	46.6	0.0
Private Health Insurance Incentive	6.1	489.3	494.1	499.6
Pathology Reform Savings Package	-32.4	-64.4	-104.1	-144.1
Diagnostic Imaging Reform Savings Package	-30.0	-62.3	-69.7	-78.8
Structural Reform of Residential Aged Care	-4.2	-125.0	-164.4	-194.4

Description of Measure	Effect on outlays			
	Budget	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Increase the Pharmaceutical Benefits Scheme concessional patient contribution to \$3.20 per script	-40.4	-82.1	-89.0	-96.2
Increase the Pharmaceutical Benefits Scheme general patient contribution to \$20 per script	-28.2	-51.6	-49.2	-50.9
Reform of Childcare Operational Subsidies	8.5	-35.1	-40.5	-41.7
Immigration and Multicultural Affairs				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Changes to Migration Programme - tightening of family reunion requirements and processes, and expansion of skilled migration	8.2	0.2	-4.0	-6.3
Reduction in migration places under the Humanitarian Programme	-1.0	-3.1	-5.7	-6.2
Industry, Science and Tourism				
<i>Decisions from the 1995-96 Budget to the Federal Election (l)</i>				
Extension of Computer Bounty	43.8	39.8	46.1	48.7
Research and Development Grants	24.0	35.0	41.1	0.0
<i>Post 1996 Election</i>				
Computer Bounty - termination from 1 July 1997	0.0	-20.3	-46.1	-48.7
Diesel Fuel Rebate Scheme - revamp to curb overclaiming and contain growth	-60.0	-123.2	-126.9	-130.7
Strategic Assistance for Research and Development (START) Programme	40.0	100.0	100.1	100.1
Primary Industries and Energy				
<i>Decisions from the 1995-96 Budget to the Federal Election (l)</i>				
Expansion of National Landcare Programme	42.1	56.7	59.4	42.5
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Drought - additional funding for drought areas under exceptional circumstances provisions of Rural Adjustment Scheme	88.6	0.0	0.0	0.0
Expansion of National Landcare Programme - cessation	-42.1	-56.7	-59.4	-42.5
Prime Minister and Cabinet				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Savings on Aboriginal and Torres Strait Islander Programmes	-77.4	-119.5	-120.0	-127.6
Social Security				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Migrant two-year waiting period for social security payments	-28.1	-140.0	-188.1	-193.9
Changes to Migration Programme - tightening of family reunion requirements and processes, and expansion of skilled migration (j)	-1.6	-4.9	-11.8	-20.4
Reduction in migration places under the Humanitarian Programme (c)	-2.6	-14.2	-32.5	-50.9
Reduce the maximum Rent Assistance payable to singles in shared accommodation	4.2	-33.4	-40.3	-40.7
Remove means test exemption for superannuation assets for those aged between 55 years and Age Pension age	1.3	-92.6	-67.5	-65.3
Tighten Job Search and Newstart Allowance Activity Test Administration (h)	-39.3	-106.4	-111.9	-116.2
Improve Overpayment Raising and Debt Recovery	-5.9	-56.6	-148.5	-161.0
Tighten the Job Search/Newstart Allowance and Pensions Advances Schemes (h)	-55.6	-27.9	1.2	2.5
Family Tax Initiative - Family Tax Payment	247.6	482.7	484.0	485.7
Abolish Earnings Credit Schemes for pensioners and the unemployed	-20.6	-75.8	-79.6	-83.0
Reduction in Labour Market funds (h)	184.8	307.5	35.4	46.4
Establishment of a Shopfront Agency to Deliver Income Support Payments, Childcare Assistance, Student Assistance and Employment Services (h)	23.7	-25.1	-53.6	-66.2

Description of Measure	Effect on outlays			
	Budget	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Transport and Regional Development				
<i>Decisions from the 1995-96 Budget to the Federal Election (l)</i>				
Pacific Highway (net of offset against National Highway System funding)	35.0	46.7	48.3	80.1
Track Australia - Funding for National Rail Infrastructure Authority	-20.0	71.8	95.1	98.0
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Reduction in funding for National Rail Infrastructure Authority (i)	-30.0	-56.4	-31.7	-14.7
Extension to the Sydney Airport Noise Amelioration Programme	-2.9	-9.6	79.3	74.6
Reduction in National Highway System funding	-113.0	-138.0	-156.8	-214.1
Abolition of Regional Development Programme	-53.1	-55.2	-53.0	-20.9
Additional Savings from Better Cities Programme Mark II	-65.0	-60.0	-13.3	0.0
Treasury				
<i>Decisions from the 1995-96 Budget to the Federal Election (l)</i>				
Assistance to Papua New Guinea to help fill the External Financing Gap - Repayment of Loan	0.0	-69.4	0.0	0.0
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Extension of the Real Per Capita Guarantee for financial assistance grants	0.0	0.0	199.4	205.4
State Fiscal Contributions - Payments from the States and reductions in Commonwealth funding to the States	-619.0	-640.0	-300.0	0.0
Veterans' Affairs				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Withhold 1 November 1996 Medicare Fee Increase (excludes Pathology and Radiology (k))	-1.8	-3.3	-3.4	-3.6
Reduce the maximum Rent Assistance payable to singles in shared accommodation	0.4	-0.1	-0.1	-0.1
Remove means test exemption for superannuation assets for those aged between 55 years and Age Pension age	0.0	-0.2	-0.6	-0.5
Review Significant High Cost Pharmaceutical Benefits Scheme Listings (k)	0.0	0.0	-2.3	-2.6
Structural Reform of Residential Aged Care (k)	0.6	-0.4	-0.4	-0.3
Increase the Pharmaceutical Benefits Scheme concessional patient contribution to \$3.20 per script (k)	-1.9	-4.6	-4.7	-4.9
Cross Portfolio				
<i>Decisions from the Federal Election to the 1996-97 Budget</i>				
Across-the-board reduction of 2% in running costs	-186.7	-187.9	-189.9	-193.8
Savings from reduced Cash Balances held by Statutory Bodies (k)	-301.7	18.3	11.9	13.4
Application of Efficiency Dividend to Commonwealth Own Purpose Outlays and Specific Purpose Payments of a running costs nature	-74.6	-170.8	-218.2	-263.9

- (a) Does not include estimated proceeds from sale of the businesses which are Commercial-In-Confidence.
- (b) This represents a flow on from the Primary Industries and Energy portfolio measure.
- (c) This represents a flow on from the Immigration and Multicultural Affairs portfolio measure.
- (d) Includes net advances of -\$3.9m in 1996-97, -\$20.3m in 1997-98, -\$37.8m in 1998-99 and -\$48.2m in 1999-00 which do not contribute to the underlying deficit.
- (e) Includes net advances of \$110.2m in 1996-97, \$306.5m in 1997-98, \$467.6m in 1998-99 and \$570.8m in 1999-00 which do not contribute to the underlying deficit.
- (f) Includes net advances of -\$229.9m in 1997-98, -\$269.7m in 1998-99 and -\$317.8m in 1999-00 which do not contribute to the underlying deficit.
- (g) Includes estimated proceeds from sale of the businesses which are Commercial-In-Confidence.
- (h) This represents a flow on from the Employment, Education, Training and Youth Affairs portfolio measure.
- (i) Includes net advances of -\$10.0m in 1996-97 which does not contribute to the underlying deficit.
- (j) This represents a flow on from the Health and Family Services portfolio measure.
- (k) Increase funding in the forward years represents a subsequent return to fund commitments.
- (l) Some of these measures were subsequently reversed following the election. See under *Decisions from the Federal Election to the 1996-97 Budget*.

Administrative Services

The Government has accepted the recommendations of *a review of the commercial businesses in DAS*. This will see the Government withdraw from a number of the businesses by either trade sale or management buyout, and rationalise, restructure or refinance a number of others. Costs for implementing these changes are reported against the Administrative Services portfolio while proceeds from sale/refinancing and administration of the sale are reported against the Office of Asset Sales in the Finance portfolio.

The savings from the *property strategy* are largely the result of expected sale proceeds from Commonwealth commercial property.

Attorney-General's

The Government has agreed to a one-off increase of 0.2% in the 1996-97 Medicare levy to cover the costs of a *National Firearms Programme* to compensate gun owners, dealers and collectors for the surrender of certain categories of guns. Compensation will be made through State Governments to eligible recipients for the surrender of weapons.

The Government has agreed that the *construction of the Melbourne Law Courts Building* be funded off-budget. A developer will be selected by tender to undertake construction on the basis of a Commonwealth pre-commitment to a rental stream. The Commonwealth will own the land and building at the expiry of the agreement.

Communications and the Arts

Budget funding for the ABC has been reduced by \$55 million on an ongoing basis commencing in 1997-98. This reduction is in addition to the ongoing savings resulting from the Government's *Meeting Our Commitments* undertaking to reduce agencies' ongoing running costs, across-the-board, by 2% from 1996-97.

Employment, Education, Training and Youth Affairs

University discretionary funding came from the amalgamation of two previous programmes, the Quality Assurance Programme and the National Priority Reserve Fund. The Government has decided not to renew the Quality Assurance Programme and to discontinue discretionary funding.

Modern Australian Apprenticeship and Traineeship System is a package of measures aimed at making the apprenticeship and training system more responsive to industry and employer needs, thereby increasing the competitiveness of Australian enterprises. It focuses on enhanced workforce skills and expanding training opportunities for young people.

