
PUBLIC FINANCE

This chapter deals with the financial activities of the organisations which make up the three levels of government in the Australian political system—Commonwealth, State and local—and which collectively constitute the public sector. An account is given of the activities of each level of government, with particular emphasis being given to the Commonwealth Government. Tables are then presented which bring together the transactions of all public non-financial enterprises to highlight the role in the Australian economy of the public sector as a whole. This is followed by a section on government borrowing activities at all levels.

Concepts and Definitions Used in Public Finance Statistics

The tables below (except those explicitly sourced to Budget Papers) are provided from the system of government finance statistics (GFS). To assist users in understanding the statistics presented in these tables, a separate publication *Classifications Manual for Government Finance Statistics, Australia* (1217.0) has been produced. It outlines the major concepts used, provides definitions of the enterprise unit used for GFS collections and of transactions classifications employed. The GFS classifications used in the tables that follow are:

- the *Economic Transactions Framework* (ETF) which categorises outlays, revenue, grants received and financing transactions according to their economic character to facilitate study of the macroeconomic effect of government activity on the economy and to provide the basic building blocks for grouping transactions to be incorporated into the Australian National Accounts;
- the *Taxes, Fees and Fines Classification* (TFFC) which dissects this major form of government revenue according to the type of tax, fee or fine collected; and
- the *Government Purpose Classification* (GPC) which is used to group outlays with similar functions to facilitate study of the broad purposes of public sector spending and assessment of the effectiveness of outlays in meeting government policy objectives.

Commonwealth Government Finance

Financial provisions of the Constitution

The main provisions of the Constitution relating to the initiation and development of the financial system of the Commonwealth of Australia are contained in Sections 81 to 105A of the Commonwealth Constitution.

Two other sections which have a most important bearing on questions of Commonwealth finance are Sections 69 and 51. Section 69 provides for the transfer from the States to the Commonwealth of certain specified departments and Section 51, in outlining the powers of the Commonwealth Parliament, implies the transfer or creation of other departments.

Sections 87 and 96 of the Constitution deal with the financial relations between the Commonwealth and the States. The full text of the Financial Agreement of 1927 was given in *Year Book* No. 31, page 21; accounts of this Agreement as affected by subsequent Agreements were included in later issues of the *Year Book* up to No. 37; and details of the main provisions appeared in further issues of the *Year Book* up to No. 50. For details of current provisions for financial assistance to the States reference should be made to the *Commonwealth Budget Paper No. 4 Commonwealth Financial Relations with Other Levels of Government, 1989-90*.

The *Audit Act 1901* lays down the procedure which must be followed in accounting for the receipt and disbursement of public funds. The general administration of Commonwealth Government finances is the responsibility of the Commonwealth Minister for Finance.

Commonwealth Government Budget

The Commonwealth Government Budget records the transactions of those enterprises of the Commonwealth Government whose receipts and payments are summarised in the statements of Public Account balances. In 1987-88, the change in cash balances was represented by the following:

	\$'000
Net Cash receipts of the Consolidated Revenue Fund	82,668,315
<i>plus</i> cash receipts of Loan Fund	36,911,657
<i>plus</i> cash receipts of Trust Fund	8,628,320
<i>Total</i>	128,208,292
<i>less</i> cash payments from Consolidated Revenue Fund	82,668,316
<i>less</i> cash payments from Loan Fund	37,305,240
<i>Less</i> cash payments from Trust Fund (including decrease in investments of the Trust Fund)	9,279,390
<i>Total</i>	129,252,946
<i>equals</i> increase in cash balances	-1,044,654

Revenues from taxation and other sources are paid into the Consolidated Revenue Fund, from which the main expenditures are for defence, social services, payments to the States and general administration. The Trust Fund covers special transactions outside the ordinary operations of departmental expenditures, such as pension funds and moneys held for expenditure by the Commonwealth Government at some future time. The Loan Fund receives its funds from the sale of Commonwealth Government securities and the expenditures from the Fund are made in accordance with the purpose of issue of each loan. The main disbursements from the Loan Fund are to the States by way of distribution of the proceeds of loans raised by the Commonwealth Government on their behalf and by capital assistance grants, the remaining disbursements being mainly for Commonwealth Government purposes.

The estimated outlay, revenue and deficit of the Budget for 1989-90 are set out in the table which follows, together with figures for the years 1984-85 to 1988-89. The national accounting presentation of the Budget is shown in order to be consistent with other transactions figures given in this chapter.

It should be noted that some transactions undertaken by enterprises covered by the Budget are not reflected in the change in cash balances, usually because they are not cash transactions or because a receipt and a payment are offset against each other so that only a net amount is included in published totals. The national accounting presentation of the Budget includes these additional transactions.

**COMMONWEALTH GENERAL GOVERNMENT BUDGET SECTOR TRANSACTIONS
BY ECONOMIC TYPE (\$ million)**

(Source: Budget Paper No. 1 Budget Statements 1989-90)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Current outlays—						
Final Consumption Expenditure	11,162	12,552	13,601	14,075	14,948	16,029
Current Transfer Payments						
Interest	5,653	7,030	7,936	7,910	7,480	7,384
Subsidies(a)	1,651	1,527	1,334	1,461	1,245	1,227
Personal Benefit Payments	20,652	22,339	24,082	26,819	28,353	31,552
Grants to Non-Profit Institutions	871	959	1,108	942	1,086	1,196
Grants to Non-Budget Sector(a)	1,675	2,063	2,090	2,382	2,732	2,438
Grants to Other Governments	16,509	17,771	19,330	20,734	21,480	22,694
Grants Overseas	840	840	810	843	916	1,023
Other Transfers	—	—	3	4	5	9
Total Current Transfer Payments	47,851	52,529	56,693	61,095	63,297	67,523
Total current outlays	59,013	65,081	70,294	75,170	78,245	83,552
Capital outlays—						
Gross Capital Formation(b)	562	595	534	679	516	582
Net Land and Intangible Assets	-100	-111	-81	-72	-115	92
Capital Transfer Payments						
Grants to Non-Budget Sector	378	503	664	648	305	89
Grants to Other Governments	3,166	3,247	3,250	3,039	3,064	3,467
Grants to Other Sector(c)	386	328	303	348	352	420
Total Capital Transfer Payments	3,930	4,078	4,217	4,035	3,721	3,976
Net Advances						
To Non-Budget Sector	-17	-102	-123	-38	29	-290
To Other Governments	799	777	546	-46	-124	-510
To Other Sector(d)	128	114	100	77	392	530
Total Net Advances	910	789	523	-7	297	-270
Total capital outlays	5,302	5,351	5,193	4,635	4,419	4,380
Asset Sales	—	—	—	-1,059	-538	-1,200
Contingency Reserve	—	—	—	—	—	20
Total outlays	64,315	70,432	75,487	78,746	82,126	86,752

For footnotes see end of table.

