

Speech by

Hon Eric S Ripper MLA

Deputy Premier; Treasurer; Minister for Energy

Thursday, 8 May 2003

Mr Speaker

I move that this Bill be read a second time.

Introduction

Mr Speaker, I'm proud to be delivering the Gallop Labor Government's third balanced Budget.

One figure sums up the 2003-04 State Budget.

1,000 million extra dollars for the State's health system.

Add this to the Government's investment in its first two years, and we are looking at a \$2,450 million injection into health over the forward estimates since this Government has come to office.

That is a seismic shift in Government spending.

But it is not only health that is the focus of the Government's investment.

Education, law and order, the environment, community development and disability services remain key priorities.

We are funding these community priorities while also ensuring that the State's finances remain at triple-A quality.

This was our commitment to the people of Western Australia when we were elected and we will not be diverted.

Our Government is about ensuring the essential services that are delivered by the public sector are world class and available to all.

That benefits everybody, whether they are those at the lower end of the income scale or the international investors looking to the Government to provide the essential infrastructure and access to land necessary for new investment, as we are doing on the Burrup Peninsula.

We are providing the essential services and infrastructure required to develop our State, both socially and economically.

In short, we are building WA.

Budget Context

Mr Speaker, this Budget delivers an increase in services in 2003-04 totalling \$342 million.

Most of this amount, \$303 million – or 88 per cent, is concentrated in improving services in health, education and law and order.

We will provide this increase in services while restraining the growth in total Government spending to only 3 per cent.

We are able to hold expenses to this level because we have done the hard yards on expense restraint for three years in a row.

We are implementing significant changes in how the public sector operates to ensure our priority expenditure areas are properly resourced and to keep public administration costs as low as possible.

The measures we have taken, which include amalgamating the Departments of Education and Training, follow a comprehensive review of the functions of government agencies.

We are seeking to improve the way the public sector works rather than simply selling it off as was the want of our predecessors who sold State assets worth \$4.8 billion over the life of their Government.

We believe in an efficient, effective, co-ordinated and service-focussed public sector.

This Budget has again been framed following a very rigorous review of all areas of Government spending.

It has also been framed against the background of difficult external circumstances, with international conditions expected to impact adversely on Western Australia's mineral and petroleum royalties. These revenues currently account for around 10 per cent or \$1.1 billion of our total revenue, and are forecast to collapse by a substantial \$131 million in 2003-04.

At the same time, Commonwealth payments to Western Australia – our single largest source of revenue – are forecast to rise by just 0.9 per cent in 2003-04.

That is substantially less than the rate of inflation, and represents a decline in real terms of 1.6 per cent.

If our Commonwealth grants had kept pace with inflation, we would be \$77 million better off going into next financial year. If they had kept pace with both inflation and population growth, we would be \$145 million better off.

It's time Western Australians held the Commonwealth Government to account for their treatment of our State.

But it's not just the revenue side of the Budget that is under pressure.

Significant cost and demand pressures exist on the expenditure side of the Budget as well, particularly in the health sector, which accounts for around one quarter of the Government's total spending.

As I have said on many occasions, health spending has been growing at around twice the rate of revenue in recent years. That puts enormous pressure on Government finances, and frankly, is not sustainable in the long term.

Notwithstanding these difficult circumstances, this Budget:

- delivers substantial funding boosts to the priority areas of health, education and law and order, as well as significant injections into the key areas of community and disability support;
- provides for recurrent spending of \$5,918 in 2003-04 for every man, woman and child in Western Australia, up from an estimated \$5,827 in 2002-03;
- continues to invest heavily in economic and social infrastructure essential to the State's future, with a record Capital Works Program in 2003-04 of \$3.5 billion;
- sees debt levels lower than our mid-year review estimates; and
- continues to demonstrate the Government's commitment to sound financial management.

In the face of falling mining royalties and a real decline in Commonwealth grants, it would have been easy for the Government to allow the budget to slip into deficit and to rely solely on debt for funding the expansive Capital Works Program.

Instead, we will deliver our third consecutive balanced budget in 2003-04.

This is in stark contrast to the previous Government, which recorded a total of five deficits out of eight budgets, including four consecutive operating deficits between 1996-97 and 1999-2000 and two forecast deficits in the forward estimates.

This practice seriously eroded the State's financial position and we are still unwinding that legacy.

We expect to deliver a surplus for this financial year of \$178 million, and a surplus in 2003-04 of \$83 million – with increasing surpluses across the forward estimates period.

The budget surpluses projected across the forward estimates period play an important role in keeping debt at sustainable levels.

The net debt to revenue ratio – a key ratio for the State's triple-A credit rating – is projected to remain well below the 47 per cent target limit in each year.

As I have previously mentioned, debt will ease back in 2003-04 from our mid-year review projections, and will be broadly consistent with where debt was expected to be in the pre-election financial projections the Government inherited.

Our Growing Economy

Despite the uncertain international environment, the Western Australian economy is continuing to grow at an impressive pace, underpinned by strong growth in business investment.

As *Access Economics* said in a recent publication, the State is rebounding following “a decade of lost opportunities”.

The Government recognises the importance of business investment in generating jobs – one of our top priorities.

Since coming to office, 32,000 jobs have been created, helping the State to record recently its lowest unemployment rate in 14 years.

