



BUDGET OVERVIEW



GETTING THE PRIORITIES RIGHT

2001-02 BUDGET



Budget Overview

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2001-02 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

Budget Paper No. 2 – Budget Statements (Volumes 1–3)

Budget Paper No. 3 – Economic and Fiscal Outlook

Reader's Guide to the 2001–02 Budget Papers

Budget Overview

Growing Our State

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SUMMARY

This Budget demonstrates that the Government is serious about its responsibilities to the community.

While reflecting the Government's commitment to rein in spending and to rebuild the public sector, the Budget also addresses the seven priority objectives that were established as part of the Government's election platform.

SOUND FINANCIAL MANAGEMENT

New strategies refocus and reprioritise expenditure in the 2001-02 Budget. They turn around the deteriorating financial trajectory forecast under the previous Government. Prudent financial targets have been set, and met, to keep the State's triple-A credit rating. Revenue measures have been required to address the imbalance that had developed between underlying revenue and expenses.

A GROWING AND DIVERSIFIED ECONOMY

The Government is committed to fostering employment and economic growth. The Government is implementing policies to strengthen and broaden our economic base, together with spending \$3.3 billion in infrastructure and other capital works in 2001-02 alone.

SAFE, HEALTHY AND SUPPORTIVE COMMUNITIES

The Departments of Health and Education, the Police Service and the Disability Services Commission were exempt from the general savings initiatives placed on other Departments. In addition, reprioritisation has made substantial funds available to meet election commitments and improve service delivery in these priority areas.

AN EDUCATED AND SKILLED FUTURE FOR ALL WESTERN AUSTRALIANS

Various initiatives to improve education in the State have been funded in this Budget, with particular focus on improving literacy and numeracy standards and on behaviour management in our schools. The Government's priority is to maintain a dynamic public education and training system that is available to all Western Australians.

A VALUED AND PROTECTED ENVIRONMENT

The Government has ceased logging in all of Western Australia's old growth forests. The creation of 30 new national parks, the protection of urban bushland and the allocation of increased resources to address salinity are key components of the Government's environment strategy.

STRONG AND VIBRANT REGIONS

New initiatives have been funded for all regions in the State to attract new investment, encourage job creation, promote business growth and expand export opportunities. These initiatives are fully described in the *Growing Our State* document.

HONEST, ACCOUNTABLE AND INCLUSIVE GOVERNMENT

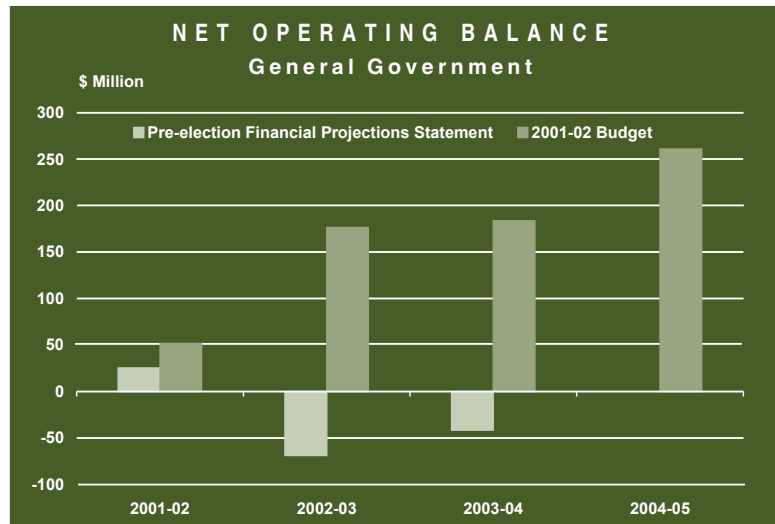
The Government has introduced a Ministerial Code of Conduct, established a smaller Cabinet and more effective Cabinet processes and is restructuring the machinery of government, reducing the number of departments from 46 to 23. These key measures are designed to increase the effectiveness and performance of government. The Government's performance in meeting its election commitments is fully described in *Chapter 3: Delivering our Commitments* in Budget Paper No 3.

SOUND FINANCIAL MANAGEMENT

A general government **operating surplus** of \$51.6 million is forecast for 2001-02 with increasing surpluses projected in each of the forward years. This is a substantial turnaround from the Pre-election Financial Projections Statement outlook of general government operating deficits in the medium term.