**COMMONWEALTH GENERAL GOVERNMENT BUDGET SECTOR TRANSACTIONS
BY ECONOMIC TYPE (\$ million)—continued**

(Source: Budget Paper No. 1 Budget Statements 1989-90)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Revenue—						
Taxation—						
Income tax on companies	5,968	6,674	7,888	10,348	11,992	13,330
Income tax on persons	29,302	32,734	38,074	41,886	47,543	52,205
Sales tax, customs and excise duties	16,507	18,272	18,920	20,898	21,808	23,846
Tax on certain bank transactions	189	202	261	330	358	390
ACT taxes and charges	120	143	177	239	233	—
Other taxes, fees and fines—						
Primary industry charges	59	51	55	59	63	74
Primary industry levy	531	512	577	691	778	782
Broadcasting and television licence fees	59	69	77	86	110	271
Other taxes fees and fines	314	341	324	362	367	426
Total	53,048	58,999	66,354	74,897	83,252	91,325
Non-taxation revenue—						
Interest, rent, dividends, royalties, etc.	4,571	5,806	6,513	5,928	4,782	4,551
Total revenue	57,619	64,805	72,867	80,825	88,034	95,876
Financing transactions	6,696	5,627	2,620	-2,079	-5,928	-9,124
Increase in provisions	115	172	273	-51	-179	-77
Net financial requirement	6,581	5,455	2,347	-2,028	-5,749	-9,047

(a) Current grants to PTE's are classified as subsidies and are not included in Grants to Non-budget sector. (b) Gross Capital Formation covers the purchase of new fixed assets purchased less sales of second-hand fixed assets and increase in stocks. (c) Capital grants to public financial enterprises, private enterprises, persons and non-profit organisations. (d) Net advances to public financial enterprises, private enterprises, persons, non-profit organisations and overseas.

Net Financing Requirement of the Commonwealth Government

Net Financing Requirement (NFR) is financing transactions less net intra-sector advances received and increases in provisions. It is a measure which encompasses governments' net borrowing, their call on cash reserves and the net change in their other financial assets and liabilities. It excludes net advances received from other parts of the non-financial public sector in order to provide an unduplicated measure of this sector's demand for financing from the rest of the economy and overseas.

Commonwealth Non-Budget Enterprises

In addition to the group of Commonwealth Government enterprises whose transactions are covered by the Budget (i.e. itemised in the Consolidated Revenue Fund, the Loan Fund, or recorded in a Trust Fund), there are a number of organisations owned and/or controlled by the Commonwealth Government whose transactions do not, for the most part, pass through the Public Account. This category includes public trading enterprises such as the Australian Postal Commission, Australian Telecommunications Commission, Overseas Telecommunications Commission, Qantas Airways Ltd, Australian Airlines Limited, the Australian Shipping Commission, the Snowy Mountains Hydro-Electric Authority, and public financial enterprises such as the Reserve Bank of Australia and the Commonwealth Bank of Australia. Public trading and financial enterprises, it should be noted, are bodies which aim at covering the bulk of their expenses by revenue either from sales of goods and services (trading enterprises), or by charges for services and net interest receipts (financial enterprises). As well as these enterprises, there are other government enterprises which record most of their transactions outside the Public Account but have only minor independent sources of revenue and are financed almost entirely from funds voted to them each year from the Consolidated Revenue Fund. In order that the national accounting presentation may indicate, as completely as possible, the direct effect of the Budget on demand, appropriations to this last group of enterprises are treated as final expenditure in the Budget. Enterprises in this category include the Australian Broadcasting Corporation, Australian National University and the Australian Nuclear Science and Technology Organisation.

The transactions of Commonwealth government bodies not covered by the Budget may be brought together and consolidated with the transactions recorded in the Budget to yield figures of the transactions of all Commonwealth public sector enterprises which are owned and/or controlled by the Commonwealth Government. The remaining tables in this section have been prepared on that basis.

Public financial enterprises have been omitted from the consolidated accounts presented here largely on the ground that combining the income and outlay and capital financing transactions of the Reserve Bank, the publicly owned trading and savings banks, government insurance offices and other public financial institutions with the equivalent transactions of public trading enterprises and general government enterprises seems to provide a less meaningful account of public sector activity. For example, omission of the borrowing and lending activities of the government banks and the Reserve Bank allows attention to be centred on the borrowing and lending activities of general government and public trading enterprises which are quite different in nature and economic effect from the financing activities of the banking system.

Summary of outlay, revenue and net public sector borrowing requirement

The outlay and revenue, and net financing requirement, of all non-financial enterprises of the Commonwealth Government for the six-year period ending 1988-89 are given in the following table.

FINANCIAL TRANSACTIONS OF COMMONWEALTH GOVERNMENT
(\$ million)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89 ^p
Current outlays	52,620	59,693	65,984	71,577	76,491	79,020
General government final consumption expenditure	11,422	12,878	14,460	15,912	16,491	17,357
Required current transfer payments ^(a)	4,837	6,304	7,933	8,893	9,096	8,657
Unrequited current transfer payments	36,361	40,512	43,590	46,773	50,905	53,006
Subsidies paid to enterprises	1,464	1,633	1,649	1,315	1,365	1,366
Personal benefit payments	18,405	20,659	22,356	24,199	26,951	28,353
Current grants	16,492	18,220	19,585	21,259	22,589	23,286
to non-profit institutions	724	882	972	1,104	1,009	1,184
to foreign governments and organisations	773	861	855	824	849	939
to State and local governments	14,996	16,477	17,757	19,330	20,730	21,164
Capital outlays	7,601	7,412	8,448	8,058	6,325	8,296
Gross fixed capital expenditure	2,369	2,807	4,129	4,469	4,009	4,692
Expenditure on new fixed assets	2,395	3,103	4,496	4,768	4,455	5,008
Expenditure on second-hand fixed assets (net) ^(b)	-25	-296	-367	-299	-446	-316
Increase in stocks ^(b)	934	170	-282	-612	-395	200
Expenditure on land and intangible assets (net) ^(b)	-37	-91	-60	-52	-326	111
Capital transfer payments	3,160	3,601	3,614	3,600	3,470	3,495
Capital grants	3,160	3,601	3,614	3,600	3,470	3,495
to State and local governments	2,793	3,166	3,247	3,250	3,070	3,081
to other sectors	367	435	367	351	400	414
Advances paid (net)	1,175	924	1,048	653	-433	-202
to State and local government	1,002	799	786	546	-48	-104
to other sectors ^(b)	173	125	262	107	-385	-98
Revenue and grants received	49,731	59,128	66,489	74,035	83,471	91,776
Taxes, fees and fines	44,935	53,070	58,916	66,335	74,911	83,340
Net operating surpluses of public trading enterprises	1,328	2,034	2,323	1,627	2,882	3,770
Property income and other revenue	3,467	4,024	5,250	6,073	5,679	4,666
Income from Commonwealth public financial enterprises	797	1,066	2,025	2,725	1,981	633
Interest received	2,413	2,654	2,986	3,157	3,367	3,565
—from State government and local governments on advances	2,083	2,227	2,330	2,427	2,479	2,438
—other	331	427	656	730	888	1,127
Other property income	257	304	238	192	331	468
Financing transactions ^(c)	10,490	7,978	7,942	5,601	-655	-4,460
Net advances received	—	—	—	—	—	—
Net domestic borrowing	8,311	6,617	5,329	4,304	-2,228	-2,833
Net borrowing from abroad	1,286	1,609	969	1,746	-1,349	-2,148
Increase in provisions	1,241	1,029	1,339	1,736	1,904	2,050
Other financing transactions ^(c)	-348	-1,277	304	-2,185	1,018	-1,529
Net financing requirement ^(c)	9,249	6,949	6,603	3,865	-2,560	-6,510

(a) Interest, land rent, royalties and dividends paid. (b) Includes major assets sales of \$1,059 million in 1987-88 and \$538 million in 1988-89. (c) Calculated as a residual.