This impressive statistic in part reflects the Government’s creation of an environment that is conducive to business investment, including through:

- our commitment to sound financial management and maintenance of the State’s triple-A credit rating; and
- our record investment in essential infrastructure, including in the key transport and resource sectors.

The Government will continue to work hard to sustain this environment to build on our business investment and jobs growth record.

Since early 2001, the State’s economy has grown impressively.

Growth of 5.7 per cent was recorded in 2001-02, following a contraction of the economy in 2000-01 under the previous Government.

And despite the drought and international uncertainty, growth of 4.25 per cent is expected to be recorded this financial year, up from the mid-year review forecast of 3 per cent.

This puts Western Australia ahead of most other States and ahead of most developed countries in the world.

While there are some risks on the horizon, the future also looks bright for Western Australia.

Economic growth of 4.5 per cent is forecast for 2003-04, surpassing previous expectations.

This growth is expected to be underpinned by a 10 per cent increase in business investment, reflecting construction work on a number of major resource and other projects currently underway in the State.

This will be the third consecutive year of growth in business investment and contrasts starkly with three years of decline under the previous Government.

Mr Speaker, this positive outlook, in the midst of more gloomy prospects elsewhere, is testament in part to the policies of the State Government.

As well as helping to bring to conclusion the China LNG deal – building on the efforts of the former Premier – we have delivered real progress in developing the Burrup Peninsula and the HIsmelt project.

The Government has committed more than \$137 million to multi-user infrastructure on the Burrup and negotiated agreements with native title claimants worth more than \$15 million, enhancing the development potential of this region.

The native title agreement, which resolves native title issues on the Burrup and future Maitland industrial estates and light industrial and residential land in and around Karratha, has been described as the most complex and comprehensive development-related native title settlement in Australia.

Our critics said it couldn't be done.

The Government has also contributed directly to economic activity with the start of work on projects such as the New MetroRail project.

Of course, events in Iraq and their aftermath, the economic fallout from SARS, the continued sluggishness in the world's largest economies and, locally, uncertainty about the extent to which the drought will break, carry some risks for the State economy.

However, Western Australia appears well placed to weather these uncertainties.

It is through continued strong economic performance that even more jobs will be created – a central goal of this Government. 22,000 new jobs are forecast for 2003-04, and a total of 100,000 new jobs are projected over the next four years.

This is on track to achieve our target of 125,000 new jobs over five years that the Premier announced in February.

But realising this goal will require innovative policies that support development of our State.

In this regard, we have embarked on an ambitious electricity reform program to promote greater competition and sustainable lower electricity prices, increased choice for consumers, greater reliability of supply and enhanced access arrangements.

For a resource-based economy like Western Australia's, lower electricity prices are essential to improve our competitiveness and encourage economic growth.

Reforms to business taxes will also improve the competitiveness of the State's economy.

The Business Tax Review package, which I announced in January, will overhaul the current complex and out-dated tax system by abolishing six nuisance taxes, eliminating anomalies and reducing compliance costs on businesses.

Western Australians will benefit from an administratively simpler, modern tax system with a broader revenue base.

Most measures in the package are expected to be in place by the end of 2003, with some introduced by 1 July 2003.

The Government's commitment to a new Economic Regulation Authority will increase independence, transparency and accountability in the governance of the electricity, gas, water and rail industries – critical to the efficiency of these industries and therefore to the State's economic development.

Building WA

Mr Speaker, I touched on the Government's record Capital Works Program earlier.

Some say we spend too much on capital works.

But Sir John Forrest was also criticised for the Mundaring to Goldfields water pipeline, now in its centenary year.

At the time, the cost of 2.6 million pounds was equal to the total State Budget of the day. Who today would say it wasn't a wise investment?

Our Capital Works Program is more modest than that of Forrest, but it is substantial by contemporary standards.

That is because we also have an eye to the future.

Let me outline our plans for transport – a key sector in a State as large as ours.

We have allocated \$182.9 million in capital works funding in 2003-04 for the New MetroRail project.

Of this amount, \$15.5 million has been provided for the railway extension to Clarkson in the north, and \$33.8 million in funding has been provided for construction of a railway between Kenwick and Thornlie.

We are constantly attacked for our investment in the rail project.

But the project is a shining light in the development of our State for which future generations will be grateful.

We should not forget that public transport was so undervalued by the previous Government that not one metre of rail track was laid in eight years.

Mr Speaker, we have also allocated \$20.8 million in 2003-04 for the 'Building Better Stations' program. This will provide for a new station at Greenwood and the refurbishment of existing stations and upgrading of access for people with special needs.

In the regions, a key project is the Geraldton Southern Transport Corridor project, for which we have allocated \$26.3 million in 2003-04.

This will provide an alternative route for freight vehicles and rail freight, thus improving access and efficiency for the transport industry and safety for all road users by reducing conflict between road and rail freight and passenger vehicles.

Turning to roads, Main Roads will spend \$773.2 million in 2003-04, including depreciation and the capital user charge. When these items and corporate overheads are excluded, the actual spending on roads will be \$565.8 million, up \$56 million on this year. Key projects within the metropolitan region include:

- the upgrading of Great Eastern Highway to a four lane dual carriageway from Old Sawyers Road up to the Chidlow to York Road. This is a major east-west link and carries a high percentage of commercial vehicles; and
- construction of the Roe Highway between Nicholson Road and South Street. The completion of this project will improve road safety, reduce freight and transport costs and improve amenities and access between Midland and Fremantle.