The turnaround in outlook is due to a rigorous budget process that has addressed a substantial expenses/revenue imbalance. This imbalance has been evident in four out of the last five years in which the general government has recorded operating deficits.

General government **revenue** is estimated to increase by \$181.9 million (1.7%) in 2001-02 following a significant increase in 2000-01 due to revenue associated with one-off asset sales and favourable oil prices and exchange rate. In real terms, revenue is forecast to decrease by 1.1%.



General government **expenses** are forecast to increase by \$385.5 million (3.8%) in 2001-02. In real terms, expenses are forecast to rise by 0.9%. This follows recent years of very high growth in expenses. The Government is committed to restrain expense growth across the out-years.

The Government has turned the fiscal outlook around while delivering its election commitments in the key service areas of health, education and law and order. Under the previous coalition government, the net debt to revenue ratio was expected to accelerate rapidly from a low of 36% in 2000-01 following the sales of AlintaGas and Westrail Freight, to a level of 45% by 2003-04. This acceleration combined with the projected operating deficits associated with the expenses/revenue imbalance, placed the State's triple-A credit rating at considerable risk.

GENERAL GOVERNMENT SECTOR

Government Finance Statistics ^(a)

	2001-02 Budget Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m	2004-05 Forward Estimate \$m
OPERATING STATEMENT				
Revenue	10,713.5	10,846.0	11,120.5	11,564.4
Expenses	10,661.9	10,669.4	10,936.8	11,303.6
Net Operating Balance	51.6	176.6	183.8	260.8
BALANCE SHEET				
Assets	43,463.5	44,108.0	44,733.7	45,360.0
Liabilities	9,846.0	9,829.2	9,783.0	9,638.0
Net Worth	33,617.4	34,278.8	34,950.6	35,721.9

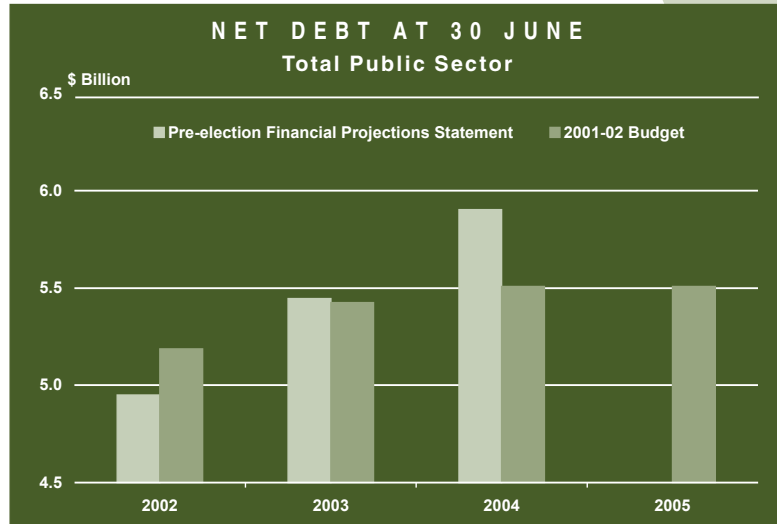
(a) In accordance with nationally agreed uniform reporting standards.

This situation has been addressed by a fiscal strategy which:

- delivers election commitments that are fully funded by savings;
- places agency funding on a more sustainable basis by addressing inescapable funding pressures and commitments;
- achieves fiscal targets;
- repairs the expenses and revenue imbalance; and
- implements revenue measures which are simple, equitable and relatively efficient to address this imbalance.

The level of total public sector **net debt** is forecast to stabilise over the projection period as illustrated in the chart.

The Government's **net worth** is estimated to grow significantly over the projection period, increasing by an average \$675 million per year to stand at \$35.7 billion at 30 June 2005. These increases are due to the improved operating performance in all



sectors and revaluations of land.

The Government's fiscal strategy requires that it meet the following **financial targets**:

- retaining Western Australia's triple-A credit rating by:
 - maintaining the ratio of net debt to public sector revenue at or below 45%; and
 - not increasing real per capita general government expenses ;

- maintaining or increase the net worth of the public sector;
- achieving an operating surplus for the general government sector; and
- maintaining Western Australia's tax competitiveness.