Grants and advances to the States and the Northern Territory

Commonwealth Government financial assistance to the States and the Northern Territory takes two main forms: (i) grants for general and specific purposes, and (ii) assistance for developmental and other specific purposes in the form of repayable advances. Some information about these forms of financial assistance is given below, but for more complete information reference should be made to the Commonwealth Government Budget Paper No. 4 *Commonwealth Financial Relations with Other Levels of Government*. Further information also appears in chapters of this *Year Book* dealing with the specific function which the payments are designed to serve.

Grants to the States and the Northern Territory

The following table shows details of grants to the States and the Northern Territory classified by purpose.

GRANTS TO STATES AND NORTHERN TERRITORY BY GOVERNMENT PURPOSE CLASSIFICATION AND STATE, 1987-88 (\$ million)

	NSW	Vic.	Qld	SA	WA	Tas.	NT	Total
<i>Current grants</i>	6,511.9	4,849.5	3,476.7	2,059.9	2,212.6	735.9	795.3	20,640.8
General public services, defence, public order and safety	29.2	20.9	14.1	9.2	10.7	0.2	0.3	84.7
Education	1,385.7	1,093.6	572.8	324.5	350.5	97.5	18.7	3,843.2
Primary and secondary education	538.9	435.0	242.3	114.0	130.8	36.9	16.5	1,514.3
Tertiary education	847.3	656.9	329.5	207.8	217.1	60.4	2.2	2,321.2
University education	531.8	316.0	175.6	110.8	100.2	42.7	—	1,277.1
Other higher education	219.0	307.9	135.2	84.6	104.0	13.6	0.1	864.3
Technical and further education	96.5	33.0	18.8	12.4	12.8	4.1	2.2	179.8
Preschool education and education not definable by level	-0.6	1.8	1.0	2.8	2.6	0.1	—	7.6
Other education not definable by level	-0.6	1.8	1.0	2.8	2.6	0.1	—	7.6
Health	488.1	298.7	102.4	133.6	118.0	43.2	14.1	1,198.3
Hospitals and other institutional services and benefits	468.2	286.1	84.7	126.6	101.0	39.7	13.4	1,119.7
Clinic and other non-institutional services and benefits	8.9	6.3	9.2	4.0	7.3	2.8	0.2	38.7
Public health	11.0	6.3	8.5	3.0	9.7	0.8	0.5	39.9
Other health	0.1	—	—	—	—	—	—	0.1
Social security and welfare	77.2	76.3	31.6	30.3	26.0	7.0	3.3	251.7
Social security	0.4	—	—	—	—	—	—	0.5
Welfare services	68.0	69.7	27.5	28.1	23.7	6.3	3.0	226.2
Family and child welfare	4.2	5.8	1.8	10.0	1.7	0.5	1.2	25.2
Aged and handicapped welfare	60.1	53.8	18.8	13.5	17.4	3.8	0.7	168.2
Welfare services n.e.c.	3.6	10.1	6.9	4.6	4.6	2.0	1.0	32.8
Social security and welfare n.e.c.	8.8	6.6	4.1	2.2	2.3	0.7	0.2	25.0
Housing and community amenities	1.2	2.1	0.4	2.2	1.6	2.6	0.5	10.5
Housing and community development	0.1	1.3	0.4	2.2	1.3	0.3	0.3	6.0
Housing	1.8	1.3	0.4	1.2	0.6	0.3	—	5.8
Community development	-1.7	—	—	1.0	0.7	—	0.3	0.3
Community amenities	1.0	0.7	—	—	0.3	2.2	0.2	4.5
Fuel and energy	29.8	—	12.9	—	0.6	0.1	51.5	95.0
Agriculture, forestry, fishing and hunting	20.5	15.8	31.6	10.5	12.3	1.8	13.1	105.8
Agriculture	20.5	15.8	31.6	10.5	12.3	1.8	13.1	105.8
Agricultural land management	13.6	12.1	22.0	8.4	8.1	1.1	12.8	78.1
Agricultural water resources management	1.0	0.6	—	0.3	—	—	—	1.9
Other agriculture	5.9	3.2	9.7	1.8	4.2	0.8	0.4	25.8
Transport and communications	1.7	1.0	0.6	0.6	0.2	0.3	0.2	4.6
Road transport	1.7	1.0	0.6	0.5	0.2	—	0.2	4.3
Other transport and communications	—	—	—	—	—	0.3	—	0.3
Other economic affairs	48.6	26.0	17.6	12.5	10.6	3.1	1.4	119.7
Other purposes	4,429.8	3,315.0	2,695.2	1,536.6	1,682.0	580.1	692.2	14,927.3
General purpose inter-government transactions	4,428.2	3,315.0	2,686.8	1,536.6	1,682.0	580.1	692.2	14,920.0
Natural disaster relief	1.6	—	5.7	—	—	—	—	7.3

GRANTS TO STATES AND NORTHERN TERRITORY BY GOVERNMENT PURPOSE
CLASSIFICATION AND STATE, 1987-88—continued
(\$ million)

	NSW	Vic.	Qld	SA	WA	Tas.	NT	Total
<i>Capital grants</i>	1,010.6	663.6	516.9	284.2	369.6	125.9	113.6	3,084.3
General public services, defence, public order and safety	—	—	—	—	60.0	—	—	60.0
Education	198.6	159.1	105.8	42.9	58.1	25.0	5.9	595.3
Primary and secondary education	68.8	57.0	39.3	18.3	20.9	5.9	5.3	215.6
Tertiary education	129.9	102.1	66.2	24.5	37.2	19.0	0.2	379.1
University education	39.3	26.5	19.9	7.9	10.5	5.9	—	110.0
Other higher education	22.8	27.4	19.6	5.3	11.6	5.8	0.2	92.8
Technical and further education	67.8	48.2	26.7	11.3	15.0	7.3	—	176.3
Preschool education and education not definable by level	-0.1	—	0.2	—	0.1	—	0.3	0.6
Other education not definable by level	-0.1	—	0.2	—	0.1	—	0.3	0.6
Health	17.3	13.7	7.9	4.4	4.5	12.6	0.5	60.9
Hospitals and other institutional services and benefits	16.8	12.7	7.7	4.2	4.3	12.6	0.5	58.7
Clinic and other non-institutional services and benefits	0.4	1.0	0.1	0.2	0.3	—	—	2.1
Public health	—	—	—	—	—	—	—	—
Social security and welfare	11.1	11.6	7.1	3.9	4.9	1.0	0.5	40.0
Welfare services	11.1	11.6	7.1	3.9	4.9	1.0	0.5	40.0
Family and child welfare	9.0	9.2	5.5	3.6	4.2	1.0	0.5	32.9
Aged and handicapped welfare	2.0	2.4	1.7	0.3	0.7	—	—	7.0
Welfare services n.e.c.	0.1	—	—	—	—	—	—	0.1
Housing and community amenities	213.0	158.4	103.7	123.4	70.3	25.5	1.0	695.3
Housing and community development	247.9	156.1	102.3	67.6	69.5	25.1	—	668.6
Housing	247.9	156.1	102.1	66.7	64.0	25.1	—	661.9
Community development	—	—	0.2	0.9	5.5	—	—	6.6
Community amenities	-35.0	2.2	1.4	55.8	0.8	0.4	1.0	26.7
Recreation and culture	15.4	5.4	1.1	4.8	3.4	1.5	0.2	31.8
Fuel and energy	—	—	—	—	—	28.4	0.8	29.2
Agriculture, forestry, fishing and hunting	1.6	2.1	22.6	—	1.3	—	—	27.6
Agriculture	1.6	2.1	20.5	—	1.3	—	—	25.5
Agricultural water resources management	1.6	2.0	20.5	—	1.3	—	—	25.4
Other agriculture	—	0.1	—	—	—	—	—	0.1
Forestry, fishing and hunting	—	—	2.1	—	—	—	—	2.1
Transport and communications	448.5	249.3	254.2	92.6	154.1	47.2	—	1,245.9
Road transport	447.5	249.3	254.2	92.6	154.1	46.9	—	1,244.6
Water transport	1.3	—	—	—	—	—	—	1.3
Other transport and communications	-0.3	—	—	—	—	—	—	-0.3
Other economic affairs	5.6	—	0.6	2.0	0.1	—	—	8.2
Other purposes	99.7	64.1	13.8	10.1	13.0	-15.2	104.7	290.1
General purpose inter-government transactions	84.6	64.1	13.8	10.1	13.0	-15.2	104.7	275.0
Natural disaster relief	15.1	—	—	—	—	—	—	15.1
Total current and capital grants	7,522.4	5,513.1	3,992.6	2,344.2	2,582.2	861.8	908.9	23,725.1