Increased funding for higher education research includes enhancements to three existing programmes. Additional research infrastructure funding will be provided to universities to support the indirect costs of research. Enhancement of the Collaborative Research Grants programme is intended to encourage greater industry involvement in and funding of university research; and an increase in funding of Australian Postgraduate Awards with stipend is to assist in attracting greater numbers of high quality graduates to undertake research training and to acquire research skills that are sought by industry.

The *abolition of the new schools policy* will result in the existing restrictions being removed from 1997 on Commonwealth funding for all new non-government schools

meeting State/Territory minimum registration requirements. Current policy limiting new non-systemic schools to Category 6 recurrent funding at best is also being removed. This measure will be offset by an *enrolment benchmark adjustment for schools*. This will enable the Commonwealth to obtain a share of the savings to State and Territory governments resulting from the expected shift in enrolments from government to non-government schools.

The *Reduction in Labour Market Programme Funds* will reduce and more tightly target outlays in labour market assistance to the unemployed with reductions in outlays concentrated on the least effective programmes. In the short term programmes will also be streamlined into four main groupings to reduce the current confusion over the number and complexity of programmes amongst clients and staff.

The Government has also announced that in the medium term it will be completely *reforming the way in which labour market assistance is delivered to jobseekers*. The new arrangements which will take some time to fully implement are expected to be in place by December 1997. They will involve the creation of a competitive employment market with a corporatised public provider competing on an equal footing alongside private providers. Most Labour Market Programme funding and related administrative costs will be used to purchase services from employment placement providers. The payment structure will be focussed on finding people jobs rather than placing them in training programmes. The new labour market assistance arrangements will complement the *shopfront agency* which is to be established at around the same time. This measure is described in more detail in the Social Security portfolio.

Under the arrangements for Commonwealth funding of Technical and Further Education (TAFE) activities in the States and Territories, the base recurrent funds component was increasing at 5% above price increases. *The 5% real growth on base recurrent TAFE funding has been abolished*. The measure does not affect the separate growth funding provided under the Australian National Training Authority Agreement.

A *reduction in the operating grants of each higher education institution* of 1% in 1997, 3% in 1998, and 1% in 1999 will be applied on a cumulative basis. Institutions will be expected, wherever feasible, to maintain the current level of undergraduate places and to make any necessary adjustments at the non-research postgraduate level.

A *three band scale of HECS contributions* will be introduced from 1 January 1997. The 1997 contributions will be \$3300 for courses such as Arts, Education and Nursing; \$4700 for most other courses; and \$5500 for high cost and high demand courses such as Medicine and Dentistry. In addition, the first *compulsory income threshold for repayment of HECS* will be lowered to \$20,701 and the other thresholds which affect the rate at which HECS is repaid will be reduced commensurately. The existing optional lower HECS repayment threshold (which involved a 10% discount) will not be available from 1 January 1997.

The *mix of incentive payments to employers of apprentices and trainees* has been changed to increase the effectiveness of employer incentives. It includes changes which will target incentive payments to small and medium sized businesses from 1 January 1998 and encourage training that provides for advancement to higher levels of qualification.

Tighter targeting of AUSTUDY assistance will be implemented through an extension of the Actual Means Test which applies to certain families whose taxable income does not accurately reflect their financial means.

The age at which students are assessed as independent of parental means for AUSTUDY will be increased to 25 years, but students who turn 25 while undertaking an approved course would continue to be assessed as dependent to the end of that course unless they met a criterion for independence other than age.

Environment, Sport and Territories

The *Environment, Sport and Territories portfolio Savings Initiatives* involve outlay reductions totalling \$168.1 million over four years. The savings come mainly from the Environment Strategies Programme, Environment Protection Agency, Australian Nature Conservation Agency, Office of Local Government, Australian Heritage Commission and Territories. The portfolio has contributed to the Government's fiscal savings task by reviewing the relative priority of the functions and scope for more efficient delivery of government services.

The Government is committed to fund an Environment Package of \$1.149 billion over a period of years contingent on the partial privatisation of Telstra. Administration will be through a Commonwealth trust fund, the Natural Heritage Trust of Australia Reserve (the Reserve).

Pending the legislation establishing the Reserve and the partial sale of Telstra which will fund the Reserve, the Government agreed various budget measures totalling \$29.610 million in 1996-97 to ensure the maintenance of key programmes related to the Reserve initiatives and effective planning. Budget measures include Landcare (\$8.01 million), Murray Darling 2001 Initiative (\$4.66 million), National Feral Animal Control Strategy (\$4.44 million), National Vegetation Programmes (\$2.5 million), National Weeds Strategy (\$1.9 million), and Endangered Species Programme (\$1 million).

Finance

The *Office of Asset Sales* (OAS) will be established to prosecute all major asset sales currently being undertaken by the Government. The OAS will draw more extensively on the private sector to provide specialist consulting skills in those areas where private industry holds a comparative advantage. This will allow a reduced establishment of officials to focus on the strategic issues which are of most significance to Government. The reduction in running cost outlays compared to 1995-96 reflects this significant reduction in the number of officials.

Foreign Affairs and Trade

Savings will be achieved from the *abolition of the Development Import Finance Facility* programme as of 1996-97. Some payments are to be made in 1996-97 to meet pre-existing formal offers.

Additional savings from AusAID's global aid vote, beyond DIFF abolition, will be achieved principally from reduced contributions to international organisations and reductions in some country programmes.

The *International Trade Enhancement Scheme*, a revolving concessional loans scheme administered by Austrade, has been abolished. Repayments on existing loans will be returned to the Budget over future years.

Savings from the Export Market Development Grant Scheme (EMDGS) will be achieved from tighter eligibility criteria and the application of a \$150 million cap. Under this measure, single service tourism providers are to be eligible for EMDGS at

the full grant rate. Grants are being further targeted to small to medium enterprises, including by introducing a \$50 million a year turnover test and reducing the minimum expenditure threshold to \$20,000. The scheme is being tightened and eligibility criteria changed within a \$150 million a year expenditure cap being introduced from the 1996-97 grant year.

Health and Family Services

The 1 November increase in Medicare Schedule Fees will be withheld this year, as medical practitioners will also be expected to find the efficiency savings that the Government expects from its other programmes. This measure applies to all items on the schedule, except pathology and radiology which are subject to separate measures.

Access of new doctors to Medicare benefits will be limited until they undertake appropriate post-graduate qualifications. Existing doctors will be unaffected. New doctors will be able to take salaried positions, eg in hospitals, and additional funding of \$20 million a year will assist in the provision of services in areas of doctor shortages.

Hospital Funding Grants to the States will be reduced to offset cost-shifting of hospital related services. These costs, which relate to outpatient, pre-admission and post-discharge services and are being met by the Commonwealth through Medical Benefits instead of by the States and Territories, will be tracked, and adjustments made to Hospital Funding Grants to compensate for cost shifting.

The Commonwealth Dental Health Programme will cease at the end of December 1996. The programme, which augments State public dental services, was introduced in 1993-94 and provides assistance to Health Card and Commonwealth Seniors Card holders.

The Government will *review significant high cost drugs* listed under the Pharmaceutical Benefits Scheme (PBS) before the 1993 cost effectiveness requirements were introduced to ensure that these products meet the same cost effectiveness standards as applied to products listed since January 1993.

Funding has been provided for the *continuation of the National HIV/AIDS Programme*. The programme aims to continue an effective national response to HIV/AIDS through research, education and national coordination, while strengthening links with other health issues which have a direct relationship with HIV/AIDS.

Funding has been provided for the *continuation of public health programmes* which will be delivered through new broadbanded Public Health Agreements with the States. These agreements will include the national focus and management of public health issues; research, education and treatment for drug abuse; and primary health care services for homeless and at risk youth.

From 1 July 1997 the Government will provide an income-tested *financial incentive to those people who hold private health insurance*. The amount of incentive available will depend on the type and level of private health insurance coverage held.

Pathology expenditure under the Medicare Benefits Schedule will be capped A target amount of outlays has been determined for each of the next three years, from which benefits will be paid in the same way as presently. Should the target be under-spent or over-spent, the Schedule will be varied in the following year to ensure the long term target is met.

Reforms will be introduced to achieve *more efficient and cost effective diagnostic imaging services*. They comprise restructuring the table of benefits for diagnostic

imaging services (including a one year fee freeze) and strengthening industry arrangements in a number of areas (particularly in the accreditation of providers).

Structural Reform of Residential Aged Care will amalgamate the nursing home and hostel sectors into a single residential care system. It introduces income testing for residential care subsidies and allows all facilities to charge new residents a hostel-style entry deposit. These deposits will provide funding towards capital improvement in the sector. This initiative also enables more facilities to charge higher fees in exchange for higher quality accommodation and additional services, and involves the establishment of an independent Aged Care Standards Agency.

On 1 January 1997, *the concessional patient contribution will be increased for drugs listed on the PBS*, from \$2.70 to \$3.20 per script, with a corresponding increase in the safety net from \$140.40 to \$166.40. There will be no change to the annual pharmaceutical allowance paid mainly to pensioners, sickness allowees and unemployed people over 60 years old.

On 1 January 1997, *the general patient contribution will be increased for drugs listed on the PBS*, from \$17.40 to \$20. There will be no change to the safety net threshold.

Childcare Assistance will no longer be payable for more than 50 hours of care per week. This will mean reduced assistance to those using more than 50 hours, and also for those using less than 50 hours but charged for more than 50 hours due to sessional charging practices.