The financial targets are all met over the projection period (see table).

FINANCIAL TARGETS Projected Compliance

	2001-02	2002-03	2003-04	2004-05
Net Worth be maintained or increased	Yes	Yes	Yes	Yes
Triple-A credit rating be maintained:				
– Net debt as a share of revenue less than 45% ^(a)	Yes	Yes	Yes	Yes
– Real per capita general government expenses do not increase	Yes	Yes	Yes	Yes
Tax competitiveness ^(b)	Yes	Yes	Yes	Yes
General government net operating surplus	Yes	Yes	Yes	Yes

(a) For the total non-financial public sector

(b) State general government taxation revenue per capita ranking to be maintained

TAXATION REVENUE MEASURES

This Budget contains a number of revenue raising measures, mainly in the areas of payroll tax and land tax. Despite an exhaustive expenditure review process that yielded \$852 million in savings, revenue measures are necessary to address the revenue/expenditure imbalance that exists. Importantly, these measures do not erode Western Australia's tax competitiveness ranking, and will have no direct impact on ordinary Western Australian households.

The revenue measures are designed to achieve a broader-based, fairer tax system. Where tax rates have had to be increased, the increase has been targeted to taxpayers with the greatest capacity to pay.

Payroll Tax – consistent with moves in a number of other States, the payroll tax base will be extended to include the 'grossed up' component of taxable fringe

benefits (from 1 January 2002) and payments to 'employee-like' contractors (from 1 July 2002).

In addition, from 1 January 2002 the top payroll tax rate will be increased from 5.56% to 6.0%, which is around the average of the top rates applying in the other States and Territories.

Land Tax – from 1 July 2002, a new land tax scale incorporating a five-fold increase in the exemption threshold and an increase in the tax rate on land with an unimproved value exceeding \$2 million will apply, and properties held by a company or trust will no longer qualify for a principal place of residence exemption (except in special circumstances).

Premium Property Tax – a Premium Property Tax will be introduced from 1 January 2002. This tax will apply to principal places of residence with an

unimproved land value in excess of \$1 million (indexed annually). Only the excess of the unimproved value above the exemption threshold will be taxed, at a rate of 2%.

The Government has also decided to undertake a comprehensive review of the State's tax system, aimed at further improving the equity, efficiency and simplicity of the tax system within an overall revenue neutral context.

SUMMARY OF TAXATION REVENUE MEASURES				
	2001-02 Budget Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m	2004-05 Forward Estimate \$m
PAYROLL TAX				
Grossing up the value of taxable fringe benefits	6.2	16.1	17.2	18.2
Extending payroll tax base to employee-like contractors	–	20.0	20.0	20.0
Increase in top payroll tax rate	27.0	63.0	67.0	72.0
LAND TAX				
Removal of principal place of residence exemption for property held by companies and trusts	–	10.7	11.4	12.3
Revised land tax scale	–	28.6	30.6	32.7
PREMIUM PROPERTY TAX	12.1	8.8	9.4	10.1
TOTAL REVENUE MEASURES	45.3	147.2	155.6	165.3
<i>Total Revenue</i>	<i>10,713.5</i>	<i>10,846.0</i>	<i>11,120.5</i>	<i>11,564.4</i>
<i>Measures as a % of Total Revenue</i>	<i>0.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>