Advances to the States and the Northern Territory

The Commonwealth provides financial assistance for State projects by way of repayable advances. Borrowings of the Loan Council which are advanced to the States for their work programs and advances for State housing projects represent the largest proportion of the total funds advanced. Full descriptions of the various programs for which funds have been advanced in recent years are given in Budget Paper No. 4 *Commonwealth Financial Relations with Other Levels of Government*.

The following table shows figures of net advances to the States and Northern Territory by purpose.

**NET ADVANCES TO STATES AND THE NORTHERN TERRITORY BY GOVERNMENT
PURPOSE CLASSIFICATION, 1987-88
(\$ million)**

	<i>NSW</i>	<i>Vic.</i>	<i>Qld</i>	<i>SA</i>	<i>WA</i>	<i>Tas.</i>	<i>NT</i>	<i>Total</i>
<i>Net advances</i>	11.3	15.4	-23.3	-110.8	-4.1	18.8	44.7	-48.0
Defence	1.0	-0.1	-0.2	—	-0.1	—	—	0.7
Social security and welfare	—	—	—	—	—	—	—	—
Housing and community amenities	62.4	92.5	24.2	50.6	31.5	36.4	49.4	347.0
Housing and community development	66.2	92.5	24.2	49.1	31.6	36.4	49.6	349.5
Housing	66.3	92.8	24.2	49.1	33.1	36.4	49.6	351.4
Community development	-0.1	-0.2	—	—	-1.5	—	—	-1.8
Water supply	-2.4	—	—	1.5	—	—	—	-0.9
Sanitation and protection of the environment	-1.5	—	—	—	—	—	-0.1	-1.6
Recreation and culture	—	—	—	—	-0.2	—	—	-0.2
Fuel and energy	-0.1	—	-3.6	—	—	—	-2.3	-5.9
Agriculture, forestry, fishing and hunting	-7.2	-5.1	-6.1	-2.6	-2.9	-0.5	0.7	-23.8
Agriculture	-6.5	-4.8	-5.5	-2.5	-2.7	-0.2	0.7	-21.6
Agricultural land management	—	—	-0.7	—	—	—	—	-0.7
Agricultural water resources management	-1.3	-0.8	—	-0.6	—	—	—	-2.7
Agricultural support schemes	-4.9	-4.0	-5.2	-1.9	-2.7	-0.2	—	-18.9
Other agriculture	-0.3	—	0.3	—	—	—	0.7	0.7
Forestry, fishing and hunting	-0.7	-0.3	-0.5	-0.1	-0.2	-0.3	—	-2.2
Mining, manufacturing and construction	-0.4	—	—	—	—	—	—	-0.4
Manufacturing	-0.4	—	—	—	—	—	—	-0.4
Transport and communications	-1.6	-0.9	-1.0	—	-3.6	—	—	-7.3
Water transport	—	—	-0.1	—	—	—	—	-0.2
Rail transport	-1.6	-0.9	-0.9	—	-3.6	—	—	-7.1
Other purposes	-42.9	-70.9	-36.6	-158.8	-28.8	-17.0	-3.1	-358.1
Public debt transactions	—	—	—	—	—	—	-6.6	-6.6
General purpose inter-government transactions	-59.2	-67.4	-32.7	-155.2	-23.7	-17.0	3.5	-351.8
Natural disaster relief	16.4	-3.5	-3.8	-3.6	-5.1	-0.1	—	0.3

NOTE: Minus sign (-) denotes excess of repayments.

Main Sources of Finance

The main sources of Commonwealth government finance are taxation, income of public trading and financial enterprises, other factor income transfers, borrowing, and other financing transactions. Taxation constitutes by far the major source of revenue.

In what follows, an account is given of the system of Commonwealth government taxation and some details are given of the current operations of Commonwealth public enterprises. Borrowings and other financing activities of Commonwealth enterprises are dealt with for convenience in a later section relating to the debt of all public sector enterprises.

Commonwealth Government taxation—summary

The following table shows Commonwealth government taxation revenue classified by type of tax for the six years ending 1988–89.

COMMONWEALTH GOVERNMENT—TAXES, FEES AND FINES BY TYPE (\$ million)

Type of tax	1983–84	1984–85	1985–86	1986–87	1987–88	1988–89
Taxes, fees and fines	44,935	53,070	58,916	66,335	74,911	83,340
Taxes on income	29,622	35,308	39,389	45,386	51,279	58,426
Income taxes levied on individuals	24,692	29,289	32,714	38,062	41,887	47,537
Personal income tax	24,691	29,287	32,713	38,061	41,886	47,536
Mining withholding tax	1	1	1	1	1	1
Income taxes levied on enterprises	4,465	5,486	5,979	6,539	8,573	9,991
Company income tax	4,444	5,471	5,957	6,526	8,562	9,983
Income tax paid by superannuation funds	21	14	22	13	11	7
Income taxes levied on non-residents	466	534	696	785	818	898
Dividend withholding tax	130	155	209	172	125	97
Interest withholding tax	175	248	351	466	541	639
Other income tax levied on non-residents	162	131	135	147	153	162
Employers' payroll taxes	39	51	56	569	919	1,071
General taxes (payroll tax)	20	24	29	34	41	54
Selective taxes (stevedoring industry charges)	19	27	27	24	26	28
Fringe benefits tax	—	—	—	512	852	990
Taxes on property	228	240	261	342	464	508
Taxes on immovable property	25	28	31	37	52	66
Estate, inheritance and gift duties	4	1	—	1	1	1
Taxes on financial and capital transactions	200	211	229	304	411	442
Stamp duties	17	21	27	40	61	63
Financial institutions' transaction taxes	183	190	202	261	342	370
Government borrowing guarantee levies	—	—	—	4	9	9
Taxes on provision of goods and services	14,679	17,033	18,719	19,471	21,606	22,523
General taxes (sales tax)	4,165	4,966	5,728	6,348	7,562	9,402
Excises	8,084	9,056	9,605	9,769	10,285	9,280
Excises on crude oil and LPG	3,665	4,242	4,066	2,106	2,079	1,197
Other Excise Act duties	4,082	4,352	5,186	7,222	7,596	7,477
Agricultural production taxes	338	463	353	441	609	606
Taxes on international trade	2,398	2,995	3,358	3,314	3,711	3,783
Customs duties on imports	2,329	2,927	3,282	3,237	3,632	3,705
Customs duties on exports	67	60	58	55	55	54
Agricultural produce export taxes	2	9	18	22	24	24
Taxes on gambling	6	9	9	11	13	21
Taxes on insurance	26	6	19	30	36	38
Taxes on use of goods and performance of activities	114	132	151	173	204	207
Motor vehicle taxes	17	19	21	24	30	38
Franchise taxes	4	5	10	14	21	21
Other taxes on use of goods etc.	93	107	120	135	153	148
Broadcast and TV station licences	48	59	69	77	86	108
Departure tax	43	47	50	56	66	38
Other taxes on use of goods etc. n.e.i.	1	2	1	2	2	2
Fees and fines	252	307	342	394	439	605
Compulsory fees, of which	243	299	334	386	429	592
Aviation en route charges	123	135	144	189	188	309
Light dues and navigation Act charges	32	37	36	36	40	40
Tertiary education charges	—	—	—	4	3	8
Fines	10	8	8	9	11	13

State Governments

The State government enterprises dealt with in this section include the central government of each State, statutory bodies created by or under State legislation to carry out activities on behalf of the central government and incorporated organisations in which individual State Governments have a controlling interest.

