

Speech by

Hon Christian Porter MLA

Treasurer; Attorney General

Thursday 19 May 2011

Mr Speaker, I move that this Bill be read a second time.

INTRODUCTION

Mr Speaker, the Liberal-National Government's third budget is framed in the context of a growing Western Australian economy, but also in an environment that remains uncertain globally, and contends with uneven levels of economic activity domestically.

Mr Speaker, this is a budget about fundamental choices.

In preparing the 2011-12 State Budget, the Western Australian Government faced one immense structural challenge, and, in the face of that challenge, had to make a central and pivotal decision about the best approach now – for the future of our State's economy.

The problem is the rapid and massive decline in Western Australia's share of GST grants. In short, Western Australia's prime source of revenue for building the State's future, our mining royalties, is being effectively transferred out of Western Australia by the Commonwealth through the Commonwealth Grants Commission (CGC), in an unprecedented way.

The pivotal decision has been whether, in the face of a collapse in GST revenue over coming years, do we as a State Government wind-back our infrastructure investment program, or do we stay the course and continue to invest in the critical social and economic infrastructure that we require to prosper and continue growing.

This budget will make real changes in people's lives by transforming Western Australia through the delivery of major social infrastructure, and also by providing better services to benefit all Western Australians.

Mr Speaker today I am proud to announce a \$442million surplus in the 2011-12 State Budget. This surplus enables us to continue the biggest ever investment in infrastructure in the State's history. But also Mr Speaker, on top of this infrastructure investment, I am pleased to announce more than \$1billion will be dedicated in this budget to services for those most in need in our community.

This historic and unprecedented \$1billion investment by the Liberal-National Government will provide social housing, support for seniors, children and families, people with disabilities and other support services to those who are often overlooked – those who are the most in need of the Government’s support.

Declining GST Share

Let me start this speech by returning to the challenge this Government faced in preparing this budget – our rapidly declining share of GST revenue.

Mr Speaker, the GST was to be a growth source of revenue for all States of the Federation.

However, the GST grant system is now largely a mechanism by which Western Australia is losing its prime source of economic revenue, mining royalties.

The formula by which Western Australia’s share of GST grants is returned to us is neither simply understood nor transparent, and it now produces results that are largely inexplicable and wildly unfair.

To the extent that any explanation of the current system is possible it is, essentially, that those States which increasingly raise their own revenue from growing the productive sectors of their own economies, such as Western Australia and Queensland, are penalised in the form of lower GST grants.

Ironically, unproductive revenue raised from pokie machines is excluded from this penalisation process, but productive revenue raised from mining royalties is included.

The CGC was set up to redistribute GST revenue fairly across every State. However, because the redistribution process heavily penalises those States that raise mining revenue, the CGC is now, in reality, a body which exists to redistribute the mining revenue generated in Western Australia and Queensland.

The forecast distribution of Western Australia’s royalty revenue away from Western Australia, is now nothing short of outrageous.

Right now Mr Speaker, our best estimate is that in 2014-15, the final year of our forward estimates, Western Australia will receive back in GST grants only 33 per cent, or one-third of our population share.

When compared to what we would receive back if a 100 per cent population share were returned – this redistribution represents a loss in revenue of \$12.3billion over the five years to 2014-15. Whereas Victoria will generate only \$50million in mining royalties in 2014-15, it will receive \$3billion after accounting for the GST redistribution.

On the other hand, Western Australia will generate \$6.7billion in mining royalties in the same year, but receive only \$1.2billion after GST redistribution.

This means that Victoria will generate \$8 per capita in mining royalties but receive through redistribution \$500 per capita. Western Australia will generate \$2,650 per capita and receive back less than \$480 per capita.

Critical Decision

Mr Speaker the critical question in this budget was: what is the best approach now, for the future of the State's economy.

In the ultimate analysis this Government considers the interests of the people of Western Australia, and the economic future of the entire nation, are best served by a two-fold strategy.

First, we must not let the loss of \$12.3billion bring our economy to a halt, rather:

- we must bring in successive surpluses; and
- we must find further savings in the budget.

We must combine these surpluses and savings with targeted borrowings to build the infrastructure that our economy requires to keep growing, and which Western Australians require in order to benefit from that growth.

Second, and at the same time, we must pursue the most important economic campaign in the State's history – being the campaign to reform the GST system, and return to Western Australia a fair portion of the revenue that would otherwise be lost forever.