Other reforms to child care which, combined, comprise a major change include:

- abolish Operational Subsidies to community based long day care centres (funding will be provided for transition costs for services, assistance to services in disadvantaged areas and support for children with special needs);
- reduce the eligible income for Childcare Assistance for two or more children;
- reduce the level of Childcare Cash Rebate for families with incomes above the Family Tax Initiative threshold from 30% to 20%;
- freeze the maximum amount of Childcare Assistance payable for two years;
- abolish the additional income allowed for additional dependent children when assessing eligibility for Childcare Assistance;
- payment of Childcare Assistance and Childcare Cash Rebate through the new Government shopfronts; and
- not proceeding with the Commonwealth funded new community based long day care places planned under the New Growth Strategy places (but leaving provision for some capital for additional places in areas not serviced by the private sector).

Immigration and Multicultural Affairs

The number of places under the *Migration Programme* has been reduced by 9000 places. There has also been a tightening of the family reunion requirements and processes and an expansion in skilled migration.

The *Humanitarian Programme* has been set at 12,000 offshore places for 1996-97 (including 2000 places brought forward to 1995-96) and 10,000 offshore places for 1997-98 onwards. The reduction of 1000 in 1996-97 and 3000 ongoing from previous planned numbers will occur in the Special Assistance Category (SAC) component of the Programme. (The SAC provides places for people in particularly

vulnerable situations overseas who have close links to Australia.) In addition, there will be 2000 places onshore to provide for the estimated number of people granted permanent residence as a result of meeting the United Nation's refugee criteria in Australia. Should onshore grants exceed 2000, the excess will be absorbed into the offshore programme.

Industry, Science and Tourism

Competitive Grants for Industry Research and Development will be continued for a further three years. Grants are available for R&D projects undertaken by companies in tax loss unable to fully utilise the R&D tax concession and also to support collaborative projects between companies and researchers.

The *computer bounty* will continue to operate for 1996-97, and then be abolished from 1 July 1997. An Information Industries Task Force drawn largely from industry will be convened to report to the Government on the redesign of policies to support the development of a competitive information technology sector. Savings from the computer bounty in 1997-98 reflect the fact that the bounty will apply for half of that year, and that claims for production that occurred before 1 July 1997 will continue to be received for some time.

The operation of the *Diesel Fuel Rebate Scheme (DFRS)* is to be revamped from 1 January 1997 to curb overclaiming of the rebate and contain the associated growth in outlays. This measure will address the concerns raised by the Australian National Audit Office about 'leakages' from DFRS, and curtail the excessive growth of outlays stemming from Administrative Appeals Tribunal/Federal Court decisions.

The Government has established a *Strategic Assistance for Research and Development (START)* programme of grants and loans to assist industry R&D. The new programme would replace the R&D syndication arrangements which were abolished on 23 July 1996.

Primary Industries and Energy

Drought relief for farmers in already-declared drought-affected areas has been continued and extended to those in newly drought-declared areas in NSW.

Landcare aspects of the previous government's *Sustaining Rural Australia - Our Land* package announced in January 1996 have been removed and replaced by the Environment Package within the Environment, Sport and Territories portfolio.

Prime Minister and Cabinet

Savings in *Aboriginal and Torres Strait Islander Commission (ATSIC)* have been achieved while maintaining ATSIC's spending on housing and infrastructure at an average of \$210 million a year for the next four years and maintaining present participant numbers in Community Development Employment Projects.

Social Security

Newly arrived migrants to Australia will be required to wait two years before they are eligible for the payment of Social Security benefits, except where their circumstances have changed significantly for reasons beyond their control. The major benefits affected are unemployment allowances (Job Search and Newstart Allowances), more than minimum rate Family Payment and Parenting Allowance.

A new maximum rate of Rent Assistance for single people (without children) who share accommodation (other than boarders and lodgers) will be introduced. The new rate is two-thirds the current single rate and will reduce the maximum rate payable from \$73.80 to \$49.20 per fortnight per person.

The current *means test exemption for amounts held in superannuation and rollover funds* by persons without recent work experience between 55 and Age Pension age will be removed. Assets held in such funds will be assessed under the assets test and returns accruing in them will be assessed as income.

Tightening of the activity test administration will ensure better compliance by unemployment payment (Job Search and Newstart Allowance) recipients. The package includes closer monitoring and verification of claims about job search efforts through the use of Job Search diaries, increased issuing of Employer Contact Certificates and the establishment of a telephone contact service for employers. Penalties for failure to satisfy the activity test will also be strengthened.

Reduced fraud, better identification and raising of overpayments, and fuller recovery of debts will occur through the application of additional resources. Legislation will be introduced to allow for the recovery of excess payments which are not currently recoverable debts, including overpayments caused by administrative errors and processing delays.

The operation of the *current unemployment allowance (Job Search and Newstart Allowance) and pensions advances schemes*, which allow recipients to obtain lump sum advances in lieu of part of their regular income support payments, will be modified. The maximum amount for an advance under the unemployment allowance scheme will be reduced from \$1,000 to \$500, consistent with that applying for the pensions scheme; advances will be limited to one a year; and they will be recoverable within six months.

The *Family Tax Initiative* commences from 1 January 1997 and provides additional assistance to families with children through tax concessions (to be known as Family Tax Assistance) or fortnightly cash payments (Family Tax Payment) to low income families - see *Strengthening Families* for details.

Social Security clients will no longer be able to access *earnings credit schemes* which previously permitted income support recipients for most payments to accrue unused amounts of the income test free area and to use this credit to offset earned income before the application of the normal income test. This measure achieves savings without affecting minimum safety net levels of assistance for income support recipients.

In July 1997 a *new shopfront agency* will be set up to deliver Department of Social Security income support payments, Department of Employment, Education, Training and Youth Affairs student assistance payments, and the registration, assessment and referral functions currently carried out by the Commonwealth Employment Service. Childcare Assistance and the Childcare Cash Rebate, currently administered by the Department of Health and Family Services, will also be delivered by the shopfront.

Transport and Regional Development

Funding will be provided for capital works on the *Pacific Highway*. As foreshadowed in *Meeting Our Commitments* the Commonwealth expenditure of \$75 million a year is to be matched on a dollar for dollar basis by the State Governments and offset against National Highway funding to the extent of \$10 million each year. The capital works are to commence in 1996-97.

The previous Government allocated funding for the establishment of a national rail infrastructure authority following the last Budget through the measure *Track Australia*. The Government is now reviewing its involvement in the rail industry. The future of this Government's *National Rail Infrastructure Authority* will be determined following that review and negotiations with the States.

Extension to the Sydney Airport Noise Amelioration Programme(SANAP) includes:

- a rephrasing of outlays on the current SANAP;
- some additional funding for the existing residential noise insulation programme to the north of Kingsford-Smith Airport; and
- additional funding to cover aircraft noise insulation for those residences and public institutions affected by the changed operations of the East-West runway.

Commonwealth funding of the *National Highway System* (NHS) is being reduced. Scope has been identified for considerable savings in maintenance costs (which are over a third of total expenditure). Funding will enable the Government to proceed with high priority projects on the NHS, eg Mt Barker Road in SA.

Savings from the termination of the *Regional Development Programme* and *Building Better Cities Programme* will be achieved by eliminating duplication with State and Local Governments in the regional development area.

Treasury

Assistance to Papua New Guinea to Help Fill the External Financing Gap - repayment of loan. This is the repayment of the loan which was made in 1995-96.

At the 1996 Premiers' Conference, the Commonwealth agreed to the *extension of the real per capita indexation arrangements for Financial Assistance Grants* until the end of 1998-99, conditional upon the States meeting their obligations under the Agreement to Implement the National Competition Policy and Related Reforms.

At the 1996 Premiers' Conference, the *States and Territories agreed to make fiscal contributions* in the three years to 1998-99 towards the Commonwealth's Budget deficit reduction programme. The need for these contributions will be reviewed annually at future Premiers' Conferences.

Cross-Portfolio

Running costs for departments and agencies have been reduced by 2% from 1996-97. This reduction is in addition to the existing annual 1% efficiency dividend which is applied to running costs. The operating expenses component of budget funding for statutory bodies that do not operate on the Public Account has also been reduced by 2% from 1996-97. Bodies are expected to make the reduction in their operating costs rather than in other expenditure. In addition, the Government has decided to cease supplementation for new applications under the Movement to Award Wages programme with effect from 20 August 1996 with appropriate transitional arrangements where matters are well advanced.

The *excess cash balances of a number of statutory authorities* will be run down by reducing 1996-97 Budget appropriations, where the cash balances are surplus to immediate need.

An *efficiency dividend equivalent to that being applied to running costs* has generally been applied to Commonwealth Own Purpose Outlays (COPOs) and

Specific Purpose Payments (SPPs) which are of a running costs type nature, but which have not previously been required to provide an efficiency dividend. In addition the 2% reduction applied to running costs in 1996-97 is also being applied to these SPPs and COPOs in 1996-97. This applies the same efficiency incentives to these elements of outlays as have been applied to other operating costs expenditure.

Parameter Variations

Since the 1995-96 Budget was brought down in May 1995, variations from the published forward estimates for 1996-97 caused by changes in economic and programme specific parameters totalled \$2350 million. This includes higher than expected increases in prices and wages, higher than anticipated numbers and average rates of payment to other pensioners and beneficiaries, and higher than expected numbers of Newstart Allowance beneficiaries.

The cost to the Commonwealth of public debt interest (PDI) is estimated to be \$208 million lower in 1996-97 than expected in the forward estimates published as part of the 1995-96 Budget. This largely reflects expected reductions in outstanding debt. The effect of these changes and the corresponding effects in the outyears can be seen in Table 2.

Other Estimates Variations

The net effect in 1996-97 of other variations and slippage of 1995-96 Budget decisions totalled -\$1274 million. This net reduction was mainly due to:

- the revised timing of major asset sales; and
- the removal of some of the conservative bias contained within the estimates to balance expected under estimation in the cost of existing policy; this allowance is made each budget to improve the accuracy of the estimate of total outlays.