The transactions of many of the State government enterprises are itemised in State Consolidated Revenue Funds or in Trust Funds, so that a satisfactory coverage of their transactions can be obtained from a detailed analysis and reclassification of the published accounts whose receipts and payments are summarised in the Statement of Treasury balances for each State. The remaining statutory bodies and other publicly owned or controlled organisations maintain accounts entirely, or largely, separate from the public accounts, although there may be transactions between them and State Governments (such as advances and capital contributions, interest and dividends, and votes for running expenses and capital works) which would affect the public accounts. The accounting reports of this group of organisations have to be collected and analysed in order to present a complete statement of the transactions of State government enterprises—or at least methods of analysis need to be adopted which adequately reflect their transactions so that they are in principal, covered by the statistics.

In the figures which follow in this section, all expenditure by State central government enterprises on certain institutions, whether direct (e.g. new building charged to Loan Fund) or indirect by way of current or capital grants to the bodies administering them, has been treated as final expenditure on goods and services by State government; fees and gifts from persons or private businesses to these institutions are not included, nor is the expenditure of the institutions from their own resources. Universities and hospitals are particular examples of organisations for which this practice has been adopted.

Many of these State government enterprises have been granted autonomy by State legislatures to the extent that they are largely financially independent. Some of these are funded from earmarked tax revenues and are vested with independent borrowing powers. A considerable number of others belong to the category of public trading enterprises since they are able to charge for their services so as to cover their costs of operation. These bodies have usually been created to control a specific activity or provide a specific service within a State. It is often the case that in other States similar activities are carried out, or services are provided, by central government or local governments. Details of the activities of autonomous or semi-autonomous State government enterprises engaged in such fields as construction and maintenance of roads and bridges, provision of water supply and sewerage services, harbour facilities, transport, electricity and gas, housing and banking may be found in chapters relevant to those subjects and in *State Year Books*.

Details of the transactions of State governments are given in the tables which follow and in *State and Local Government Finance, Australia* (5504.0). Additional information relating to the activities of the State governments may also be found in the *Year Books* of the individual States.

Outlay, revenue, grants received, and deficit

The outlay, revenue, grants received and deficit of State Governments for the six year period ended 1988–89 are given in the following table.

AUSTRALIA—FINANCIAL TRANSACTIONS OF STATE GOVERNMENTS
(\$ million)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89 ^p
Current outlays	28,324	32,007	35,606	39,294	42,922	46,505
General government final consumption expenditure	18,534	20,730	22,864	25,078	27,230	29,485
Required current transfer payments	5,030	6,106	7,024	7,902	8,921	9,658
Interest payments	5,030	6,106	7,024	7,901	8,911	9,638
to Commonwealth Government on advances	2,084	2,188	2,324	2,427	2,484	2,438
other	2,946	3,918	4,700	5,474	6,427	7,200
Land rent, royalties and dividends paid	—	—	—	—	10	20
Unrequited current transfer payments	4,760	5,171	5,718	6,315	6,771	7,362
Subsidies paid to enterprises	1,869	1,967	2,296	2,557	2,673	2,915
Personal benefits payments	603	661	701	791	892	1,007
Current grants	2,288	2,542	2,722	21,945	3,185	3,396
to non profit institutions	1,529	1,720	1,892	2,103	2,248	2,492
to local governments	759	822	830	842	937	904
Other current transfer payments	—	2	-1	22	22	44
Capital outlays	10,557	10,626	11,561	12,470	11,089	10,640
Gross fixed capital expenditure	9,458	9,494	10,503	11,215	10,200	10,536
Expenditure on new fixed assets	9,520	9,630	10,655	11,437	10,725	11,648
Expenditure on second hand fixed assets (net)	-62	-136	-152	-223	-525	-1,112
Increase in stocks	111	19	22	225	130	-21
Expenditure on land and intangible assets (net)	66	146	-38	-109	-144	-650
Capital transfer payments	576	616	592	585	676	663
Capital grants	576	616	592	585	676	663
to local governments	439	462	419	446	506	466
to other sectors	95	116	157	128	164	182
Other capital transfer payments	42	37	16	10	6	14
Advances paid (net)	345	351	482	555	227	111
to local governments	23	-54	41	24	4	-7
to other sectors	322	405	441	531	223	118
Revenue	31,968	36,166	40,124	43,983	48,742	52,951
Taxes, fees and fines	9,300	10,462	11,504	13,132	15,646	18,386
Net operating surpluses of PTEs	2,629	3,242	3,829	4,510	5,218	5,338
Property income and other revenue	2,303	2,852	3,869	3,827	4,209	5,137
Income from public financial enterprises	113	150	221	246	268	432
Interest received	1,055	1,430	2,070	2,168	2,302	2,955
Other property income and other revenue	1,135	1,272	1,578	1,413	1,640	1,749
Grants received	17,735	19,610	20,922	22,514	23,669	24,090
Financing transactions ^(a)	6,913	6,467	7,043	7,781	5,270	4,194
Net advances received	993	815	781	549	-45	-94
Net domestic borrowing	4,176	3,472	4,490	4,897	4,490	2,731
Net borrowing from abroad	1,444	1,251	1,063	1,045	349	1,162
Increase in provisions	1,492	1,839	1,951	2,062	2,188	3,034
Other financing transactions ^(a)	-1,192	-910	-1,241	-772	-1,712	-2,639
Deficit^(a)	5,421	4,628	5,092	5,719	3,082	1,160
Net financing requirement^(a)	4,428	3,814	4,311	5,171	3,127	1,254

(a) Calculated as a residual.

Local Governments

In each State of Australia and in the Northern Territory there exists a system of local government whose powers and responsibilities are generally similar and cover such matters as the construction and maintenance of roads, streets and bridges; water, sewerage and drainage systems; health and sanitary services; the supervision of building; and the administration of regulations relating to items such as weights and measures, slaughtering, the registration of dogs, etc. In addition to these obligatory functions, there are also many which may be performed by a local authority either with or without the consent of the ratepayers or the Governor-in-Council. These include provision of transport facilities, electricity, gas and other business undertakings, hospitals, charitable institutions, recreation grounds, parks, swimming pools, libraries, museums, etc.

The system is based on the principle of a grant of specific powers by the State and Northern Territory legislatures to the local government bodies, their autonomy, however, being more or less limited by the provision for general supervision by a department of the central government or by the Governor-in-Council. Otherwise, within the scope of the Acts under which they are constituted or which they have to administer, they are responsible only to the ratepayers. While the broad pattern of local government throughout the States of Australia is similar, the range of activities, election of officers, methods of valuation and rating powers, etc. vary considerably from State to State, and even within States.