The choice we have made is to combine hard earned surpluses and even harder to earn savings, with targeted and prudent borrowings to fund the State's economic future, while we fight for a return of our GST revenue.

This is the right strategy – but it is not a strategy that can be sustained indefinitely.

Without the return of a fair portion of the State's mining royalty revenue, the State Government will lack the capacity to grow the industries that benefit all Australians.

In this sense, a very important consideration of this year's budget is the analysis of risks and benefits that may be experienced in our future, on page 61 of Budget Paper Number 3.

What we reasonably anticipate is that in 2013-14 the CGC will have brought in a new GST system. We expect it will produce a floor of about 75 per cent of our population share of the GST. Therefore we expect extra revenue of \$1.8billion in 2013-14 and \$2.5billion in 2014-15. These amounts will allow for reduced borrowings and will be used to progressively reduce existing debt to less than \$18billion while maintaining strong infrastructure investment.

If that change does not occur in that year, the State Government will then have no choice but to wind back infrastructure investment to decrease debt.

Budget Aggregates

Mr Speaker, turning to the budget aggregates – conditions in the State’s resources sector are robust, with growing demand from emerging economies generating high terms of trade and a substantial pipeline of investment activity. Noting however, that the Commonwealth Government’s proposed carbon tax and Minerals Resource Rent Tax present serious risks to this outlook.

Also, while increasing commodity prices have boosted the State’s royalty revenue this revenue stream is, in large part, illusory as it is taken from the State in our massively reduced GST grant share.

Revenue conditions elsewhere in the economy are also subdued. Households remain cautious in their spending. Activity in the established housing market has also been much weaker than expected. People are less willing to buy or sell their houses, meaning transfer duty revenue has been revised down by \$435 million, or almost 27 per cent.

Our farmers and pastoralists have been affected by drought in the State’s Wheatbelt and floods in Carnarvon. And a number of industries are being challenged by the high Australian dollar.

Nevertheless, the overall outlook for the State’s economy is positive. In the coming year, the economy is forecast to grow by 4.5 per cent, underpinned by strong growth in business investment and exports. Growth thereafter is projected at 4 per cent per year.

This growth will underpin further improvement in the State’s labour market, with the unemployment rate projected to remain at or below 4.5 per cent over the forward estimates period.

Against this backdrop Mr Speaker, we will deliver a hard earned surplus of \$442million for 2011-12. This budget also predicts further operating surpluses of \$768million, \$787million, and then \$471million.

Mr Speaker, as I mentioned earlier, the centrepiece of the Liberal-National Government’s budget is the massive \$1billion package to support our community. At the same time we will also deliver significant, additional infrastructure investments to build the State and sustain growth into the future. In this context, the budget has four features. It:

- targets spending to deliver quality services for all Western Australians;
- delivers major social infrastructure for future generations;
- invests in the Western Australian economy now to keep the growth going into the future; and
- provides increased accountability through disciplined financial management.

TARGETED SPENDING TO DELIVER QUALITY SERVICES FOR ALL WESTERN AUSTRALIANS

Sustainable Funding and Contracting with the Not-for-Profit Sector

Mr Speaker, the Liberal-National Government will support our community to ensure all Western Australians benefit as our society prospers.

The budget provides an unprecedented \$604million for sustainable funding and contracting with the not-for-profit sector.

This historic level of funding will ensure a continuity of care and services which reduce stress on families, improve the quality of life for those receiving care, and helps the not-for-profit sector workers deliver even higher levels of support.

There is an unfortunate distrust by some of any service not delivered by a body ultimately controlled in some way by the public sector. This Government sees itself as a provider of services – but also sensibly recognises that Government is not always best placed to deliver services.

This Government supports the many hundreds of not-for-profit organisations that work every day to deliver services and care to those who most need assistance. The Government also recognises the imperative to build the capacity of this sector for future growth, so the people working in it can focus on the welfare and wellbeing of the people for whom they care and support.

Mr Speaker, some of the lowest paid workers in our community are employed by the not-for-profit sector, yet they do the hardest of work. They care for the deaf and blind, for children and for adults with profound intellectual and physical disabilities, those who have been injured in accidents, those who suffer debilitating mental illness. And, Mr Speaker, they do it better than employees of a large bureaucracy will likely ever do. The ability of the not-for-profit sector to continue to grow and prosper in servicing our community is now assured by this key funding decision.