Other major components of the Capital Works Program for 2003-04 include:

- investment of \$462.8 million by the Water Corporation on various projects, including \$125.5 million on the distribution network and \$96.8 million on commercial activities. The key projects include a desalination plant and a pipeline to provide sea water to new industrial developments on the Burrup Peninsula;
- investment of \$395.4 million by Western Power to improve the capacity of electrical power supplies in both regional and metropolitan areas of the State. Of this amount, \$123.9 million will be focused on maintaining reliability and quality of supply through ongoing enhancement and upgrading of the distribution system. An additional amount of \$97.5 million will enable the continuation of major transmission works in Western Australia;
- expenditure of \$186.1 million by LandCorp, including \$44.9 million on industrial land acquisition and development, and \$47.8 million on urban development and town site development;

- the State Housing Commission is again delivering a significant public housing program, with construction and refurbishment commencements in excess of 1,500 units, with \$143.2 million to be spent on the construction of new units; and
- investment of \$98 million by the port authorities, including \$22.4 million on the Geraldton Port Enhancement Project, \$18.5 million by Fremantle Port Authority on infrastructure to support Stage 1 of the HIsmelt project, and \$13 million at Dampier for dredging a shipping channel.

Health

Mr Speaker, I would like to turn to our investment in health.

Every Western democracy is grappling with the inexorable rise in health costs.

Western Australia is no exception.

It is our most essential public service. But it also represents the greatest service challenge to the Government, accounting for around one quarter of the total State Budget.

Since coming to office, we have injected an additional \$2.45 billion into the health system including over the forward estimates.

But despite this massive injection of funds, turning around the health system has proved to be a longer and more difficult process than we envisaged when we came to office.

We have therefore made the decision to couple our investment with further reform.

Reform is unavoidable if we are to deliver a health system that is financially sustainable and continues to meet community expectations for high quality services.

The Health Reform Committee, led by Professor Mick Reid, a former NSW Director General of Health, is responsible for driving system-wide health service reforms.

These are aimed at improving health services to the community, constraining growth in health expenses over the longer term, and ensuring the continuation into the future of sustainable quality health service delivery.

It will also be examining opportunities to promote reforms in Commonwealth-State funding arrangements for health service delivery.

I have previously noted that the Canadian Prime Minister and all Canadian provincial governments earlier this year signed the Canadian Health Care Renewal Accord, a model for a co-operative approach to health reform.

It is blindingly obvious that there needs to be a nationally led, co-operative approach to health reform in this nation.

But rest assured we will not stand around waiting.

We have committed to providing a record \$2.6 billion in 2003-04 for the delivery of health services. This is an increase of 9.7 per cent in the appropriation, relative to the estimated outturn in 2002-03.

This funding will go towards:

- the recruitment of 150 new nurses, with more than 80 of these to be employed in metropolitan and country emergency departments;
- the increasing costs of ambulance and transport services, blood products and home care services; and
- increased patient support costs arising from the increased costs of pharmaceuticals, patient diagnostic supplies and service delivery contracts with private hospitals.

The 150 new nurses are in addition to the 428 extra nurses employed over the past two years and will directly translate into better care for all.

In addition to recruiting extra nurses, a number of other initiatives are being implemented to meet increased community expectations, including:

- upgrades to increase the capacity of metropolitan emergency centres at Sir Charles Gairdner, Princess Margaret, Swan Districts and Rockingham Hospitals; and
- extension and upgrade of the emergency centre at King Edward Memorial Hospital, with improved staff facilities and upgraded security.

We are also actively working to reduce the size of waiting lists. In 2003-04 it is expected that some 44,000 elective waitlist admissions will be carried out.

Key initiatives aimed at further improving the management of the waiting list include:

- establishment of a Clinical Practice Improvement Unit for Elective Services, to allow rapid access to data to assist in the planning of patient care;
- continuous audit of the waiting list to ensure appropriate prioritisation of elective patients; and
- establishment of the Clinical Priority Access Criteria, which is a General Practitioner assessment tool used to improve prioritisation of referrals by GPs to outpatient and specialist services.

The Government is continuing its strong focus on upgrading hospital and community health centre facilities throughout Western Australia. In 2003-04:

- work on the \$3.4 million project to expand the Peel Health Campus is expected to be finished by the end of 2003;
- construction of the new \$40 million Geraldton Hospital will start, and work on a new Community Health Centre will start at Leonora;
- work on the new multipurpose facility at Ravensthorpe will be completed by early 2004; and
- a program of general ward upgrades will continue at major hospitals, and two new dental centres for adults will be completed in Perth's northern and southern suburbs.

During 2003-04 the Government will also complete the \$23 million medical equipment investment program, including replacements for Magnetic Resonance Imaging (MRI) scanners at Royal Perth and Sir Charles Gairdner Hospitals, a new MRI for Princess Margaret Hospital and state-of-the-art mammography and ultrasound equipment at tertiary hospitals.

Why do we spend this money on the health system?