The revised timing of major asset sales and the removal of the conservative bias are also the major factors in other variations in the forward years.

Components of variations between Forward Estimates and Budgets

Table 5 shows the net effect of Government decisions, for both increases and decreases, on the forward estimates for each year from 1985-86, relative to the total budget and other changes.

Table 5. Reconciliation of Forward Estimates and Budget 1986-87 to 1996-97 (\$m)

Year	Forward Estimates(a)	Budget Estimates	Total Change	Change Accounted for by:	
				Parameter Estimates	Policy Decisions
1986-87	75702	74764	-938	1039	-1977
1987-88	80939	78146	-2793	694	-3487
1988-89	82309	82013	-296	297	-593
1989-90	84895	86753	1858	1636	223
1990-91	93161	92956	-205	1098	-1303
1991-92	97846	101508	3663	3713	-50
1992-93	105705	109894	4189	635	3554
1993-94	115824	115089	-735	-450	-285
1994-95	119619	120633	1014	-723	1737
1995-96	128218	123730	-4488	-686	-3802
1996-97	130904	129686	-1217	1028	-2245

(a) The first forward estimate from the previous budget.

(b) The decrease in policy decisions in the 1995-96 year includes an estimate of the receipts from the CBA sale which slipped to 1996-97.

3. ESTIMATING ASSUMPTIONS

Economic Parameter Assumptions

The economic parameters underlying the budget year estimates are set out in *Statement 2*. Due to the greater uncertainty of longer-term forecasts, the projections contained in *Statement 1* which underlie the Budget and forward estimates should be considered as a realistic scenario for the economy rather than as a forecast.

The following key parameters have been used in calculating the estimates of outlays:

- **prices:** the Consumer Price Index (CPI) is assumed to increase by 2% in 1996-97, around 2¾% in 1997-98 and 3% in later years. The underlying measure of the CPI (CPI-U) is assumed to increase by 2¾% in 1996-97, and around 3% in later years. The non-farm GDP price deflator is assumed to increase by 2¾% in 1996-97 and 1997-98, and around 3% in each of the later years;
- **wages:** aggregate public sector salaries are assumed to move in line with community standards and with the Government's policy on workplace bargaining in Australian Government employment;
- **unemployment:** the estimates assume beneficiary numbers of around 829,000 in 1996-97, remaining steady in 1997-98 and declining steadily in the forward years;
- **interest rates:** the Reserve Bank of Australia conducts monetary policy in accordance with the Bank's inflation objective of keeping underlying inflation around 2 to 3% on average over the economic cycle; and
- **exchange rates:** the Trade Weighted Index (TWI) is assumed to be around 58 for 1996-97 and for each of the forward years.

These economic parameter estimates were settled following the release of the 1996 June quarter CPI and the preliminary version of the June 1996 quarter National Accounts. The June quarter National Accounts were not available in time to be incorporated in the estimates for individual programmes. An allowance is made for the impact of final revisions in *14D. Contingency Reserve*.

4. SENSITIVITY ANALYSIS

Parameter Sensitivity of the Budget and Forward Estimates

This section provides an approximate guide to the sensitivity of the forward estimates of outlays to variations in key economic parameters.

Figures are provided for the following assumptions about changes to three broad groups of parameters:

- **Prices** - all price deflators are assumed to increase by one percentage point at the start of the September quarter 1996-97.
- **Wages** - all wage and salary rates are assumed to increase by 1% from the beginning of the September quarter 1996-97.
- **Newstart Allowance recipients** - total number of recipients assumed to increase by 5% from the beginning of the 1996-97 financial year.

The estimated effect of each of these changes on outlays is shown in the table below. The estimates allow only for the direct effect of the changes. To some extent, however, the figures below can be used cumulatively to test the outlay sensitivity of alternative economic scenarios.

Table 6. Estimated Effect on Total Outlays of Variations in Key Parameters

(rounded to nearest \$50 million)

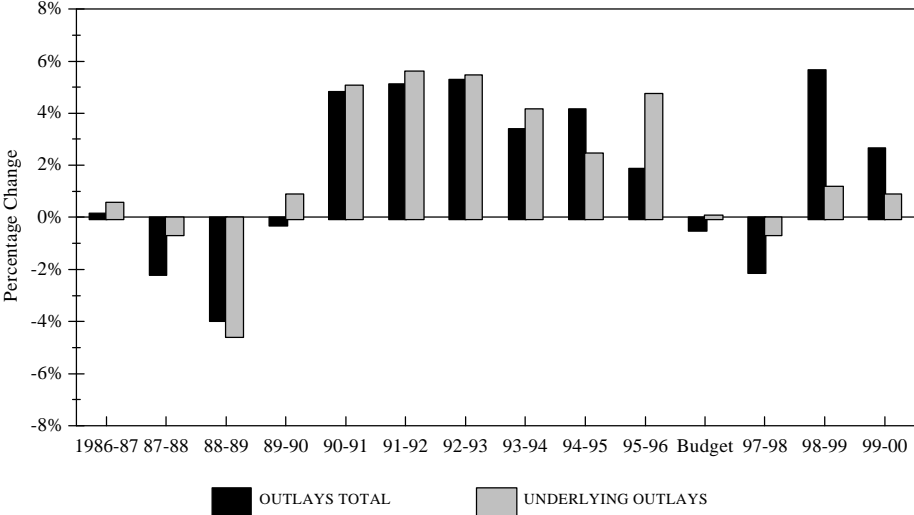
Parameter	1996-97	1997-98	1998-99	1999-00
	\$m	\$m	\$m	\$m
Prices	400	900	950	1000
Wages	150	150	150	150
Newstart Allowance recipients	300	300	300	300

The component of outlays most sensitive to GDP growth is personal benefit payments, particularly payments of Newstart Allowance. The relationship between growth and numbers of allowance recipients has proved to be variable; it is therefore unreliable for sensitivity analysis in the short term. The sensitivity of outlays estimates to changes in interest rates depends on the composition of securities issued; for further information see function 14A. *Public Debt Interest*.

5. OUTLAYS TRENDS

General Trends

Chart 3. Real Growth in Outlays



A fall in real outlays from 1987-88 contributed to the budget moving into surplus from 1987-88 to 1990-91. Rising outlays from 1990-91, as economic conditions worsened, contributed to the Budget then moving back into deficit. The lower growth in real outlays in 1993-94 was mainly due to the large increase in asset sale receipts in that year. The anticipated real fall in outlays in 1996-97 is due to restraint in

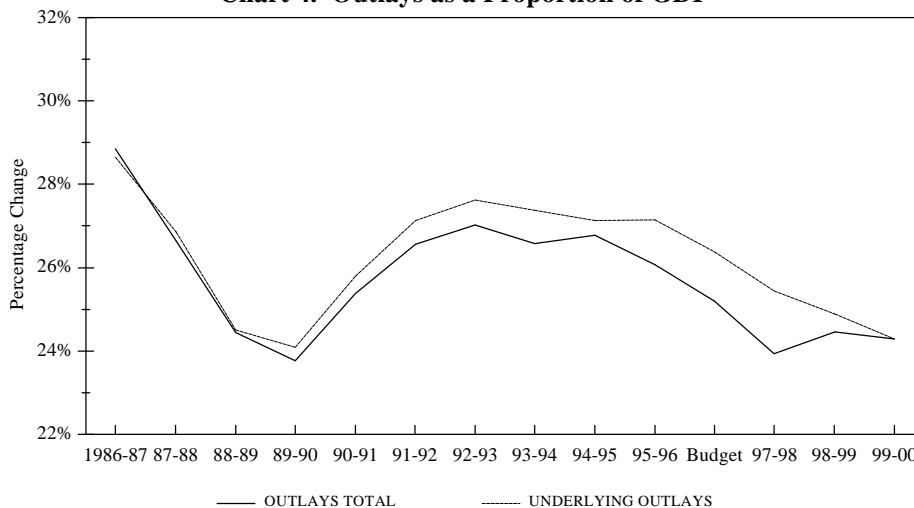
underlying outlays growth combined with asset sale receipts and accelerated State repayments of Commonwealth loans.

Underlying outlays remove the impact of major equity asset sales which have been significant from 1987-88, and repayments of State loans, which have been subject to accelerated repayments from 1990-91, and as a consequence can exhibit quite different growth rates from total outlays. There was substantial real growth in underlying outlays in 1995-96. However real growth in underlying outlays is subdued in the 1996-97 Budget and the forward years following the fiscal consolidation commenced in this budget.

The ratio of budget outlays to GDP shown in the following chart is an indicator of the share of national resources devoted to Commonwealth budget programmes. The ratio effectively tracks the economic cycle, partly reflecting the operation of the Commonwealth's automatic stabilisers (during periods of recession Commonwealth outlays on labour market programmes and in the social security and welfare area rise substantially and the reverse occurs in times of economic and employment growth).