Of this \$604million, \$491million is being allocated in this year's budget to provide sustainable funding to the sector for their services. This represents an average 25 per cent increase in funding for human services contracts by 2014-15. It addresses a shortfall in funding that the previous Government failed to address, and sees this Government plan for the future.

At present the Disability Services Commission provides more than 65 per cent of its services through the not-for-profit sector (and demand is growing). If, in the future, other human service delivery departments of government come to look more like the Disability Services Commission, this will be a measure of our success.

Disability Services

Mr Speaker, as part of our \$1billion Social Services Package this budget provides an additional \$41million to meet the expected growth in demand for disability services. This will allow the ongoing provision of a range of disability services including respite options, access to aids and equipment, and family and carer support.

The Government is also on track in the delivery of its election commitment for five out-of-home respite facilities; offering carers of a family member with a disability, the opportunity to find relief from their supportive role. The first facility opened in Broome in March 2010, and two other facilities at Rockingham and Joondalup are due to open by the end of this year and the remaining facilities have been earmarked for construction in the Wheatbelt and Gosnells areas.

Social Housing

Social housing also forms part of the State Government's \$1billion package to support the community, with \$151million provided for an additional 284 homes for those who are in most need – those significantly impaired by a disability, living with mental illness, or dealing with alcohol and drug related issues.

The budget also includes \$45million for accommodation support services for the Disability Services Commission, the Mental Health Commission, and the Drug and Alcohol Office. These services assist those in need with transitioning into community living and allow access to ongoing treatment and recovery programs.

In addition, \$5.4million has been allocated to build and operate a homeless shelter within two kilometres of the Perth central business district.

Families

The Government has also provided for families as part of our \$1billion Social Services Package in this year's budget. We are aware that many families are still feeling the pressure from the utility price increases.

This year's budget further recognises that many families need the Government's support through the utility adjustment period – that's why we have committed to increase the Hardship Utilities Grant Scheme (or HUGS) by \$6million, taking the total funding in the coming year to \$10million.

Child protection services in Western Australia will also receive a significant boost in this budget, with an additional \$51million.

In 2011-12, the Government will spend a further \$39million to enable us to respond to increased demand for core child protection services, and fund increased effort in prevention and early intervention programs for at-risk families.

We will also provide \$1million to the Youth Focus program, which provides access to free counselling and support services to young people at risk of depression and suicide.

We will also invest in the well-being of our children throughout the State with \$20million towards 'Sport for All', with specific programs to keep Western Australian children active, resilient and healthy.

Seniors

Mr Speaker equally important is our responsibility to our State's seniors. Many seniors are continuing to contribute to their own retirement and in turn, making a vital contribution to the State's economy. In recognition of this, the Government is expanding eligibility for the Seniors Card, to encompass seniors who work 25 hours or less a week, up from the previous limit of 20 hours.

In recognition of the cost of living pressures faced by many seniors on low or fixed incomes, the Government is also increasing the Seniors Cost of Living Rebate at an estimated cost of \$40million. This year the rebate will be increased from \$105 to \$150 for singles, and from \$157 to \$225 for couples.

Importantly Mr Speaker, a further \$26million will be spent in *Royalties for Regions* funding this year on the Country Age Pension Fuel Card.

Aboriginal Services

With respect to Aboriginal services, this budget includes:

- \$1.3million this year for the continuation of Aboriginal Community Patrols;
- \$2million to extend the Clontarf Hostel at Waterford;
- \$9million from *Royalties for Regions* towards the Aboriginal Justice Education Program; and
- \$10million in *Royalties for Regions* funding to establish the Aboriginal Community Emergency Response Fund.

Health Services

Mr Speaker, to keep pace with the State's population growth and corresponding demand for health services across Western Australia, the State Government is providing an additional \$363million, to ensure we continue to have a world class health service. This builds on the substantial increase of \$1.1billion provided last year to accommodate increased demand.

Over five years, investment in new health facilities, equipment and spending on services will total a massive \$38billion.

We will also spend an additional \$75million for the education and training of junior doctors.

Through *Royalties for Regions*, the Government continues its investment in regional health, committing \$565million to the Southern Inland Health Initiative over five years. This very significant investment in country health will improve health services, including emergency response and primary medical care, in inland rural communities in the Mid West, Goldfields, Wheatbelt, Great Southern, and South West regions of the State.