It's so people like Mick Galea, who suffered horrific injuries in a motorcycle accident this year, can be brought back from the brink of death by the Royal Perth Hospital emergency department that sees 1,000 patients a week;

It's so East Victoria Park grandmother Aleida De Blank can receive a knee replacement through the elective surgery program, for which waiting lists are at an 11 year low;

It's so students like Stacey Bell from Warwick Senior High School can be vaccinated against the deadly Meningococcal C disease; and

It's so Sarah Ravine can return to the nursing profession she loves after an absence of 17 years to provide quality care for Western Australians.

Education and Training

Mr Speaker, every parent worries about their child's education, training and future prospects.

They worry about their kid falling through the cracks because teachers can't give them enough individual attention.

They worry about their kids being behind the eight ball because the family can't afford the most up to date information technology at home.

They worry about bullying and other behavioural problems impacting on their child.

And they wonder if their teenager is ready to succeed in the modern workplace.

Their concerns are our priorities.

This is why we are reducing class sizes.

It is why we are investing heavily in extra literacy and numeracy teachers.

It's why we are targeting behaviour management and classroom discipline.

It's why we are pumping millions into the best information technology for our students and teachers.

And it's why we are shaking up our education and training options for 15 to 19 year olds.

Mr Speaker, our decision to combine the departments of Education and Training highlights our determination to harness the combined strength of the State's school, training and university system.

We want to develop a highly skilled, adaptable and internationally competitive workforce.

This is central to Western Australia's industrial growth, diversification and capacity to participate in the global knowledge economy.

Our focus is on the future of our young people, with our highest priority being to engage more 15-19 year olds in worthwhile learning – learning that will provide future opportunities relevant to them.

In total, we are allocating \$2.4 billion to the Department of Education and Training in 2003-04, an increase of 4 per cent.

In the education system, this translates to a 1.1 per cent real increase in resources per student, taking the total per student funding increase since we were elected to 4.1 per cent in real terms.

Our literacy and numeracy strategy will continue in 2003-04, with the appointment of 40 additional specially trained teachers. This brings the total additional teachers for this program to 157 since 2002.

We have allocated \$26.9 million to ensure that all government schools will be connected to new high bandwidth telecommunication services so students have faster access to the world of information on the Internet.

We are also continuing our program of providing laptop computers to teachers so they too can maintain their technology skills. Already more than 11,000 teachers have taken advantage of this initiative.

To improve outcomes for Aboriginal students, the *Follow the Dream* tertiary aspirations initiative will be operational in 12 locations; three additional Early Literacy and Numeracy specialists will be appointed; and construction will commence on a purpose-built Aboriginal school at Bunbury.

In the training sector, the numbers of apprenticeships and traineeships in 2003-04 are projected to increase by at least 1,250, with total apprentice and trainee numbers targeted to increase to 25,000 per annum by 2006.

We will implement a School Based Traineeship Strategy to facilitate school to work transition and promote school retention. This will include expanding the Aboriginal School Based Traineeship Program to target 350 students Statewide over the next two years.

We will also undertake a large \$167 million capital works program within the Education and Training sector. This includes:

- the commencement of construction, as well as completion, of a number of primary schools (both new and replacement schools);
- \$8.4 million in 2003-04 for the completion of Canning Vale College;
- the continuation of the redevelopment of Mount Lawley Senior High School, with \$7.5 million to be spent in 2003-04; and
- \$7.5 million for the third stage of the \$40 million Secondary Schools Refurbishment Program.

Community Safety and Security

Mr Speaker, two days before I brought down the 2001-02 State Budget, the September 11 terrorist attack took place in New York claiming thousands of lives. In October last year, the Bali tragedy brought the spectre of terrorism even closer to home.

There is no doubt that these tragic events will have long lasting repercussions, not only for those closely involved but for the wider community.

The State's capacity to manage a chemical, biological or radiological emergency and deal with any terrorist activity will be significantly improved with a \$2 million investment in the current and coming financial years. This will cover additional specialised equipment, staff and training programs.

But people also want to feel safe and secure as they go about their daily lives.

They want to be safe in their homes, in their workplaces, and when they use public transport.

We have responded to these concerns by allocating an additional \$29.5 million to the Police Service in 2003-04, an increase of 5.6 per cent over the previous year.

Today, we are spending \$90 million more on police services than was the case when we assumed office.

I am pleased to announce that part of this funding will go towards recruiting 60 additional police officers in 2003-04. These will supplement the 115 police officers we have already recruited since coming to office and puts the Government firmly on track to meet its election promise of 250 new police officers in its current term.

We will also recruit an additional 10 Aboriginal Police Liaison Officers in 2003-04. These officers perform a unique role and do a tremendous job in often difficult circumstances. The outcomes of their work are equally significant.

It is not only imperative that we have extra police, but that our police are equipped with the latest technology. To successfully target modern day crime, police must have the technological weapons to be smarter and faster than their adversaries. Technology is a key driver of both the efficiency and effectiveness of our Police Service.

The capital works budget for the Police Service is a record \$77.5 million in 2003-04. This includes:

- \$22.1 million for the continuation of the Delta Communications and Information Technology (DCAT) project to improve systems and technology in the Police Service;
- \$17.5 million for the purchase of Stages 1A and 1B of the new CADCOM voice management dispatch system; and
- \$12.3 million for the construction of a new state of the art forensic facility at the Midland Operational Support Facility.

The new police communication system, when fully operational, will represent a total investment of \$80.2 million and will enable our police to better target and respond to crime more quickly and effectively.