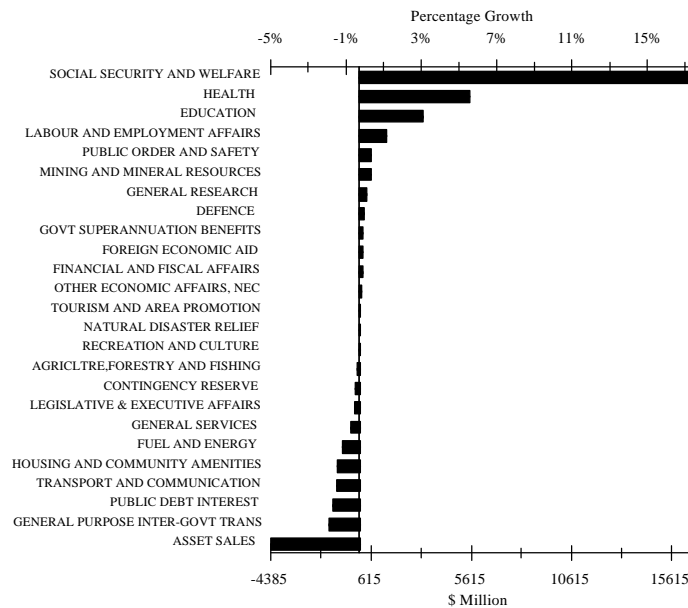
In the first four years, policy decisions and economic growth combined to decrease the ratio of outlays to GDP. It increased from 1989-90 to a peak in 1994-95, partly reflecting economic conditions over the period and partly as a policy response. Current projections should see a decrease in the ratio measured in terms of underlying outlays in the Budget and forward years though the ratio for total outlays rises from 1997-98.

Chart 4. Outlays as a Proportion of GDP



Trends in Outlays by Function

**Chart 5. Contributions to Real Growth
1986-87 to 1996-97
(1989-90 Prices)**



In the ten years to 1996-97:

- Outlays on *6. Social Security and Welfare* have significantly increased reflecting both policy decisions and the economic cycle. The major contributors to this growth have been assistance to the unemployed and sick, assistance to families with children, assistance to the aged, assistance to people with disabilities and aboriginal advancement programmes. The majority of growth has occurred in the last five years.
- Outlays on *5. Health* have risen due to the changed financing arrangements associated with the introduction of Medicare in 1984 and the subsequent increased coverage of Commonwealth funded medical benefits as well as increased outlays on pharmaceutical benefits. There has also been growth in Medicare service volumes.
- Increased outlays on *4. Education* mainly reflect increases in higher education student places, vocational education and capital funding, together with increases in school grants and student assistance.
- Asset sales over the period resulted in offsets within outlays increasing; therefore *14E. Asset Sales* provided a negative contribution to outlays growth.
- Decreased outlays on *14B. General Purpose Inter-Government Transactions* reflect the effect on net advances to other governments of accelerated State repayments of Commonwealth loans from 1990-91. There were also significant

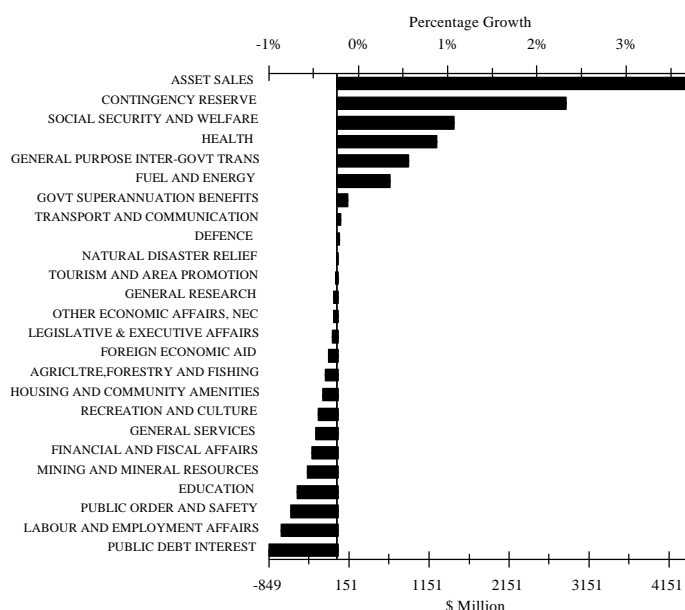
falls in general purpose capital assistance grants and real decreases in general revenue assistance to the States in the late 1980s and early 1990s.

- The real decrease in outlays on 7. *Housing and Community Amenities* mainly reflects lower outlays under the Commonwealth State Housing Agreement (CSHA) and a reduction in the level of assistance provided through the First Home Owners Scheme.

Table 7. Outlays by Function

	1995-96	1996-97		1997-98	1998-99	1999-00
	Actual	Budget	Change	Estimate	Estimate	Estimate
	\$m	\$m	%	\$m	\$m	\$m
1 Total General Public Services	6854.0	7196.5	5.0	6440.7	7256.1	7002.6
A. Legislative and Executive Affairs	593.9	524.0	-11.8	481.3	599.4	498.4
B. Financial and Fiscal Affairs	1698.5	1811.6	6.7	1624.7	1542.4	1577.1
C. Foreign Economic Aid	2268.0	2065.6	-8.9	1979.1	2073.7	2117.4
D. General Research	1081.2	1174.0	8.6	1234.8	1272.5	1232.4
E. General Services	222.5	128.9	-42.1	-295.1	159.5	-194.6
F. Govt Superannuation Benefits	989.9	1492.4	50.8	1415.7	1608.6	1772.0
2 Defence	10010.6	10027.1	0.2	10389.0	10674.2	10936.6
3 Public Order and Safety	926.6	1491.6	61.0	882.4	885.1	893.0
4 Education	10644.2	11063.7	3.9	11050.4	11218.4	11422.7
5 Health	18633.5	19408.4	4.2	20659.3	21588.5	22689.1
6 Social Security and Welfare	46698.6	48896.9	4.7	49994.1	52302.3	55104.8
7 Housing and Community Amenities	1204.7	1121.7	-6.9	1124.7	1042.0	992.3
8 Recreation and Culture	1416.0	1390.4	-1.8	1286.2	1219.8	1222.6
9 Fuel and Energy	37.2	-725.4	na	24.5	24.9	25.3
10 Agriculture, Forestry and Fishing	1875.6	1878.0	0.1	1787.4	1818.5	1861.0
11 Mining & Mineral Resources, other than Fuels; Manufacturing; and Construction	1651.1	1773.6	7.4	1699.8	1609.1	1468.1
12 Transport and Communication	754.3	1190.6	57.8	1321.5	1354.1	1340.4
13 Total Other Economic Affairs	4309.8	3649.5	-15.3	3212.5	3048.9	3018.8
A. Tourism and Area Promotion	104.4	97.9	-6.2	93.8	86.8	86.4
B. Labour and Employment Affairs	3896.8	3235.4	-17.0	2815.7	2669.9	2640.6
C. Other Economic Affairs, nec	308.6	316.1	2.4	303.0	292.1	291.8
14 Total Other Purposes	21689.0	21323.9	-1.7	20552.9	27805.4	32008.8
A. Public Debt Interest	9125.9	9781.0	7.2	9815.0	9759.0	9171.0
B. General Purpose Inter-Govt Transactions	13797.9	16797.0	21.7	17405.6	19100.3	19418.5
C. Natural Disaster Relief	-4.3	29.8	na	30.8	32.2	32.2
D. Contingency Reserve	-	-183.9	na	1311.5	2293.9	3393.2
E. Asset Sales	-1230.5	-5100.0	na	-8010.0	-3380.0	-6.0
TOTAL	126705.2	129686.5	2.4	130425.5	141847.2	149986.2

**Chart 6. Contributions to Real Growth
1996-97 to 1999-00
(1989-90 Prices)**



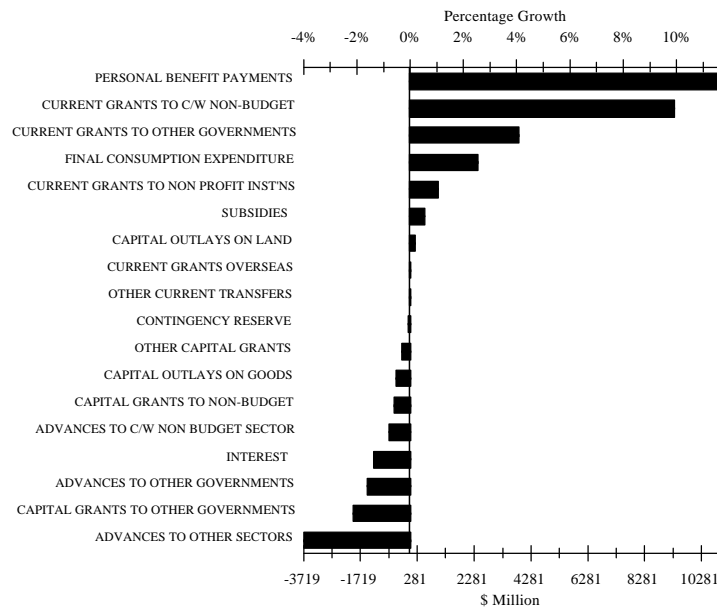
Over the forward years:

- Significant reductions in the estimate of asset sales proceeds expected in 1999-00 compared to 1996-97 will result in offsets within outlays declining, thereby generating the growth in outlays in *14E. Asset Sales*.
- Allowance for the known conservative bias in the forward year estimates and within year changes to non-defence wage and salary awards are expected to contribute to growth in *14D. Contingency Reserve*.
- The major contributions to the growth in outlays on *6. Social Security and Welfare* are the expected increase on assistance to the unemployed, assistance to families with children, assistance to the aged and payments under the family tax initiative.
- The major contributors to the growth in outlays on *5. Health* are the expected increase in the volume of medical and hospital services and a continuing drift towards more expensive pharmaceutical services.
- The decline in *14B. Public Debt Interest* reflects the influence of projected budget surpluses on the level of debt outstanding.
- The decline in *13B. Labour and Employment Affairs* reflects a reduction in labour market programmes and employment services.
- The decline in *3. Public Order and Safety* mainly reflects the effect of the one off gun levy payment in 1996-97 under the national firearms compensation programme.