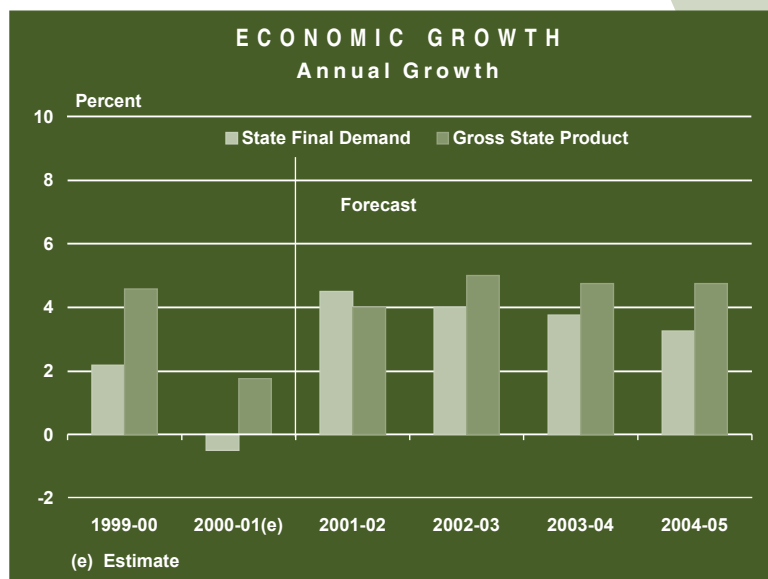
A GROWING AND DIVERSIFIED ECONOMY

Gross State Product growth is forecast to pick up in 2001-02 and accelerate further in the out-years, peaking at 5.0% in 2002-03. This pick-up in growth will be driven by a strong recovery in domestic demand, particularly business and dwelling investment.

In 2000-01, the Western Australian economy slowed considerably, with domestic activity actually falling over the year. A large fall in dwelling investment following the introduction of the Federal Government's new tax system was a major contributor to the decline. Business investment was also lower.

Business investment is forecast to increase strongly in 2001-02, fuelled by a series of major resource projects. This investment will enhance the State's productive capacity and lead to increased exports in future years.

While the unemployment rate is projected to rise to 7.0% in 2001-02, the rebound in the domestic economy should generate strong employment growth



in 2002-03 and beyond, with the unemployment rate expected to gradually decline to around 6.25%.

The resources sector is expected to underpin growth in business investment and exports, the main drivers of economic growth in Western Australia.

The Government's priority is to strengthen and broaden the State's economic base. Initiatives such as the \$50 million Innovate WA strategy, the review of project approvals processes and the establishment of the Regional Investment Fund are aimed at achieving these goals.

The Government will also spend \$3.3 billion on capital works around the State in 2001-02, including over \$1 billion in the planning and infrastructure portfolio and nearly \$800 million by the energy and water utilities.

MAJOR ECONOMIC AGGREGATES

Western Australia

	2000-01 Estimated Actual %	2001-02 Budget Estimate %	2002-03 Forward Estimate %	2003-04 Forward Estimate %	2004-05 Forward Estimate %
Real Gross State Product Growth	1.75	4.0	5.0	4.75	4.75
Employment Growth	1.5	1.25	3.25	2.75	2.75
Unemployment Rate	6.5	7.0	6.5	6.5	6.25
Wages Growth ^(a)	3.6	3.0	3.25	3.0	2.75
Underlying Consumer Price Index ^(b)	2.5	3.0	2.75	2.75	2.5

(a) Wages growth refers to growth in the wage cost index.

(b) Does not incorporate any impact of the introduction of the GST.

SAFE, HEALTHY AND SUPPORTIVE COMMUNITIES

The Government is committed to ensuring all Western Australians are able to live in a healthy and safe environment.

In 2001-02 the Government will be spending \$2.3 billion delivering health services around the State. Since the election the Government has taken policy decisions to increase health funding by \$385 million over the next four years to improve service delivery and fund election commitments.

A total of \$103 million will be spent on metropolitan and regional projects in 2001–02 including the commencement of upgrades to:

- the Royal Perth Hospital outpatients and trauma areas;

- equipment and theatres at Princess Margaret hospital; and
- the emergency centre and labour wards at King Edward Memorial Hospital.

The completion of the Armadale-Kelmscott development and the commencement of the Geraldton Hospital redevelopment will also occur this year.

Western Australians deserve a quality health service. The Government is adopting a comprehensive approach to reform to ensure that maximum value is gained from the funding provided to the health system. Work is commencing in consultation with stakeholders to implement a new management structure for public hospitals and health services. A greater balance of services and resources will be achieved between teaching hospitals, secondary hospitals and health facilities across the State.

The Government will develop a range of innovative public health strategies designed to ensure the effective promotion of community health and well-being. The ongoing commitment to these strategies will assist in alleviating demand on our public hospitals. These strategies include initiatives in the areas of child health, palliative care, aged care and mental health.

In recognition of the contribution of carers in our community, the Government will increase its support of family members, friends and neighbours who play a vital role in assisting with care. The role of carers will be strengthened and their individual needs recognised in care planning.