The combined capital and recurrent cost of the DCAT and CADCOM systems and related IT infrastructure and support services, since their inception under the previous Government through to 2007-08, will be \$509 million.

Of that amount, \$269 million or 52.8 per cent has been provided by this Government because of a lack of proper budget provisioning by the former Government.

Members will recall that this project was embarked upon, without full funding, on the strength of a letter of authority given to the Police Commissioner by the former Premier.

We have continued with this investment because it is necessary to replace police technology and systems – much of which is 20 years old or more – so that it remains effective.

The Police Service has assured this Government, and the former Government, that this significant investment will not only improve capability but will deliver the equivalent of around 300 officers' time for front line policing.

Efficiencies already generated have allowed an investment of officer time in operational activity, such as new interview processes and DNA sampling support.

Mr Speaker, the Government is delighted with the early success of its DNA profiling program in catching criminals responsible for long unsolved crimes.

This year, a further 20,000 DNA samples will be collected so that we can catch more criminals for new and past offences.

While an additional police presence on the street is important, we are aware that to reduce crime it is vital to support prisoners in their re-entry to the community.

The Government will introduce a number of drug strategies to reduce the likelihood of drug users returning to crime to feed their drug habit on release from prison. The strategies will reduce drugs entering prisons, reduce the demands for drugs and reduce the harm associated with drug use.

These initiatives by Government are critical to break the cycle of relapsing into drug use and re-offending. Reducing drug related crime is vitally important to victims and the community generally.

Further enhancement of community safety will be achieved through the recruitment of 40 extra transit guards for our public transport network.

In 2003-04, total transit security personnel will be 277, comprising 227 transit guards and 50 police.

It's expected that the sight of these officers will greatly boost public confidence and deter offenders.

The Government has also indicated its intention to crack down on dangerous worksites and negligent employers by boosting the number of WorkSafe inspectors by 25 per cent with a \$6.6 million allocation in the Budget.

The Premier has made clear that hazardous workplaces and dodgy bosses who put profit before the safety and health of their workers will face the full force of the law.

Community Development

Mr Speaker, I'd like to turn now to the community development portfolio.

It's been suggested by some commentators that the Government's emphasis on meeting its financial management targets is at the cost of providing services for those in need.

But anyone with the most rudimentary powers of analysis will see that our successive Budgets have delivered an enormous social investment.

Keeping tight control of the finances, and rigorously reviewing existing spending, builds the financial capacity to meet community needs into the future.

There can be no doubt that this Government recognises that it has a responsibility to ensure all Western Australians have a reasonable quality of life.

But that does not mean building bell towers and other monuments to political vanity.

To this Government, a good quality of life means at least being able to afford the basic necessities.

It means having a roof over your head.

It means feeling like you are part of the community and supported if you are in need.

Nothing exemplifies our commitment to Western Australians in need more than our responses to the Gordon Inquiry and the Homelessness Taskforce, which receive substantial funding in this Budget.

We provided \$75 million to implement the Gordon Inquiry recommendations, including providing 25 new child protection workers across the State and 14 additional Aboriginal support workers.

And we are building new police facilities in remote areas so that the law protects children no matter where they live.

We made this investment knowing that money alone would not solve the problem. We knew there was no quick fix.

But it is this Government's humble monument to 15 year old Susan Taylor, who died in the most tragic and desperate of circumstances.

Mr Speaker, many Western Australians are struggling to obtain what most of us take for granted – a roof over our head.

This is why we have allocated substantial funding to tackle this problem.

We are providing \$3.5 million to assist private sector tenants to keep their housing through support and advocacy services.

We are providing another \$3.5 million to help homeless children – 18 country women's refuges and five metropolitan youth services received additional funding from January 2003 and from 1 July 2003, two counselling and support services in the metropolitan area will be established to work with children from homeless families.

Mr Speaker, foster carers are the unsung heroes of the community.

They have the boundless compassion to care for some of the most disadvantaged children in Western Australia.

But it is to our shame as a community that foster carers have not had a real increase in their base subsidies and allowances for 10 years.

Over the next four years, \$14 million will be provided by this Government to achieve a 33 per cent rise in the subsidy payment.

The last increase was in January 1992, when I was the Minister for Community Development.

In addition, we are providing around \$9 million over the next four years to meet the needs of children in care.

Mr Speaker, the hardship faced by people with disabilities, and their families, is another key concern of the Government.

That's why we have invested an extra \$40 million in disability services in the three Budgets since we assumed office.

In this Budget, disability services will receive a funding increase of \$37 million over the next four years.

This will fund 80 new accommodation places in 2003-04 in addition to the 75 places provided in last year's Budget. In addition to the new places funded in the Budget, it's expected that a further 23 people will be provided with accommodation support in 2003-04 through more effective management of existing resources.

This year's Budget commitment will provide family support services for an additional 154 families.

An estimated 35 accommodation places will be provided through hostels and group homes, and 45 places through supported community living. The mix of support will be influenced by individual choices and need.

Funding is also being provided to deliver new services, such as alternatives to employment, post school options, therapy services and local area coordination.

Environment

Western Australians are blessed with clean drinking water, ready access to scenic coastlines, and a variety of national parks in both regional and metropolitan areas for everyone to enjoy.

It is our goal to ensure these benefits remain for future generations.