Mr Speaker the Southern Inland Health Initiative will also, for the first time in the State's history, tackle head-on the lack of country doctors.

In 2011-12 the Government's *Royalties for Regions* program will also help country health care for Western Australians living in regional areas through contributions of:

- \$9million for the Patient Assisted Travel Scheme;
- \$6million for the development of St John Ambulance services;
- \$4million for the Royal Flying Doctor Service; and
- \$1.5million to support the Rural Generalist Pathways program.

Road Safety

Mr Speaker, to improve road safety for every Western Australian, this Government will increase the amount of speed and red light camera revenue provided to the Road Trauma Trust Fund, doubling the current one-third proportion to two-thirds in 2011-12, and further increasing it to 100 per cent from 2012-13.

Mr Speaker, talk about giving back 100 per cent of speed and red light camera revenue has been around for as long as the first camera. But this is the Government that is actually making it happen.

Western Australia Police

This budget also makes a major investment in information and communications technology infrastructure and systems for the Western Australia Police with additional funding of \$113million. This supports modern policing techniques and the increasingly intelligence-led approach to crime reduction.

DELIVERING MAJOR SOCIAL INFRASTRUCTURE FOR FUTURE GENERATIONS

Mr Speaker on top of our massive \$1billion injection to social services, we have also embarked on the biggest ever infrastructure program in the State's history to deliver projects for the benefit of future generations.

The State Government will apply a massive \$7.6billion in 2011-12 to expanding and upgrading the State's economic and social infrastructure, up from a record \$6.9billion in the current financial year.

Transforming Our Capital City

The Government is using the State's strong economic and financial position to invest a mix of revenue and targeted borrowings into infrastructure that will transform Western Australia over coming years, and deliver lasting assets for future generations.

Central to this is the transformation of our capital city. The long awaited redevelopment of the Perth foreshore represents an important shift to a more diverse, liveable, contemporary and globally competitive city. Net of land sales revenue, we will invest \$270million to see this exciting project finally come to fruition.

This project will benefit many generations of future Western Australians and works are scheduled to commence after the Commonwealth Heads of Government Meeting in October.

As part of the City Link project, the Government has allocated \$57million over four years to accelerate development of the City Square. This will coincide with sinking the Perth to Fremantle railway line between Perth Station and Milligan Street and the construction of a new underground bus station at a cost of \$609million.

The Government has also provided funding of \$13million for the planning of a New Major Stadium and \$5million to plan for a new Museum.

This budget also allocates \$2million for planning of a new purpose-built Western Australian Institute of Sport Centre that will meet contemporary standards and the demands of competition well into the future.

Mr Speaker, it's worth noting here that in October this year Perth will host arguably the biggest international event ever to be held in Western Australia. The Commonwealth Heads of Government Meeting will ensure Western Australia attracts international attention, with the leaders of more than 50 countries meeting to discuss international security, health and environmental issues.

Health Infrastructure

This Government is also making an unprecedented investment in our health system, totalling \$4.5billion over the next four years, including \$1.6billion in 2011-12.

This investment covers 130 projects and rebuilds the State's public health system to better meet future demand.

In 2011-12 the Government will invest:

- \$542million for the Fiona Stanley Hospital, which remains on time and on budget;
- \$107million for the new State Rehabilitation Centre;
- \$94million for the Albany Health Campus redevelopment;
- \$64million for the Joondalup Health Campus; and
- \$26million for the new Midland Health Campus.

The Government also makes the first down-payment on the New Children's Hospital in 2011-12, appropriating \$505million to the Children's Hospital with construction expected to start in early 2012.

Education

The Government is continuing to invest in schools in the 2011-12 Budget, committing a further \$77million for new school buildings. In 2011-12, the Government will invest \$850million building and expanding our schools.

In addition, we have expanded the School Air Conditioning policy to include all public schools in the State. This means that around 480 schools in Western Australia will now be eligible to receive air-conditioning, at an estimated cost of \$52million. Mr Speaker, once again, many governments have talked about this issue, but the Liberal-National Government has resolved it.

We are also significantly restructuring our education budget with additional base funding of \$362million over five years to provide the Department of Education with a more financially sustainable setting, as it moves towards more efficient and effective service delivery.

Kimberley Science and Conservation Strategy

The budget includes \$41million for the implementation of the Kimberley Science and Conservation Strategy. This involves the creation of over 900,000 hectares of marine parks, whilst still allowing responsible and sustainable economic development in the Kimberley.