AUSTRALIA—FINANCIAL TRANSACTIONS OF LOCAL GOVERNMENTS
(\$ million)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89(a)
Current outlays	2,808	3,093	3,401	3,693	3,972	3,996
Final consumption expenditure	2,091	2,309	2,532	2,739	2,974	2,966
Required current transfer payments	607	669	743	814	840	844
Unrequited current transfer payments	110	115	127	139	158	186
Capital outlays	1,682	1,979	2,167	2,308	2,474	2,694
Gross fixed capital expenditure	1,695	1,984	2,167	2,299	2,505	2,693
Expenditure on new fixed assets	1,744	2,055	2,252	2,365	2,623	2,779
Expenditure on second-hand fixed assets (net)	-48	-72	-85	-66	-118	-85
Increase in stocks	-10	-9	10	9	1	1
Expenditure on land and intangible assets (net)	-7	-2	-24	-25	-35	9
Capital transfer payments	4	-2	4	4	6	-13
Advances paid (net)	—	8	9	22	-4	5
Revenue and grants received	4,380	4,773	5,221	5,612	6,051	6,464
Taxes, fees and fines	2,309	2,537	2,779	3,032	3,332	3,678
Net operating surpluses of public trading enterprises	384	378	399	442	453	560
Property income and other revenue	446	527	734	834	736	775
Grants received	1,240	1,332	1,308	1,303	1,531	1,451
— from Commonwealth Government	54	73	102	99	100	109
— from State Governments	1,186	1,259	1,207	1,204	1,430	1,342
Financing transactions(b)	110	299	347	389	395	226
Net advances received	11	-69	24	22	5	-7
Net domestic borrowing	369	543	448	330	250	228
Net borrowing from abroad	—	—	—	—	—	—
Increase in provisions	253	245	295	251	286	293
Other financing transactions(b)	-523	-420	-420	-214	-146	-288
Deficit(b)	-143	54	52	138	109	-67
Net financing requirement(b)	-154	124	28	116	105	-60

(a) Forward estimate. (b) Calculated as a residual.

The areas over which local government bodies, numbering almost 900, exercise general control, are known in New South Wales as cities, municipalities and shires; in Victoria as cities, towns, boroughs and shires; in Queensland as cities, towns and shires; in South Australia as cities, corporate towns and district council areas; in Western Australia as cities, towns and shires and in Tasmania and the Northern Territory as cities and municipalities. In New South Wales some local authorities in an area have combined to form County Councils which provide services such as electricity and water supply. Within shires there are also some municipal units known as urban areas. Apart from the Australian Capital Territory and the more sparsely populated parts of New South Wales, South Australia and the Northern Territory, practically the whole of Australia comes within local government jurisdiction. For further details see *State Year Books*.

All Levels of Government

In the following table the transactions of the Commonwealth, State and local governments have been brought together and consolidated to provide details of the outlays and revenue of the public non-financial sector as a whole.

Summary of outlays, revenue and deficit

The outlays, revenue and deficit of all governments for the years 1983-84 to 1988-89 are set out in the following table.

FINANCIAL TRANSACTIONS OF COMMONWEALTH, STATE AND LOCAL GOVERNMENTS (\$ million)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89(a)
Current outlays	65,782	75,154	83,892	91,697	98,913	104,679
General government final consumption expenditure	32,046	35,916	39,856	43,729	46,695	49,808
Required current transfer payments	8,333	10,813	13,272	15,026	16,206	16,585
Interest payments	8,332	10,813	13,272	15,025	16,196	16,565
Land, royalties and dividends paid	—	—	—	—	10	20
Unrequited current transfer payments	25,404	28,424	30,765	32,943	36,012	38,286
Subsidies paid to enterprises	3,356	3,625	3,970	3,899	4,041	4,282
Personal benefit payments	19,008	21,320	23,057	24,990	27,843	29,360
Current grants	3,040	3,478	3,739	4,054	4,128	4,642
Other current transfer payments	—	2	-1	—	—	3
Capital outlays	15,605	15,671	17,741	18,649	16,352	18,190
Gross fixed capital expenditure	13,553	14,320	16,865	18,074	16,724	17,930
Expenditure on new fixed assets	13,689	14,824	17,469	18,661	17,813	19,442
Expenditure on second-hand fixed assets (net)	-136	-503	-604	-587	-1,089	-1,513
Increase in stocks	1,035	180	-250	-378	-263	179
Expenditure on land and intangible assets (net)	23	53	-122	-186	-505	-530
Capital transfer payments	504	589	541	490	571	596
Capital grants	462	552	525	480	565	596
Other capital transfer payments	42	37	16	10	6	—
Advances paid (net)	491	528	707	650	-175	15
Revenue	64,899	76,758	87,088	97,143	110,291	122,883
Taxes, fees and fines	56,544	66,068	73,200	82,498	93,889	105,397
Net operating surpluses of PTEs	4,342	5,653	6,551	6,580	8,552	9,669
Property income and other revenue	4,013	5,037	7,337	8,065	7,849	7,816
Grants received	—	—	—	—	—	—
Financing transactions(b)	16,489	14,068	14,545	13,203	4,974	-13
Net advances received	—	—	—	—	—	—
Net domestic borrowing	12,771	10,639	10,148	9,544	2,522	138
Net borrowing from abroad	2,730	2,860	2,032	2,791	-1,000	-985
Increase in provisions	2,966	3,180	3,603	4,051	4,301	5,303
Other financing transactions(b)	-1978	-2,611	-1,237	-3,182	-849	-4,469
Net financing requirement(b)	13,523	10,888	10,942	9,152	673	-5,316

(a) Forward estimate. (b) Calculated as residual.

Public Sector Borrowing

Figures given in this section do not purport to show either 'public debt' or 'net public debt' but are designed to provide details of securities issued on behalf of the Commonwealth Government, the States and the Northern Territory together with some details of the amounts borrowed by State, Territory and local governments with independent borrowing powers.

For a number of reasons, this information cannot be aggregated, without adjustment, to provide a measure of the 'debt' of public sector enterprises. There are forms of debt not evidenced by the issue of securities, such as Commonwealth Government advances to the

States and Northern Territory for specific capital purposes. Governments themselves maintain significant holdings of their own securities; for example, the Commonwealth Government, in the National Debt Sinking Fund, the Loan Consolidation and Investment Reserve and in other Trust Funds, holds large investments in securities issued either directly by itself or on behalf of the States and the Northern Territory. Some of the securities issued on behalf of the States and held by the Commonwealth Government represent the proceeds of overseas loans, securities for which were issued directly by the Commonwealth Government, the Australian currency counterpart proceeds of the loans being invested in special loans to finance State and Northern Territory works programs. A number of State and Northern Territory public corporations and local governments also maintain significant investments in government securities (including their own securities). Aggregation of the figures for securities on issue which follow would clearly involve a substantial degree of duplication; the sum of securities on issue therefore cannot be regarded as representing 'net public debt'.

Commonwealth Government and States and the Northern Territory: government securities on issue

Under the 1927 Financial Agreement between the Commonwealth Government and the States (as amended to 1976), the Commonwealth Government accepted responsibility for the securities of State Governments then on issue and was empowered to arrange for all future borrowings on behalf of the Commonwealth and the States and to issue Commonwealth government securities for all moneys borrowed.

During 1985-86, an agreement was reached with the Northern Territory Government for the formal allocation of securities relating to the Northern Territory Government's Borrowing Program and associated (nominal) debt allocations.