Trends in Outlays by Economic Type

The economic type analysis is designed to facilitate the study of the macroeconomic effect of Commonwealth transactions and to provide the means of grouping transactions for inclusion in Australian Bureau of Statistics (ABS) Government Finance Statistics and the Australian National Accounts. Economic type definitions are included in the ABS publication 5514.0.

**Chart 7. Contributions to Real Growth
1986-87 to 1996-97
(1989-90 Prices)**



In the ten years to 1996-97:

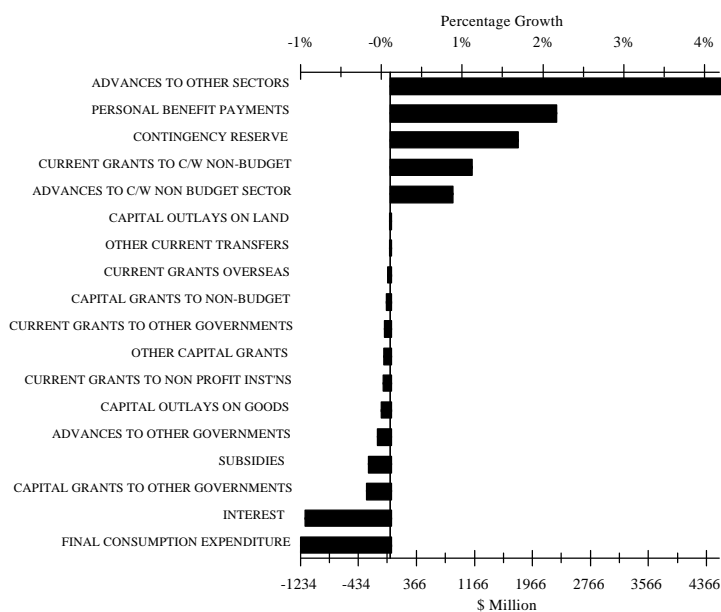
- The major contributors to the substantial increase in outlays on personal benefit payments are assistance to families with children, assistance to the unemployed and sick; and assistance to the aged. In the education area there has been an increased coverage of the student population eligible for student assistance programmes.
- Current grants to the Commonwealth non-budget sector (excluding subsidies to commercial activities) have increased mainly due to higher payments under the pharmaceutical and medical benefits schemes and child care assistance which is administered by the Health Insurance Commission, payments to the Aboriginal and Torres Strait Islander Commission (ATSIC) and payments to the Australian National Training Authority (ANTA).
- The growth in current grants to Other Governments has mainly occurred in funding for public hospitals, higher education and schools.

- Equity asset sales over the period resulted in offsets within outlays increasing; therefore Net advances to other sectors provided a negative contribution to outlays growth.
- Capital grants to other Governments have decreased mainly due to the real fall in general purpose capital and Commonwealth State Housing Agreement (CSHA) grants to the States.
- Net advances to other governments have been affected by accelerated State repayments of Commonwealth loans from 1990-91. In line with ABS standards the repayments of advances are classified as offsets within outlays.

Table 8. Outlays by Economic Type

	1995-96	1996-97		1997-98	1998-99	1999-00
	Actual	Budget	Change	Estimate	Estimate	Estimate
	\$m	\$m	%	\$m	\$m	\$m
Current Outlays						
Final Consumption Expenditure	21497.1	22358.6	4.0	22197.5	22382.4	22794.0
Current Transfer Payments						
Interest	9219.4	9883.9	7.2	9921.6	9874.7	9287.0
Subsidies	2764.3	3073.5	11.2	2982.3	3049.8	2974.4
Personal Benefit Payments	45540.9	47317.0	3.9	48643.7	51277.9	54429.1
Grants to Non-Profit Institutions	3031.2	2736.1	-9.7	2742.7	2807.7	2862.4
Grants to Non-Budget Sector	13548.5	13775.0	1.7	14838.0	15442.4	16425.8
Grants to Other Governments	31136.6	32259.7	3.6	32281.1	33466.7	35055.0
Grants Overseas	1304.9	1172.7	-10.1	1163.2	1189.6	1240.0
Other Transfers	33.3	12.8	-61.7	6.1	6.1	6.2
<i>Total Current Transfer Payments</i>	<i>106579.1</i>	<i>110230.6</i>	<i>3.4</i>	<i>112578.5</i>	<i>117115.0</i>	<i>122279.8</i>
Total Current Outlays	128076.2	132589.3	3.5	134776.0	139497.4	145073.8
Capital Outlays						
Capital Outlays on Goods	661.9	275.3	-58.4	127.9	577.1	147.7
Capital Outlays on Land	-37.2	63.5	na	23.3	62.3	61.8
Capital Transfer Payments						
Grants to Non-Budget Sector	304.2	344.2	13.2	303.6	308.5	314.9
Grants to Other Governments	2807.1	2436.5	-13.2	2331.9	2294.1	2246.8
Grants to Other Sectors	165.6	158.0	-4.6	105.2	83.6	63.8
<i>Total Capital Transfer Payments</i>	<i>3276.9</i>	<i>2938.8</i>	<i>-10.3</i>	<i>2740.7</i>	<i>2686.2</i>	<i>2625.4</i>
Net Advances						
Advances to Non-Budget Sector	-667.4	-996.8	49.4	-84.8	-29.0	-23.7
Advances to Other Governments	-4128.0	-953.1	-76.9	-895.1	-203.6	-1256.1
Advances to Other Sectors	-477.1	-4173.2	na	-7205.7	-2285.1	1208.0
<i>Total Net Advances</i>	<i>-5272.5</i>	<i>-6123.1</i>	<i>16.1</i>	<i>-8185.6</i>	<i>-2517.7</i>	<i>-71.8</i>
Total Capital Outlays	-1370.9	-2845.6	107.6	-5293.7	807.9	2763.1
Contingency Reserve	-	-57.2	na	943.2	1541.9	2149.3
TOTAL	126705.2	129686.5	2.4	130425.5	141847.2	149986.2

**Chart 8. Contributions to Real Growth
1996-97 to 1999-00
(1989-90 Prices)**



Over the forward years:

- Significant reductions in the estimate of equity asset sales proceeds expected in 1999-00 compared to 1996-97 will result in offsets within outlays declining, thereby generating the growth in outlays in Net advances to other sectors.
- Personal benefit payments growth reflects increases in Age and Sole Parent pensions and allowances, assistance for retirement saving and payments under the family tax initiative.
- Allowance for the known conservative bias in the forward year estimates are expected to contribute to growth in the Contingency Reserve.
- Final consumption expenditure (that is Commonwealth own spending) is expected to decline due to reductions in running costs of budget agencies and reduced Defence spending (all Defence spending is treated as current outlays).
- The decline in interest reflects the influence of projected budget surpluses on the level of debt outstanding.
- Decreases in capital grants to other Governments mainly reflect the reduction in Commonwealth State Housing Agreement and road grants to the States.

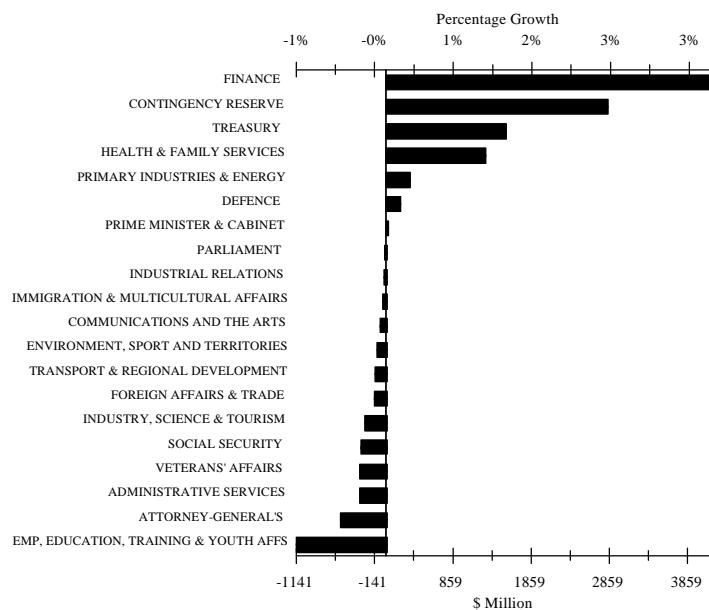
Trends in Outlays by Portfolio

The portfolio analysis refers to the aggregation of outlays according to the Ministry which has prime overall administrative responsibility.