This is why, upon coming to office, we ceased logging in all of the State's old-growth forests.

We are investing a total of \$151 million to implement that policy.

As part of this commitment we have provided for the development and management of 30 new national parks and two new conservation parks. Indicative boundaries for 16 of these have already been released for community input.

Since this Government assumed office, we have pumped an extra \$44 million into the environment portfolio.

The Government has also received a very loud and clear message from the community about the premium they place on environmental protection.

This is no mere bumper sticker revolution.

There is a discernable shift in community expectations.

The Government has responded with wide ranging reforms in the management of pollution, waste and contaminated sites – initiatives that receive substantial funds in this Budget.

Altogether, more than 30 extra staff will tackle environmental regulation and pollution control.

Almost from the day the Swan River Colony was settled we have contaminated parts of our natural environment with industrial and domestic waste.

And for too long, polluters have escaped responsibility for the contaminated sites they leave behind.

This year we expect to have in place the toughest contaminated site laws yet seen in Western Australia. Following the passage of the Contaminated Sites Bill, those who pollute the environment will have to pay to clean up the mess.

In the meantime, we have provided \$52 million over four years for identifying and remediating contaminated sites. This funding will be used to cover costs associated with implementation of the Contaminated Sites Bill as well as remediation costs for high priority contaminated sites.

In the next year, we will also be introducing into Parliament a new Biodiversity Conservation Bill. This will replace an Act that is more than 50 years old and will help to maintain the south-west of our State as one of the world's 25 'hotspots', described as such due to its diversity of native plants, animals and ecosystems.

Salinity also remains a serious problem for the State. The Government will spend more than \$40 million in 2003-04 to combat this growing problem.

Our aim, through the State Salinity Plan, is to develop and promote viable salinity management options that are adopted by landholders.

Marine conservation is also important on a coastline as big as ours.

We are working to create a comprehensive network of marine parks along the State's 13,500 kilometre coastline to ensure the State has a world-class marine conservation system.

To this end, the Budget includes an allocation of just under half a million dollars in 2003-04 and a further \$2.4 million over the forward estimates period for the establishment and management of marine parks.

We have also begun the process to create further marine parks in the Pilbara, and in the waters around the Leeuwin-Naturaliste coast.

A new conservation estate will also be created on 60 per cent of the Burrup Peninsula to be jointly managed by the native title claimants and the Department of Conservation and Land Management.

Of course, water security is as important an issue to our population today as it was to earlier generations.

We are taking measures to ensure our population has access to sufficient water supplies into the future.

The Water Corporation will spend \$51 million on water sources and \$7 million on drought response in 2003-04.

Over the next 5 years \$246 million will be spent on the ongoing program of water source development throughout the State and \$23 million on the continuation of the established drought response program. This will improve the security of water supply to the Perth metropolitan and regional schemes, following dry seasons over the last three years.

The Regions

For each of the key areas that I have touched on today, our expenditure has been allocated across the entire State.

But we recognise that each of our regional areas are distinct and have unique needs, expectations and opportunities.

They are the backbone of our State and will not be taken for granted by this Government.

Regional Western Australians want action, not words.

We haven't just talked about the Southern Transport Corridor in the Mid West, we are building it.

We haven't just talked about the Albany small boat harbour development, we are building it.

We haven't just talked about ageing regional electricity networks, we are funding a substantial upgrade.

And rather than lamenting the inability of grain ships to fully load at Geraldton, we are doing something about it by investing in the deepening of the port.

This is the pattern across the State.

In 2003-04, we have allocated significant funding to key roads throughout the State, including:

- \$14.1 million for Stage 1 of the construction of a two lane sealed road north of Tom Price;
- \$3.2 million for the construction and sealing of the Carnarvon to Mullewa Road;
- \$2 million for the construction and sealing of the remaining unsealed section of the Marble Bar Road between the Shaw River and the Ripon Hills turnoff; and
- \$1 million to form and gravel the Outback Highway between Laverton and Docker River.

As part of our regional commitment to health, we are continuing implementation of the Country Health Services Review, with particular emphasis on development of the Regional Networks and the Regional Resource Centres across the State. This will enable as much secondary level acute care activity to be retained within the regions as possible, limiting the need for patient transfers to Perth for other than tertiary level services.

It's worth noting that more than 37,000 trips a year are provided by the Government through the Patient Assisted Travel Scheme.

In education, we announced that as part of the Government's telecommunications program we will provide computers and constant internet access to the State's 510 home-based students.

This will mean that students will be able to learn on-line with their teachers and receive instant feedback rather than waiting six weeks for assignments to come back in the mail.

We remain committed to maintaining educational infrastructure of a high standard in the regions, and in 2003-04 some of the capital works funding we have allocated includes:

- \$7.5 million for primary schools in the South West;
- \$3 million for additions and improvements to Roebuck and South Kalgoorlie Primary Schools;
- \$2.5 million each for Mandurah Senior College and the Margaret River Campus of the South West Regional College;
- just under \$2 million for additions and improvements to Tom Price Senior High School's Sports Hall; and
- \$1.5 million each for refurbishment of the Esperance Senior High School and the Fitzroy Crossing District High School.

In addition, construction of the new Geraldton Marine and Fishing Centre will provide training and research to support current and future needs in the Midwest/Gascoyne aquaculture industry.