A National Debt Sinking Fund which is administered by the National Debt Commission, was established by the *National Debt Sinking Fund Act 1923* for the redemption of securities issued on behalf of the Commonwealth Government. Under the terms of the Financial Agreement, the sinking funds existing in respect of the States' debts were also placed under the control of the Commission. The Commonwealth Government is reimbursed by the States and the Northern Territory for interest, exchange, etc. paid on their behalf, and the securities are redeemed from the Fund to which both the Commonwealth, the State Governments and the Northern Territory (from 1985-86) make pre-determined contributions. The amounts to be contributed were varied when the *National Debt Sinking Fund Act 1966* repealed all previous legislation on sinking funds relating to securities on issue on behalf of the Commonwealth Government and again in 1976 when the Act was amended to reflect the amendments to the Financial Agreement. In 1976, the Commonwealth assumed the responsibility for over \$1,000 million of States' debt existing as at 30 June 1975. As a consequence, the separate States' Sinking Funds were absorbed into the National Debt Sinking Fund, with separate accounts being maintained for the Commonwealth and each State and the Northern Territory.

For further information relating to operations of the National Debt Sinking Fund reference should be made to the annual report of the National Debt Commission. Particulars of the creation and operation of sinking funds by the *National Debt Sinking Fund Act 1923* are included in issues of the *Year Book* prior to No. 23, and a general description of the provisions applying between 1966 and 1976 is given in issue No. 61.

In the tables which follow, details are given of transactions in Commonwealth government securities issued on account of the Commonwealth Government, the States and the Northern Territory from 1985-86. Amounts relating to overseas loans are shown in Australian currency equivalent calculated on the basis of the rates of exchange ruling at 30 June in each year shown. All amounts are at face value.

For figures which permit accurate analysis of the structure and movement of securities issued on behalf of the Commonwealth and States, refer to the Commonwealth Budget Related Paper No. 1, *Government Securities on Issue*.

Net movement in securities on issue

Summary details of the net movement in securities issued for Commonwealth Government purposes and on account of the States during the period 1983-84 to 1988-89, are given in the following group of tables.

NET MOVEMENT IN GOVERNMENT SECURITIES ON ISSUE (\$ million)

(Source: Budget Related Paper 1—Government Securities on Issue 1989 (Table 9))

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
NEW SECURITIES ISSUED						
Securities repayable in Australian currency—						
Treasury bonds	10,850.0	9,222.2	6,850.3	5,402.7	2,901.2	2,500.0
Treasury indexed bonds	—	—	331.8	303.7	202.7	—
Australian savings bonds	3,599.1	505.2	487.9	138.7	321.2	—
Special bonds	—	—	—	—	—	—
Income equalization deposits	24.0	3.7	0.8	0.4	0.7	0.5
Drought bonds	—	—	—	—	—	—
Overdue securities	—	—	—	—	—	—
Tax-free stock	—	—	—	—	—	—
Debentures	—	—	—	—	—	—
Stock issued to Government savings banks under special agreements(a)	114.6	71.1	—	—	—	—
Treasury notes	—	—	—	—	—	—
Treasury bills—						
Internal	—	—	—	—	71.7	1,995.7
Public	—	—	—	—	—	—
Other(b)	—	—	31.0	—	—	—
Total	14,587.8	9,802.2	7,701.9	5,845.5	3,497.5	4,496.2
Securities repayable in overseas currencies(c)	1,238.4	1,729.1	2,555.2	2,886.1	—	—
Total new securities issued	15,826.2	11,531.3	10,254.1	8,731.6	3,497.5	4,496.2
REDEMPTIONS, REPURCHASES, CANCELLATIONS (d)						
Securities repayable in Australian currency—						
Treasury bonds	3,189.2	2,990.2	4,621.6	3,587.2	5,072.8	6,103.6
Treasury indexed bonds	—	—	0.5	0.6	0.5	0.7
Australian savings bonds	1,619.9	1,177.3	2,493.0	650.5	285.6	747.7
Special bonds	31.5	—	—	—	—	—
Income equalization deposits	48.6	40.5	27.9	19.1	14.2	5.4
Drought bonds	—	—	—	—	—	—
Overdue securities	9.0	8.8	2.4	1.4	1.1	3.3
Tax-free stock	0.2	0.1	—	—	0.1	0.2
Debentures	—	—	—	—	—	—
Stock issued to Government savings banks under special agreements(a)	6.0	6.2	19.0	31.8	35.3	37.9
Treasury notes	1,562.8	-821.7	-3,958.8	-1,286.9	290.8	-1,683.5
Treasury bills—						
Internal	479.6	212.9	-107.3	627.1	—	71.7
Public	—	—	—	—	—	—
Other(b)	—	—	—	5.4	3.3	9.3
Total	6,946.9	3,614.4	3,098.5	3,636.1	5,703.6	5,296.5
Securities repayable in overseas currencies(c)	666.1	2,697.0	4,217.2	2,533.5	1,566.1	3,181.9
Total redemptions, etc.	7,612.9	6,311.4	7,315.7	6,169.6	7,269.7	8,478.4

For footnotes see end of table.

NET MOVEMENT IN GOVERNMENT SECURITIES ON ISSUE—continued
(\$ million)

(Source: Budget Related Paper 1—Government Securities on Issue 1989 (Table 9))

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
NET MOVEMENT						
Securities repayable in Australian currency—						
Treasury bonds	7,653.9	6,227.4	2,228.7	1,813.1	-2,172.6	-3,604.0
Treasury indexed bonds	—	—	331.3	303.1	202.2	-0.7
Australian savings bonds	1,975.6	-674.2	-2,005.1	-509.3	34.1	-748.7
Special bonds	-31.9	—	—	—	—	—
Income equalization deposits	-24.5	-36.8	-27.1	-18.6	-13.5	-4.9
Drought bonds	-0.1	—	—	—	—	—
Overdue securities	2.0	-2.2	-2.4	-1.4	1.4	-1.9
Tax-free stock	-0.2	-0.1	—	—	—	-0.2
Debentures	—	—	—	—	—	—
Stock issued to Government savings banks under special agreements(a)	108.7	64.9	-19.0	-31.8	-35.3	-37.9
Treasury notes	-1,562.8	821.7	3,958.8	1,286.9	-290.8	1,683.5
Treasury bills—						
Internal	-479.6	-212.9	107.3	-627.1	71.7	1,924.0
Public	—	—	—	—	—	—
Other(b)	—	—	30.8	-5.4	-3.3	-9.3
Total	7,640.9	6,187.8	4,603.4	2,209.4	-2,206.1	-800.3
Securities repayable in overseas currencies(c)	572.3	-967.9	-1,662.0	352.6	-2,372.7	-3,303.6
Net movement in securities on issue	8,213.3	5,219.9	2,941.4	2,562.0	-4,578.8	-4,103.9

(a) Recorded in Commonwealth Government Loan Fund as State domestic raisings. (b) Loans taken over from the previous Canberra Commercial Development Authority. (c) Australian currency equivalent at rates of exchange ruling at 30 June in each of the years shown. (d) Includes conversions from one type of security to another which affect the net movements of individual loan categories but do not affect the overall net movement.

NOTE: For securities repayable in overseas currencies the amounts shown also include an element due to exchange rate variations in Securities on Issue.

Government securities on issue

The following table provides details of government securities on issue on account of the Commonwealth Government, the States and the Northern Territory, repayable in Australian and in overseas currencies.