In addition, \$16million from *Royalties for Regions* will be invested in the establishment and management of the Capes Marine Park and Dampier Archipelago Marine Park, including for research activities which aim to promote a sustained increase in the abundance and diversity of existing fish stocks in Western Australian waters.

INVESTING NOW TO KEEP THE GROWTH GROWING INTO THE FUTURE

Delivering Improved Transport Services

With the transformation of our capital city, demand for public transport services will continue to increase. In order to maintain the efficiency of services, the Government has taken action by committing significant additional funding for new trains, new buses and bus services. This includes:

- \$164million to purchase an additional 15 three-car train sets with capacity to carry an additional 8,400 passengers; and
- \$40million to purchase an additional 78 buses and a further \$134million to provide more frequent, accessible bus services.

Extension of the Joondalup railway line to Butler is also progressing well, with \$46.5million to be spent in 2011-12.

Improving Our Roads

The Government will also spend \$1.2billion on Western Australia's road system this year, including \$30million over the next two years to widen the northbound carriageway of the Mitchell Freeway, between Hepburn Avenue and Hodges Drive from two to three lanes.

Additional Training Places

The demand for skilled labour to service the State's industries places pressure on many sectors of the economy. To address this demand, the budget provides \$33million in 2011-12 for a total of 12,000 additional training places. Additionally \$54million will be invested through *Royalties for Regions* this year to develop skills and training facilities in the regions.

Skilled Migration Strategy

The Government will provide \$4million for the operation of the Western Australian Skilled Migration Strategy, to attract skilled migrants to the State.

Regional Centres Development Plan

Mr Speaker while we are investing many hundreds of millions to transform our capital city, we are also injecting millions of dollars into regional Western Australia to ensure they plan and prepare for growth into the future. This year \$86million has been allocated through *Royalties for Regions* funding to develop regional centres in Western Australia.

Other Regional Initiatives

A further \$220million in *Royalties for Regions* funding will be spent developing the Mid West; \$147million will be invested through *Royalties for Regions* for the Pilbara Cities Program; and \$175million in *Royalties for Regions* funding will be spent on the Gascoyne Revitalisation.

Energy

Investment in energy infrastructure will total \$4.2billion over the next four years, with \$1.3billion in 2011-12, including:

- \$1billion on transmission and distribution capacity within Western Power and Horizon Power networks, to support growth and improve reliability and safety;
- construction of a new power station at Carnarvon, at a total cost of \$80million;
- two high efficiency gas turbines at the Kwinana Power Station at a total cost of \$263million; and
- the \$38million Grasmere Wind Farm in 2011-12.

Water

Mr Speaker, \$861million will be spent on water and wastewater projects this year, as part of a \$3.6billion program. This includes the \$955million Southern Seawater Desalination Plant at Binningup, which is expected to be fully operational towards the end of 2011.

The Water Corporation will also spend \$10million over the next two years to extend the infill sewerage program in regional areas.

Events Funding

To expand Western Australia's events calendar, the Government is spending an unprecedented \$30million per year to manage and secure new events across the State.

INCREASED ACCOUNTABILITY THROUGH DISCIPLINED FINANCIAL MANAGEMENT

Mr Speaker the State's total revenues – from State taxes, mining royalties, GST revenue and other sources – will generate an operating surplus in each year of the forward estimates. However, these surpluses, while significant, are not sufficient to meet the State's total infrastructure expenditure requirements. We need to fund necessary investment by borrowing funds to invest in infrastructure that is essential for our continued economic growth.

In simple terms, the projected increase in net debt from \$13.4billion at 30 June 2011, to \$22.4billion by 30 June 2015 (or \$18billion if the GST floor eventuates), is absolutely necessary to allow key infrastructure development, including:

- \$5.4billion for new schools, hospitals, roads and other centrally-funded infrastructure;
- \$1.9billion for electricity; and
- \$1.7billion for water, wastewater and sewerage infrastructure.

Mr Speaker, providing for this investment at this time is the right decision. Whether \$22.4billion or \$18billion, either possibility represents an affordable level of net debt. At worst net interest costs will be just 3 per cent of revenue and net financial liabilities at 69.6 per cent of revenue in the final outyear. By all measures we are well and truly within the parameters to maintain the State's triple-A credit rating.