Table 9. Outlays by Portfolio

	1995-96 Actual \$m	1996-97 Budget \$m	Change %	1997-98 Estimate \$m	1998-99 Estimate \$m	1999-00 Estimate \$m
Parliament	166.6	163.1	-2.1	157.6	159.4	161.9
Attorney-General's	892.6	1452.8	62.8	842.8	846.3	849.5
Communications and the Arts	385.2	1082.3	181.0	1117.6	1088.6	1093.9
Defence	10927.9	10996.2	0.6	11441.7	11832.0	12214.2
Veterans' Affairs	6191.8	6365.8	2.8	6356.1	6421.6	6519.3
Employment, Education, Training and Youth Affairs	14081.3	13939.2	-1.0	13575.4	13602.5	13739.9
Environment, Sport and Territories	1863.0	1828.8	-1.8	1826.5	1840.2	1851.5
Finance	554.0	-4321.7	na	-7505.9	-2791.8	625.2
Administrative Services	651.9	449.7	-31.0	1.5	551.6	72.5
Foreign Affairs and Trade	2462.9	2240.2	-9.0	2230.7	2231.5	2258.7
Health and Family Services	19881.6	20805.1	4.6	22134.3	23111.4	24271.2
Immigration and Multicultural Affairs	482.4	466.0	-3.4	438.9	451.4	458.1
Industrial Relations	277.7	266.3	-4.1	257.8	261.1	266.7
Industry, Science and Tourism	2843.8	3160.0	11.1	3119.9	3175.5	3104.8
Primary Industries and Energy	1746.3	1000.1	-42.7	1516.0	1462.0	1475.0
Prime Minister and Cabinet	1128.9	1064.8	-5.7	1112.6	1157.2	1199.9
Social Security	38717.9	40641.5	5.0	41633.6	42653.5	43880.2
Transport and Regional Development	122.0	1298.2	na	1255.9	1265.2	1249.0
Treasury	23327.4	26965.3	15.6	27575.9	30232.7	31301.3
Contingency Reserve	-	-177.2	na	1336.5	2295.4	3393.2
TOTAL	126705.2	129686.5	2.4	130425.5	141847.2	149986.2

**Chart 9. Contributions to Real Growth
1996-97 to 1999-00
(1989-90 Prices)**



Over the forward years:

- Significant reductions in the estimate of equity asset sales proceeds expected in 1999-00 compared to 1996-97 will result in offsets within outlays declining, thereby generating the growth in Finance outlays.
- Allowance for the known conservative bias in the forward year estimates and within year changes to non-defence wage and salary awards are expected to contribute to growth in the Contingency Reserve.
- The increase in Treasury outlays mainly reflect government contributions to the superannuation accounts of employees and the self-employed commencing in 1998-99.
- The major contributors to the growth in Health and Family Services outlays are the expected increase in pharmaceutical services and benefits and the outlay component of the private health insurance incentive scheme that commences in 1997-98.
- The decline in Employment Education, Training and Youth Affairs outlays mainly reflects reduction in labour market programmes and employment services and lower higher education grants to institutions.
- The decline in Attorney-General's outlays mainly reflects the expected fall in legal aid funding and the effect of the one-off gun levy payment in 1996-97 under the national firearms compensation programme.

6. RUNNING COSTS BUDGETS

Overview

This section deals with the budgets of departments and agencies operating under the running costs arrangements.

Running costs are the recurrent and minor capital costs incurred by a budget department or agency in providing the government services for which it is responsible. They include salary costs, administrative expenses and property operating expenses, as well as payments to ComSuper to reflect the employer cost of Commonwealth public sector superannuation schemes. They are formulated on the basis of existing policy and do not include any provision for new programmes or expansion of existing programmes that have not been agreed by the Government or for programmes that are not expected to continue.

Several changes have been made to the reporting of running costs information in this section to align it with running costs appropriations in *Budget Paper 2*. The costs of military salaries in the Department of Defence, which were not previously reported in running cost aggregate figures, are included in the data this year, and running costs funds paid through Commonwealth Trust Accounts have been excluded. The effect of these changes in reporting arrangements on 1996-97 estimates is shown in Table 10.

Table 11 shows the 1996-97 Budget and Forward Estimates of running costs for all portfolios. In nominal terms running costs are expected to increase by about \$385 million or 2.9% from 1995-96 to 1996-97. Running costs will remain constant in real terms.

1996-97 Budget Estimate

Table 10 shows the sources of variations to running costs estimates for 1996-97 since the 1995-96 budget. Apart from the increase due to the inclusion of military salaries in the figures, the major reasons for the increase in 1996-97 running costs outlays are:

- the carryover of funds from 1995-96;
- increased workload in client service programmes;
- changes in price and wage estimates; and
- net new policy and savings decisions.

Approximately \$300 million was carried forward from 1995-96 running costs budgets into 1996-97. It is anticipated that much of this will be used to fund redundancy payments (severance and accrued entitlements) needed to achieve reductions in staff costs in future years. This carry forward is partly offset by the allowance for carryovers from 1996-97 to the next financial year included in the Contingency Reserve, which has been estimated at \$150 million.

Workload changes have added about \$200 million to 1996-97 running costs. These are the result of increases in client numbers expected in the Social Security, Employment, Education, Training and Youth Affairs, and Immigration and Multicultural Affairs portfolios, and in the Child Support Agency of the Australian Taxation Office.

Price and wage adjustments (\$345 million) since the last budget include the effect of supplementation for salary increases agreed under the Enterprise Agreement: Continuous Improvement in the APS, 1995-96 and the equivalent Australian Defence Force agreement. The Agreement adopts a service-wide approach under which standard salary increases in the Agreement are payable to all APS staff from common operative dates. Such increases under the Agreement are fully funded from the Budget in all agencies other than commercial bodies. An allowance for the prospective salary increase was included in the Contingency Reserve in the 1995-96 Budget.

Policy decisions since the 1995-96 Budget have added some \$58 million in running costs in 1996-97. Decisions prior to the Federal election added \$91.7 million. Decisions since then have resulted in savings of \$33.3 million.

Running costs savings agreed in the 1996-97 Budget include a 2% reduction in the running costs of departments and agencies. For Defence, running cost savings have been redirected to fund capability enhancements. There have also been significant reductions in the running costs of some portfolios as a result of specific savings measures. The largest reductions in portfolio running costs are in Industrial Relations and Transport and Regional Development.

There are large increases in running costs in the Social Security, Industry, Science and Tourism and Treasury portfolios. Increases in Social Security are largely attributable to the labour intensive nature of implementing activity testing, debt and fraud control measures and changes in client numbers. Increases in the Industry, Science and Tourism portfolio largely stem from the carryover of 1995-96 running costs to 1996-97. An increase in funding to the Australian Bureau of Statistics to finance the 1996 Census of Population and Housing, combined with new policy initiatives and running costs carryover and borrowing provisions for the Australian Taxation Office, are largely responsible for an increase in Treasury portfolio running costs.

Table 10. Reconciliation of 1996-97 Running Costs Estimates

Variation to Estimate	1996-97 Estimate \$m
ESTIMATED 1996-97 RUNNING COSTS (as at 1995-96 Budget)	9700.7
Adjustment for Military Salaries	3104.8
Adjustment for Trust Accounts	-100.3
Subtotal (as at 1995-96 Budget)	12705.2
Policy Decisions since 1995-96 Budget	
From the 1995-96 Budget to the Federal election	91.7
From the Federal election to the 1996-97 Budget (including 2% across-the-board reduction)	-33.3
Parameter and Other Estimate Variations	
Prices and Wages	344.6
Foreign Exchange Rates	-23.2
Other Variations	
Net Carryover/Borrowing into 1996-97	301.0
Changes in Workload in Client Service Programmes	201.0
Increase in User Charging Receipts	32.6
Other Variations	141.4
Provision for Carryovers into 1997-98	-150.0
TOTAL 1996-97 RUNNING COSTS	13611.0
TOTAL (excluding Defence Military Salaries)	10391.4

(a) 1996-97 estimate for Military Personnel costs as published in the 1995-96 Budget.

(b) An allowance for prospective salary increases was included in the Contingency Reserve in the 1995-96 Budget.

(c) Includes transfers to and from running costs within the Defence global budget, variations to estimates of the efficiency dividend, revisions to supplementation for superannuation costs, and miscellaneous variations.

(d) Expected carryover into 1997-98 is estimated to be lower than in previous years due to an increase in redundancies and general reductions in running costs.

Forward Estimates

Running costs are estimated to decline substantially in real terms from 1996-97 to 1997-98 with a total decrease of 11.5% in real terms over the forward estimates to 1999-2000.

Reasons for the decrease in the forward years include:

- savings and efficiency measures implemented in this Budget;
- initial implementation costs for a number of savings measures in the Social Security portfolio in 1996-97 and 1997-98, which will decline from 1998-99;
- reduced costs in the Department of Social Security as a result of expected efficiency savings from the establishment of the new shopfront agency;
- phasing out of resources for major employment initiatives introduced since 1992;
- the peak in outlays for the Australian Bureau of Statistics in 1996-97 associated with the 1996 Census of Population and Housing; and
- reduced outlays in the Australian Taxation Office following the completion of the modernisation programme.

Running costs agencies, except Defence, are required to pay an annual 1% efficiency dividend to reflect public sector productivity improvement over time. The cumulative effect of the efficiency dividend is reflected in the forward estimates. The total efficiency dividend paid in 1996-97 is around \$72 million.

Staffing Levels

Consistent with practice in previous years Table 11 in this section and Tables XIIa and XIIb in the Statistical Appendix include data on average staffing levels for the budget year based on figures provided by portfolios. The total average staffing level (ASL) in running costs agencies is forecast to decline by 1737 in 1996-97 as compared to 1995-96.

No staffing targets have been set by the Government, with staffing levels being addressed by the relevant portfolios in the context of resources made available under running costs arrangements. Some agencies staffed under the Public Service Act such as the Department of Administrative Services commercial bodies are not subject to running costs arrangements, and are therefore excluded from the portfolio estimates. Based on figures provided by Public Service Act agencies to the Public Service Merit and Protection Commission, it is expected that the total number of people employed (full-time and part-time permanent and temporary staff) under the Public Service Act will decline by some 10,500 between 30 June 1996 and 30 June 1997.

ASL figures are the most relevant for funding purposes, but do not indicate the reduction in total staff numbers that could occur by the end of the financial year. ASL is the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time employees to show the full-time equivalent. This measure of employment allows for comparison between average employment in particular financial years, rather than reflecting the actual number of staff being employed at the end of financial years or at other specific points in time. If, as appears evident from the overall figures, a significant proportion of staff separations occur late in the financial year, the ASL reduction will be significantly lower than the corresponding reduction in total staff numbers between June 1996 and June 1997.