**GOVERNMENT SECURITIES ON ISSUE: COMMONWEALTH GOVERNMENT
AND STATES AND NORTHERN TERRITORY**
(\$ million)

(Source: Budget Related Paper 1—Government Securities on Issue 1989 (Tables 2, 20))

	30 June					
	1984	1985	1986	1987	1988	1989
For Commonwealth Government purposes—						
Repayable in Australian currency—						
Treasury bonds	15,493.6	21,288.6	22,310.8	23,826.0	21,923.1	18,168.6
Treasury indexed bonds	—	—	331.3	634.5	836.7	836.0
Australian savings bonds	4,577.3	3,914.7	2,033.6	1,682.8	1,784.3	1,425.1
Special bonds	—	—	—	—	—	—
Income equalization deposit	130.9	94.1	67.1	48.4	34.9	30.0
Drought bonds	—	—	—	—	—	—
Advance loan subscriptions	—	—	—	—	—	—
Overdue securities	8.8	6.7	5.5	4.7	4.1	3.3
Treasury notes	2,073.0	2,894.7	6,853.5	8,140.4	7,849.6	9,533.1
Treasury bills—						
Internal	732.7	519.8	627.1	—	71.7	1,995.7
Public	—	—	—	—	—	—
Other(a)	—	—	30.7	25.3	22.0	12.6
Total	23,016.4	28,718.7	32,259.7	34,362.0	32,526.4	32,004.4
Repayable in overseas currencies(b)	7,076.2	9,786.4	13,827.0	15,058.8	12,686.2	9,382.9
Total Commonwealth Government	30,092.6	38,505.1	46,086.7	49,420.9	45,212.7	41,387.3

For footnotes see end of table.

**GOVERNMENT SECURITIES ON ISSUE: COMMONWEALTH GOVERNMENT
AND STATES AND NORTHERN TERRITORY—continued**
(\$ million)

(Source: Budget Related Paper 1—Government Securities on Issue 1989 (Tables 2, 20))

	30 June					
	1984	1985	1986	1987	1988	1989
On account of States—						
Repayable in Australian currency—						
Treasury bonds	13,932.2	14,364.6	15,569.6	15,867.5	15,597.7	15,748.2
Australian savings bonds	2,071.1	2,059.4	1,934.7	1,776.3	1,708.9	1,319.4
Special bonds	—	—	—	—	—	—
Tax-free stock	13.6	13.5	13.5	13.5	13.4	13.2
Stock issued to Government savings banks under special agreements	816.5	881.3	862.3	830.5	795.3	757.3
Debentures	—	—	—	—	—	—
Overdue securities	0.1	—	1.2	0.6	2.7	1.5
Total	16,833.4	17,318.9	18,381.3	18,488.4	18,117.9	17,839.6
Repayable in overseas currencies(b)	7.7	6.4	5.4	5.3	5.2	4.9
Total States of which—	16,841.1	17,325.2	18,386.7	18,493.7	18,123.1	17,884.5
New South Wales	5,566.5	5,773.5	5,999.2	6,042.6	5,962.7	5,888.0
Victoria	4,204.1	4,385.5	4,550.1	4,587.2	4,525.6	4,473.7
Queensland	2,291.6	2,376.6	2,459.2	2,477.5	2,444.9	2,420.3
South Australia	2,009.4	1,598.2	1,982.9	1,577.3	1,555.7	1,538.1
Western Australia	1,614.9	1,990.6	1,591.5	1,965.4	1,816.3	1,726.7
Tasmania	1,154.5	1,200.7	1,246.3	1,256.4	1,239.7	1,226.6
Northern Territory	—	—	557.7	587.4	578.2	571.1
Total Commonwealth Government and States	46,933.6	55,830.3	64,473.4	67,914.6	63,335.8	59,231.8

(a) Includes loans taken over from the previous Canberra Commercial Development Authority. (b) Australian currency equivalent.

State and Local Authorities' Borrowings

The borrowings of Commonwealth, State and local authorities first came within the purview of the Loan Council under a 'gentlemen's agreement' originating in 1936. Since 1984–85, the 'gentlemen's agreement' has been replaced by the Global Approach whereby the Loan Council determines a voluntary global limit to apply to all new money borrowings by all public trading enterprises (except statutory marketing boards) and local governments. Details of the Global Approach are contained in Commonwealth Budget Paper No. 4, *Commonwealth Financial Relations with Other Levels of Government*.

The following table shows the aggregate borrowings by the State and local authorities in each of the years 1985–86 to 1989–90.

'GLOBAL' NEW MONEY BORROWINGS BY COMMONWEALTH, STATE AND NORTHERN TERRITORY SEMI-GOVERNMENT AND LOCAL AUTHORITIES(a): 1985-86 TO 1989-90 (\$ '000)

(Source: Commonwealth Budget Paper (1988-89) No. 4 (Table 25))

	NSW	Vic.	Qld	WA	SA	Tas.	NT	ACT	States and the Territory	Common- wealth(b)	Total
GLOBAL BORROWINGS (\$ million)											
1985-86	2,059	2,007	1,539	741	400	230	65	n.a.	7,041	1,178	8,219
1986-87	1,845	1,875	1,387	635	350	217	86	n.a.	6,395	1,402	7,797
1987-88	1,540	(c)1,684	1,161	584	301	182	71	n.a.	5,522	(d)865	6,387
1988-89	1,153	1,552	793	658	258	201	85	n.a.	4,700	2,077	6,777
1989-90(e)	1,144	1,174	626	448	224	135	81	40	3,871	1,488	5,359
GLOBAL BORROWINGS (\$ per capita)											
1985-86	375	485	593	516	291	517	428	n.a.	443	74	517
1986-87	331	448	523	429	252	485	554	n.a.	396	87	483
1987-88	272	398	429	384	215	406	455	n.a.	337	53	390
1988-89	201	362	285	419	182	447	543	n.a.	282	125	406
1989-90	197	270	219	278	156	299	514	141	228	88	316
GLOBAL BORROWINGS (percentage of GSP) (f)											
1985-86	2.5	3.0	4.3	3.3	2.1	4.1	2.5	n.a.	3.0	0.5	3.4
1986-87	2.0	2.6	3.5	2.5	1.7	3.4	2.8	n.a.	2.4	0.5	3.0
1987-88	1.5	2.0	2.6	2.0	1.3	2.6	2.2	n.a.	1.9	0.3	2.2
1988-89	1.0	1.7	1.6	2.0	1.0	2.6	2.3	n.a.	1.4	0.6	2.0
1989-90	0.9	1.2	1.1	1.3	0.8	1.6	2.1	0.6	1.1	0.4	1.5

(a) Includes borrowings by all Commonwealth, State and Northern Territory semi-government and local authorities, government-owned companies and trusts. (b) Includes 'implicit' borrowings associated with instalment purchase transactions by Commonwealth Government departments. (c) VIC borrowings for 1987-88 exceeded the State's global limit for the year by \$158 million as the sale of the World Trade Centre proceeds of which are to be used to repay debt did not proceed. When the sale proceeds the State's borrowings are expected to be reduced below the global limit by similar amount. (d) A Commonwealth authority converted approximately \$1.2 billion of financial leases to operating leases during 1987-88. These transactions are not reflected in reported global borrowings by Commonwealth authorities. (e) 'Global' new money limits agreed at the May 1989 Loan Council Meeting. (f) Commonwealth and Total figures are given as a proportion of GDP.

Additional details of the transactions of public authorities engaged in particular fields of activity, such as defence, transport and communication, health and welfare, education, etc., may be found in other chapters of this *Year Book*.

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