In the final analysis this Government considers the interests of the people of Western Australia and our State's economic future are best served by continuing our investment in infrastructure, while we work to have our GST revenue returned. This investment will be facilitated by continuing surpluses, budget savings and targeted borrowings.

In line with this strategy, the budget includes a \$3.5billion package of measures to decrease the borrowing component of continuing with our massive infrastructure program.

The State Government will move to increase the royalty rate for iron ore 'fines' to 6.5 per cent from 1 July 2012, and to 7.5 per cent from 1 July 2013, in line with the rate applying to 'lump' ore. This change reflects the fact that iron ore 'fines' account for the majority of the State's iron ore shipments, and are no longer considered an inferior product in the global market. This delivers a fairer return to the Western Australian community, as the owners of these resources.

It is envisaged that the additional revenue from this measure over the forward estimates period, estimated at \$1.9billion, will be quarantined for debt reduction purposes. This includes the *Royalties for Regions* component of 25 per cent.

The Government has also reviewed its Asset Investment Program and deferred spending totalling \$541million beyond the forward estimates period. Recent heavy rains in the State's north have allowed a postponement of the West Pilbara Desalination Plant and, to better reflect the expected project timelines, the cashflows on the Eastern Goldfields prison project have been deferred by 18 months.

Importantly, the Government is committed to driving efficiencies and reducing costs across the public sector. As part of a package of disciplined financial measures that reduce net debt by \$3.5billion over the next four years, the budget implements a 5 per cent efficiency dividend on Government Trading Enterprises such as Western Power, Synergy and the Water Corporation, to ensure they are operating as efficiently as possible. This efficiency dividend will only apply to discretionary spending such as salaries, advertising and travel, and will not affect service delivery to the community.

As we try to fix the mistakes of the previous Government in utilities prices, this efficiency finding process will help minimise costs faced by households. This measure is expected to reduce the need for further borrowings by \$515million over the next four years.

We are also targeting a further \$300million in savings from general government departments and agencies, including the *Royalties for Regions* program, and are continuing to keep a tight rein on salaries expenditure through our ceiling on full-time equivalent staff numbers, and our public sector wages policy.

These savings will not be achieved through an across-the-board efficiency dividend, but rather through a targeted review of specific programs and activities that no longer provide value for money.

This Government has a strong track record in delivering real savings. When we came to Government we set an efficiency dividend savings target of \$1.6billion over the four years to 2012-13, and we are on track to deliver a remarkable \$1,461million. Taking into account procurement and vehicle fleet savings, this figure rises to \$1,743million.

These new measures I am announcing today build on the Government's track record of disciplined financial management.

Since coming to office, the Government has facilitated the voluntary separation of over 800 surplus staff from the public sector, and this budget includes funding for another 400 voluntary separations in 2011-12. We have also implemented a very clear and fair public sector wages policy, and imposed a new discipline on growth in the number of public servants, ensuring that public money is being spent where it is most needed.

General government expenses are forecast to rise by \$1.8billion or 7.9 per cent in 2011-12, down from an average of 10.9 per cent over the last three years.

Expense growth in 2011-12 includes the impact of higher recurrent *Royalties for Regions* spending, additional funding for the not-for-profit sector, higher operating subsidies to the electricity utilities, the transfer of assets associated with the Ord-East Kimberley Expansion Project, and funding for the latest round of voluntary separations. Excluding these factors, expenses are estimated to increase by 4.9 per cent in 2011-12. Importantly, the Government has restricted the growth in the number of full-time equivalent public servants to just 1.7 per cent in 2011-12.

Fees and Charges

Mr Speaker, the cost of providing essential services such as electricity and water has increased substantially.

The increase, particularly in electricity costs, has been driven by many factors, largely outside the control of the State Government. These include:

- the Commonwealth Government's renewable energy policies, which have imposed costs totalling hundreds of millions of dollars on the State; and
- the increasing cost of providing infrastructure across the State's large, dispersed network.

It is an unpopular reality that the costs of generating and delivering electricity need to be paid for. Either users pay for the electricity they consume directly through the price on their bills; or those same consumers pay indirectly by their taxes being used to subsidise the gap between the price they pay on their bills, and the actual cost.

Ultimately, massive taxpayer subsidies mean massive opportunity costs as billions of dollars going to electricity utilities cannot be spent on health, education, and law and order. At the same time, these subsidies hamper our ability to attract competition to the market.