Improving the safety and security of all Western Australians, be it in their homes, at work or in the community, is a high priority of the Government. The WA Police Service, through additional police on the beat and better policing strategies, will play a critical role in the Government's comprehensive approach to tackling and preventing crime.

The Government will be spending \$490 million this year on delivering police services around the State, an increase of 6% from last year, with a further \$31 million on capital works. Key initiatives the Government will be undertaking over the next four years include:

- boosting the police operational budget by \$20 million;
- recruiting an additional 250 police officers and 40 Aboriginal police liaison officers; and
- introducing comprehensive DNA legislation, together with an allocation of \$22 million to ensure police investigations are supported by this contemporary forensic tool.

Furthermore, the establishment of an Office of Crime Prevention will herald a concerted and co-ordinated effort across government to address the causes of crime. This approach to crime prevention – being tough on the causes of crime – will be reinforced by the Government's commitment to ensure appropriate penalties are in place.



A comprehensive Drug Summit has already been held, involving a broad range of stakeholders in the community, who were encouraged to participate regardless of their policy positions. The Drug Summit allowed the community's wealth of experience, knowledge and wisdom to contribute to the formulation of long-term and strategic policies to address the drug problem. The Government is now actively considering the outcomes of the Drug Summit.

AN EDUCATED AND SKILLED FUTURE FOR ALL WESTERN AUSTRALIANS

Education and training are investments in our future. A major Government priority is a world class, dynamic and accessible education and training system. Since the election, the Government has taken policy decisions to increase expenditure on education and training by \$214 million over the next four years.

EDUCATION

The Department of Education has been refocused onto its core responsibilities of teaching and learning to ensure resources are targeted to make a real difference for students.

Specific initiatives include:

- a plan to improve literacy and numeracy standards in our schools. As part of the "Getting it Right Strategy" \$27.8 million of additional funding will be provided over the next four years to employ

200 literacy and numeracy specialists, and for additional places in language development centres;

- a range of measures to increase the skills of teachers and attract the best new graduates. Well-trained and motivated teachers are vital to improved learning outcomes in our schools. \$8.6 million will be made available in the next four years to enhance the professional development of teachers and to increase the number of senior teachers by 200. A further \$2.1 million will provide scholarships to prospective teachers;
- addressing behavioural problems in Government high schools through an allocation of \$28 million over the next four years, including a specific election commitment of \$10 million. Schools will have the flexibility to use the funding to decrease class sizes or to employ other support staff;
- an additional \$9.4 million being made available in the next four years to provide better learning opportunities for children with disabilities and learning difficulties;
- implementing programs that involve parents in their children's schooling. \$4 million will be made available over four years. Research reveals a strong connection between parent involvement and student achievement; and
- injecting an additional \$40 million over four years into maintenance and capital upgrades for Government schools.



TRAINING

Recognising that Western Australia's future growth and prosperity is dependent on the skills of its workforce, the Government will provide an additional \$20.4 million over four years to implement its employment and training package. The package will lay the building blocks for job growth and create new pathways into employment for young people.

Commencing in 2001-02, the Government will undertake specific training and employment initiatives including the:

- provision of an extra \$6.4 million over four years to introduce another 800 apprenticeships in a wide range of in-need industry sectors;
- allocation of \$2.7 million over the next four years to provide an extra 800 traineeships over a range of industry sectors;
- establishment of a \$4 million 'Skilling WA' program to subsidise short training courses provided by TAFE and industry groups to allow workers to gain new skills that will assist them in their workplace; and
- additional funding of \$0.5 million to establish world class interactive technology to assist young people with career choices by working with industry to further develop the Western Australian Courses Directory.



In addition, under the new Australian National Training Authority Agreement, the State will receive a further \$67 million in funding from the Commonwealth over the next four years – which will be matched in part by the State Government.

These initiatives will ensure that access to employment and training is available to all Western Australians regardless of gender, socioeconomic background, disability, ethnic origin, age or race.

Regional Western Australians, in particular, will benefit from enhanced access to and opportunities in diverse fields of employment. Assistance will be provided to unemployed people to help them achieve worthwhile and long-term jobs and provide a pathway into employment for youth.