While ASL has declined to some extent in most agencies, this has been partially offset as a result of initiatives such as those in the Department of Social Security and the Australian Bureau of Statistics.

The ASL numbers show a small percentage decline while running costs will remain constant in real terms in 1996-97. This arises because the running costs estimates for 1996-97 include factors which do not add to ASL numbers such as large carryovers for redundancy payments and other purposes and funding for increased salary levels resulting from decisions made prior to the Federal Election.

Table 11. Total Running Costs Budgets by Portfolio and Average Staffing Levels

	1995-96	1996-97		1997-98	1998-99	1999-00
	Actual	Budget	Change	Estimate	Estimate	Estimate
	\$m	\$m	%	\$m	\$m	\$m
Parliament	132.1	132.5	0.3	127.0	128.1	129.8
Attorney-General's	691.7	712.9	3.1	660.4	664.1	668.1
Communications and the Arts	143.5	145.7	1.5	134.5	136.6	138.6
Defence	5177.5	5297.0	2.3	5229.4	5287.6	5395.3
Veterans' Affairs	233.6	233.3	-0.2	213.7	202.4	203.2
Employment, Education, Training and Youth Affairs	1014.9	965.2	-4.9	891.0	840.2	856.8
Environment, Sport and Territories	274.1	262.5	-4.2	257.2	256.3	248.5
Finance	174.1	179.2	2.9	166.9	156.3	156.7
Administrative Services	328.8	339.8	3.4	303.5	311.3	313.8
Foreign Affairs and Trade	512.9	514.8	0.4	495.1	500.2	508.8
Health and Family Services	284.8	283.6	-0.4	276.9	258.2	242.8
Immigration and Multicultural Affairs	354.3	343.1	-3.2	319.5	334.5	344.9
Industrial Relations	116.4	106.6	-8.4	104.8	104.7	106.3
Industry, Science and Tourism	466.3	533.1	14.3	485.3	490.0	488.8
Primary Industries and Energy	198.8	205.0	3.1	183.3	170.8	166.9
Prime Minister and Cabinet	95.6	94.3	-1.4	79.6	80.3	81.2
Social Security	1304.0	1542.9	18.3	1400.4	1369.2	1364.9
Transport and Regional Development	100.5	93.1	-7.3	77.7	75.4	75.9
Treasury	1622.6	1776.4	9.5	1627.6	1587.8	1623.8
Contingency Reserve	na	-150.0	na	na	na	na
Portfolio Total	13226.4	13611.0	2.9	13033.6	12953.9	13115.1
Excluding Contingency Reserve	13226.4	13761.0	4.0	13033.6	12953.9	13115.1
Excluding Military Salaries	10151.5	10391.4	2.4	9882.9	9763.4	9871.3
Portfolio ASL	182145	180408				

Data for the Department of Defence aligns with data in the Appropriation Bills in Budget Paper No. 2 (1996-97). As such it includes Military Personnel costs and excludes property operating expenses appropriated under Sub Division 182-02 of the Bills. Defence operates under global budget funding arrangements and is not subject to most running cost operating arrangements.

7. THE 1995-96 BUDGET IN REVIEW

The Preliminary 1995-96 Budget Outcome was released on 15 July 1996 and the June 1996 Commonwealth Government Statement of Financial Transactions (CFT) was released on 2 August 1996. These releases reported on the 1995-96 financial year outcome. This section updates the analysis of 1995-96 outlays with the major change being a higher level of post-budget decisions but with little change in total outlays from that reported on 2 August 1996.

The analysis in this section is based on the classification scheme used in the 1995-96 Budget. Therefore, figures here may differ from other sections in Statement 3.

Outlays in 1995-96 were around \$3010 million higher than the budget estimate and around \$3760 million higher than the revised forecast published in the *Treasurer's Statement of 12 March 1996*. A substantial part of the higher outlays is attributable to the slippage in the sale of the Commonwealth's remaining equity in the Commonwealth Bank of Australia. The major contributing factors to the variation from Budget are outlined below.

- post-budget decisions of around \$800 million including assistance to Papua New Guinea, drought assistance and the reversal of decisions to sell DASFLEET and the Australian Industry Development Corporation (AIDC);
- economic parameter effects of around \$355 million, including variations in prices and wages, movements in unemployment beneficiaries and more favourable public debt interest;
- programme specific parameter effects of around \$180 million;
- slippage of budget measures of around \$75 million; and
- the effects of other variations, increasing outlays by around \$1750 million, includes the slippage of the Commonwealth Bank of Australia sale to 1996-97 partially offset by loan repayments from Victoria of \$1838 million (these repayments reduce recorded outlays).

Table 12. Reconciliation of 1995-96 Budget and Outcome (\$m)

	Outcome 1994-95	Budget estimate 1995-96	Parameter changes		Post-budge decisions	Slippage of budget measures		Other variation	Outcome 1995-96	Change in 1995-96 outcome over:			
			economic	non- economic		-	-			1994-95 Outcome 1995-96 Budget			
										%	%	%	%
OUTLAYS													
1 Total General Public Services	6854.3	6801.7	63.8	34.8	75.1	-0.5	-119.4	6855.4	1.1	0.0	53.8	0.8	
A. Legislative and Executive Affairs	482.3	592.9	8.6	-	2.2	-	-9.7	593.9	111.6	23.1	1.0	0.2	
B. Financial and Fiscal Affairs	1502.4	1633.4	46.2	25.5	0.2	-	-5.3	1699.9	197.5	13.1	66.5	4.1	
C. Foreign Economic Aid	2152.6	2273.7	2.5	-0.4	70.9	-0.5	-78.3	2268.0	115.4	5.4	-5.7	-0.3	
D. General Research	1050.0	1087.4	0.5	-10.4	0.4	-	3.4	1081.2	31.2	3.0	-6.2	-0.6	
E. General Services	178.0	193.1	5.6	20.1	1.9	-	1.8	222.5	44.5	25.0	29.4	15.2	
F. Govt Superannuation Benefits	1489.1	1021.3	0.5	-	-0.5	-	-31.3	989.9	-499.2	-33.5	-31.3	-3.1	
2 Defence	9731.1	9991.7	25.0	-	5.0	-2.5	-8.5	10010.6	279.5	2.9	18.9	0.2	
3 Public Order and Safety	857.1	942.4	11.6	-	2.1	-4.8	-24.7	926.6	69.5	8.1	-15.8	-1.7	
4 Education	10134.2	10702.9	-43.1	-2.1	12.4	12.7	-38.7	10644.2	510.0	5.0	-58.7	-0.5	
5 Health	17150.4	18420.5	141.7	53.1	0.8	-	19.6	18635.7	1485.3	8.7	215.2	1.2	
6 Social Security and Welfare	43600.4	45237.3	1168.7	92.7	107.9	-10.9	100.6	46696.3	3095.9	7.1	1459.0	3.2	
7 Housing and Community Amenities	1119.0	1152.5	4.2	-	12.0	-0.5	27.7	1196.0	77.0	6.9	43.5	3.8	
8 Recreation and Culture	1262.3	1425.9	5.1	-	14.1	-15.7	-4.6	1424.9	162.6	12.9	-1.0	-0.1	
9 Fuel and Energy	42.0	58.8	-	-1.5	-	-0.8	-19.3	37.2	-4.8	-11.5	-21.6	-36.8	
10 Agriculture, Forestry and Fishing	1857.7	1989.0	21.1	-125.2	44.5	-0.7	-61.8	1866.9	9.2	0.5	-122.1	-6.1	
11 Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	1676.0	1733.7	2.2	57.3	26.9	-	-169.0	1651.1	-24.9	-1.5	-82.6	-4.8	
12 Transport and Communication	1282.0	784.4	2.1	-	-45.0	26.9	22.7	791.0	-490.9	-38.3	6.6	0.8	
13 Total Other Economic Affairs	3493.0	4160.7	29.4	25.5	-35.1	-21.3	149.4	4308.5	815.5	23.3	147.8	3.6	
A. Tourism and Area Promotion	100.6	103.9	0.5	-	-	-	..	104.4	3.7	3.7	0.5	0.5	
B. Labour and Employment Affairs	3102.2	3755.4	28.9	25.2	-35.1	-21.3	143.9	3896.8	794.6	25.6	141.4	3.8	
C. Other Economic Affairs, nec	290.1	301.4	..	0.3	-	-	5.6	307.3	17.1	5.9	5.9	1.9	
14 Total Other Purposes	23019.5	20328.5	-1075.9	43.8	581.3	-55.0	1874.9	21697.7	-1321.8	-5.7	1369.1	6.7	
A. Public Debt Interest	8005.4	10076.6	-1023.5	1.8	-	-	79.6	9134.6	1129.2	14.1	-942.1	-9.3	
B. General Purpose Inter-Govt Transactions	15067.9	15660.2	67.3	42.0	29.5	-	-2001.1	13797.9	-1270.0	-8.4	-1862.3	-11.9	
C. Natural Disaster Relief	5.6	26.8	-	-	-	-	-31.1	-4.3	-9.9	-177.6	-31.1	-116.1	
D. Contingency Reserve	-	-85.1	-119.7	-	-	-	204.8	-	-	na	85.1	-100.0	
E. Asset Sales	-59.3	-5350.0	-	-	551.8	-55.0	3622.7	-1230.5	-1171.2	1973.6	4119.5	-77.0	
TOTAL	122078.9	123729.8	356.0	178.3	802.1	-73.1	1748.8	126742.0	4663.0	3.8	3012.1	2.4	