So, this Government took the difficult and unpopular decision to reverse years of no price increases and move prices at least within sight of the costs of generation and delivery.

Undoubtedly that caused households pain, and it is in recognition of these difficulties that from 1 July 2011, electricity tariffs for residential customers will increase by only 5 per cent.

To further minimise the impact of this modest price rise on some of the more vulnerable households, this budget also includes, as mentioned earlier:

- a significant increase in the Cost of Living Rebate for Seniors Card holders totalling \$40million over the next four years; and
- an increase in HUGS of \$6million in 2011-12, taking total funding for HUGS in the coming year to \$10million.

Electricity tariffs for medium and large business customers will increase by between 9 and 30 per cent from 1 July 2011, in a move towards achieving full cost reflectivity and ultimately, a more competitive electricity sector.

Despite tariff increases over the past two years, taxpayers will still be footing the bill for an operating subsidy of \$1.1billion to Synergy and Horizon Power over the next four years. Let me say here that if, as some advocate, the expedient and dangerous decision was made to freeze electricity prices, this would have seen a total of \$3billion go to Synergy and Horizon Power over the next four years and increase debt by \$1.9billion.

Total water charges for a standard representative household will increase by 8.5 per cent from 1 July 2011. This equates to less than \$2 per week for householders using the average annual amount of water. The gradual move towards cost-reflective water pricing policies has helped contribute to the reduced consumption of this precious resource, which has fallen from 300 to 270 kilolitres per annum for a representative household.

Only by making the strong decisions can we send the right pricing signals and ensure that we have the funds necessary to invest in the State's water infrastructure. Even with these decisions, operating subsidies and concessions will be needed to ensure water remains affordable for pensioners and regional Western Australians. These subsidies and concessions are expected to total almost \$1.7billion over the forward estimates period.

Mr Speaker, the Government has undertaken a rigorous review of its tariffs, fees and charges. Many major fees, such as Transperth's fares, have been maintained at or below the inflation rate. Furthermore, there will be no increase this year in:

- driver's license fees;
- compulsory third party insurance premiums;
- motor vehicle recording fees;
- Transperth 50 cent student fares; or
- stamp duty rates on insurance premiums.

And from 1 July 2011, the Government will be introducing a stamp duty exemption for transfers of private motor vehicle licences between spouses.

Overall, the standard 'basket' of tariffs, fees and charges is expected to increase by only 4.6 per cent in 2011-12, for the representative household.

CONCLUSION

Mr Speaker, the Liberal-National Government has provided a budget that supports the people of Western Australia with services to improve lives now, as well as providing vital economic and social investment to ensure our prosperity is shared by future generations.

Our unparalleled \$1billion investment to support those most in need recognises the State's responsibility to provide all Western Australians with access to the services they need to improve their lives.

Mr Speaker the Liberal-National Government has delivered this extraordinary \$1billion Social Services support package on top of the biggest ever infrastructure investment in the State's history. Western Australia is under-going a spectacular transformation that will shape our economy and our lives into the future.

It is through the strong decisions that the Liberal-National Government has made today that will enable Western Australia and its people to continue to be the Australian economic powerhouse into the future.

Mr Speaker I am privileged to deliver the Liberal-National Government's third surplus budget. I am privileged to deliver a budget that supports our community and builds the State.

Mr Speaker, I commend this budget to the Parliament.

I would now like to proceed with the formal purposes of the two Appropriation Bills, which seek the sums required for services in the coming financial year. Appropriation (Consolidated Account) Recurrent 2011-12 Bill 2011 is for recurrent services, which comprise the delivery of outputs and administered grants, subsidies and other transfer payments.

Appropriation (Consolidated Account) Capital 2011-12 Bill 2011 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent service estimates of \$19,824,255,000 include a sum of \$1,890,045,000 permanently appropriated under Special Acts, leaving an amount of \$17,934,210,000 which is to be appropriated in the manner shown in the Schedule to Appropriation (Consolidated Account) Recurrent 2011-12 Bill 2011.

Capital purposes and financing transactions estimates of \$3,879,257,000 comprise a sum of \$98,126,000 permanently appropriated under Special Acts and an amount of \$3,781,131,000 which is to be appropriated in the manner shown in the Schedule to Appropriation (Consolidated Account) Capital 2011-12 Bill 2011.

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.