Regions will also benefit from the Renewable Remote Power Generation Program, for which \$5.1 million in funding is available in 2003-04.

We are also now in our third year of the Regional Investment Fund. In 2003-04, we are allocating \$21.8 million in funds to be distributed through this program.

Tourism is important to the State, particularly to our regional areas. In recognition of this, the Government will make a substantial investment in 2003-04 attracting tourists and improving tourism facilities throughout the regions.

Commonwealth-State Financial Relations

Mr Speaker, I now want to come to an issue that has been a preoccupation of Western Australian governments of all political persuasions since Federation – our relationship with the Commonwealth.

A well functioning system of Commonwealth-State financial relations is critical to the well being of our State's finances, as around 45 per cent of the State's revenue is received from Commonwealth grants.

Unfortunately, Western Australia is not being well served by current arrangements. As I said earlier, Commonwealth payments to Western Australia will rise just 0.9 per cent in 2003-04, which is a decline of 1.6 per cent in real terms.

The GST funding arrangements have not changed the States' and Territories' excessive reliance on Commonwealth grants.

We still do not receive enough in GST revenue to reach break even point, and that day seems further and further away.

The problem is compounded by the antiquated Commonwealth Grants Commission process used to share grants between the States.

Our share of funding through the Grants Commission has steadily deteriorated and is now \$374 million per year less than 10 years ago.

The Grants Commission redistributes 90 per cent of the revenues generated from our resource projects around the nation.

But nobody lines up to share our costs in providing the infrastructure to support these wealth generating projects.

Reforms are needed to improve the incentives and capacity for State governments to develop their economies.

Sir Charles Court, in his submission to the Garnaut-Fitzgerald review of Commonwealth-State financial relations, noted that Western Australia was punished for its success. He said:

“Because of what we did to help ourselves in the 1960’s there is a general feeling in Canberra and the Eastern States that we can go on doing this sort of thing and thereby create a bigger cow to be milked by the rest of Australia. This is far from the truth and if a more realistic approach to the Western Third is not taken it could be to the serious detriment of the nation.”

The extent of the problem is illustrated by what is known as the net fiscal subsidy.

That is the difference between what Western Australia contributes to the Federation through taxation and other means, and the grants and other contributions made by the Commonwealth to Western Australia.

The net contribution by Western Australia is around \$3 billion, or \$1,700 per person, the greatest subsidy of any State or Territory.

This means that Western Australian taxpayers are in effect delivering Budget surpluses for a swag of other States and Territories!

The Commonwealth also needs to do more to directly promote economic development in States such as Western Australia.

The Commonwealth receives the lion’s share of the tax benefits generated by our resource projects, and it should therefore be prepared to contribute to the infrastructure that is necessary for these projects to proceed. In areas such as the Burrup, the State has had to shoulder the burden of very substantial infrastructure costs. While the Government is actively seeking to turn this situation around, the difficulties remain in the short term.

In the area of Commonwealth specific purpose payments to the States, we are also facing increasing difficulties with the Commonwealth.

The Commonwealth is providing inadequate funding to meet rising costs and demands for services such as health, housing and disability services. At the same time, it is seeking to impose more onerous conditions, limiting our flexibility to use scarce resources to achieve maximum benefits for our community.

There are around 100 types of specific purpose payments or tied grants to the States, and all are bound up in excessive amounts of red tape.

Further, there is little transparency or accountability in the Commonwealth decision-making. In a recent case, we were given to understand that an agreement on salinity funding had been resolved with the Federal Government, only to see the Prime Minister back away at the last minute.

The need for reform to Commonwealth-State financial relations is pressing and we will continue to give this a high priority.

A better system is urgently needed to achieve better economic and social outcomes for Western Australia, and the nation.

I say to the community in general and the business community in particular, it is high time you actively joined the campaign for Commonwealth-State financial reform because it is in your interests to do so.

The State's Revenue Base

Mr Speaker, I want everyone to understand the magnitude of the financial pressure the State is under.

As I said earlier, we expect to get \$131 million less in royalties next year because of oil price and exchange rate fluctuations.

In addition, we are \$145 million short of real per capita growth in Commonwealth grants.

In 2003-04, our total revenue – from which we pay for all services – is expected to grow by only \$65 million or 0.6 per cent.

In other words, natural growth in revenue is flat as a pancake.

This compares to the 6.6 per cent average annual growth during the Coalition years.

This highlights the fact that the State is unable to capture the full benefits of a strong economy in the revenue powers available to it.

It is clear that revenue growth of just 0.6 per cent is insufficient to fund essential government services at the levels reasonably expected by the people of Western Australia.

In order to continue to meet basic community needs, we have been forced to take steps we would prefer to have avoided.

There are only two options – reduce spending or increase revenue.

We have done both.

For the third year in a row, the Government has imposed significant cuts on the public sector. Real reductions in expenses are evident across many agencies.

Altogether, around \$750 million in capital and recurrent spending has been cut over four years.

The cuts have arisen from the recommendations of the Functional Review Taskforce, which was established after the 2002-03 Budget to examine measures to improve the productivity of the public sector and to ensure the effective and efficient delivery of the Government's priorities.

With some measures requiring considerable planning and changes to the way the public sector does its business, the biggest benefits will come in the latter years of the forward estimates.

We do not apologise for these substantial cuts, because those who pay State taxes would expect no less than the most vigorous efforts to contain and reprioritise Government spending.

On their own these cuts have proved insufficient in meeting unavoidable spending pressures in key areas – such as more child protection workers, more WorkSafe inspectors, and more environmental protection officers.

The Government, with great reluctance, decided some revenue increases were necessary.

We know the introduction of revenue measures will be an unpopular decision, but we also know that the community would not accept:

- high levels of hospital emergency by-passes;
- children's learning opportunities being stifled by behavioural problems going unaddressed;
- a police force with antiquated technology; or
- people with profound disabilities being cared for by parents in their 80s.

These are not the characteristics of a caring community.

In total, the revenue measures we are introducing in this Budget will raise an estimated \$182.1 million in 2003-04.

While this is a big ask, it is against the background of flat revenue growth and a very vigorous effort to reduce spending.

It is also considerably lower than the \$225 million in tax rises (in 2003-04 dollars) imposed by the previous Government in 1998-99 when revenue flows were already very strong.

Even after these measures, growth in total general government revenue is expected to be just 2.1 per cent – less than half the rate of growth in 2002-03, and less than a third the average rate of increase enjoyed by the previous Government.

In other words, revenue will fall in real terms next year.

We have avoided increasing payroll or land taxes, instead opting for transaction taxes, or stamp duties.

Mr Speaker, from 1 July 2003:

- Stamp duty on general insurance will be increased from 8 per cent to 10 per cent of premiums, raising \$52.5 million in the first year.

This will increase the effective price of general insurance by less than 2 per cent a year. In dollar terms, this represents an increase in the annual cost of a typical package of household insurance policies – including home and contents insurance, comprehensive motor vehicle insurance and motor vehicle compulsory third party insurance – of around \$23.

Following this increase, the rate of stamp duty on general insurance in Western Australia will be the same as in Victoria and the Territories, and lower than in South Australia;

- Stamp duty rates on property conveyances will be increased by 15 per cent, raising \$109.5 million in the first year.

Despite the increase, stamp duty on the purchase of a Perth median-priced home will be less than half the amount of duty on a median-priced home in Sydney and Melbourne, and less than the duty on an average home in Brisbane, Canberra and Darwin; and

- The Water Corporation's dividend payout ratio will be increased from 85 per cent to 92 per cent, raising \$20.1 million in 2003-04.

The introduction of these revenue measures still allows Western Australia to retain its tax competitiveness ranking with other States, with our taxation revenue per capita remaining below that of New South Wales and Victoria.

Fees and Charges

For the third year in a row, the overall impact of household fees and charges will be kept below recent inflation.

Increases in fees, tariffs and charges are aimed at achieving a balance between recovering the costs of providing specific services to the community and minimising the increased burden on the household budget.

For the third consecutive year, there will be no increase in the level of electricity prices.

Similarly, public transport concession fares will also remain frozen.

Water charges will rise by 3.3 per cent. Non-concession public transport fares will increase by around 3 per cent, which amounts to an increase of between 10 and a maximum of 20 cents per fare, depending on the trip.

Spending by the average 'representative' household on the basket of government goods and services and State taxes will increase by just \$1.61 per week. This is equivalent to a 2.7 per cent increase on the previous year's expenditure on the same basket of goods.

For a pensioner eligible for concessions, the increase is expected to be less than \$1 per week.

Conclusion

In conclusion Mr Speaker, this Budget demonstrates the Government's continued commitment to responsible financial management and to the economic development of Western Australia.

It also demonstrates the Government's preparedness to take tough decisions in the face of difficult circumstances, and our commitment to the priority areas of health, education, law and order, supportive communities and the environment.

In short, this Budget continues the work done in the Government's first two budgets in developing the State and meeting community priorities.

We are building WA.

I would like to take this opportunity to thank my colleagues for their efforts in rising to the challenges presented in framing this Budget and for maintaining budget discipline throughout the year.

Gone are the days of ad hoc, unfunded announcements by Ministers, and a lack of proper budget provisioning for Government initiatives.

I would also like to pay tribute to the Under Treasurer and officers of the Department of Treasury and Finance for their assistance throughout the budget process. They have a thankless task.

I would also like to acknowledge all Western Australians and their trust in the Government to get the job done.

In the interests of accountability, I would urge Western Australians to see how their money is being invested by logging on to www.ourstatebudget.wa.gov.au.

I would now like to go to the formal purposes of the two Appropriation Bills, which seek the sums required for services in the coming financial year. Appropriation Bill Number 1 is for recurrent services, which comprise the delivery of outputs and administered grants, subsidies and other transfer payments. Appropriation Bill Number 2 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent services estimates of \$10,233,941,000 include a sum of \$896,831,000 permanently appropriated under Special Acts, leaving an amount of \$9,337,110,000 which is to be appropriated in the manner shown in the Schedule to Appropriation Bill Number 1.

Capital purposes and financing transactions estimates of \$621,648,000 comprise a sum of \$132,846,000 permanently appropriated under Special Acts and an amount of \$488,802,000 which is to be appropriated in the manner shown in the Schedule to Appropriation Bill Number 2.

Mr Speaker, I commend the Bills to the House and seek leave to table:

- Budget Speech – Budget Paper Number 1;
- Budget Statements – Budget Paper Number 2; and
- Economic and Fiscal Outlook – Budget Paper Number 3.