A VALUED AND PROTECTED ENVIRONMENT

Western Australia's environment is unique and irreplaceable. While its intrinsic value is profound and unmeasurable it also provides opportunities for tourism, recreation and a range of primary industries. Carefully managed, the environment provides benefits to all Western Australians.

The Government places a strong focus on protecting the natural environment, ensuring a liveable urban environment and planning for ecologically sustainable development. Accordingly, the Government has increased funding for the environment and heritage portfolio by 21% in 2001-02.

The long term economic wellbeing of Western Australia depends upon the proper management of our environment. Additionally, maintaining and

conserving the environment is essential to ensure the quality of life currently enjoyed will be passed on to future generations of Western Australians. This includes encouraging the growth of ecologically sustainable industries for employment creation.

One of the greatest problems facing our environment and agriculture is salinity. The Government is increasing the resources and effort applied to address this problem. Key initiatives, now being put into place, include the assessment of the use of engineering options, and on-the-ground works in key catchments to practically demonstrate the full range of solutions available. Over the coming four years, the Government has allocated an additional \$10 million towards these two initiatives to fight salinity.

One of the Government's key commitments in the environment portfolio was to end logging of our old growth forests. The Government has honoured this commitment with a \$123.5 million funding package and has commenced the process of creating 30 new national parks and two new conservation parks. The Government has developed a comprehensive package to assist the timber industry, its workers and the communities affected by policy changes.

The Government is committed to the principles of ecologically sustainable development. The clearing of remnant native vegetation is one of the main pressures on biodiversity, as well as contributing to salinity and other forms of land degradation. Tackling salinity and protecting urban bushland are key tasks the Government is undertaking.



Western Australia has 12,500 km of coastline. With a large proportion of our population living within 20 km of the coast, the community displays an affinity with and keen interest in coastal and marine areas. The Government is actively protecting the coastline by amending relevant acts, seeking World Heritage Listing, commencing bioregional marine planning and establishing new marine parks in consultation with local communities. The Government's protection of the environment extends to beaches, rivers, and wetlands.

Contaminated sites are a concern and the Government will be introducing legislation to effectively manage their assessment, classification, remediation and liability to ensure the community is not left with an ongoing legacy.

Perth has the potential for the worst air pollution problems of any Australian city due to its climate and geography. Regional and rural areas are also affected by poor air quality with some towns experiencing high particulate haze problems in winter. The Government will be addressing these issues by working to reduce all forms of air pollution to safe levels. This includes instituting a comprehensive public transport policy covering rail, bus, cycling as well as ensuring resources are well applied for improved monitoring and enforcement by the Environmental Protection Authority.



The major public transport initiative the Government is implementing is its visionary rail network expansion plan. This \$1.2 billion project will include:

- a direct southern link, linking Mandurah to Perth with a 48 minute journey;
- a tunnel link to the northern suburbs railway, with a new Central Station;
- extension of the railway to Clarkson with services commencing by the end of 2003; and
- the creation of a spur from the Armadale line to a new station in Thornlie with services commencing by the end of 2003.

STRONG AND VIBRANT REGIONS

The Government has funded new initiatives in all regions of the State. It has developed strategies that attract new investment and encourage job creation, business growth and expanding export opportunities in regional Western Australia.

The Government's key initiatives for regional Western Australia include the:

- establishment of a \$75 million Regional Investment Fund that will allow regional towns and communities to facilitate infrastructure projects that build on local strengths. The focus of the Fund is on capital works projects that meet an identified need for increasing a region's competitiveness in new markets, and that allow for genuine public and private sector cooperation;



- contribution of an additional \$20 million to the Department of Minerals and Petroleum Resources' Geological Survey of Western Australia – a service which assists mineral and petroleum explorers;
- introduction of regional investment tours to bring regional business operators and investors and financiers together;
- restoration of uniform electricity tariffs to maintain economic competitiveness;
- maintenance and strengthening of existing regional purchasing and content preferences;
- provision of an extra \$2 million to market tourism in regional and rural WA;
- provision of an extra \$5 million to the Community Sport Recreation Facilities Fund; and
- injection of a further \$2 million into the regional airport development scheme.

Representation of regional Western Australia has been improved by appointing Ministers for different regions. Regional Cabinet meetings are also being held regularly, providing regional communities direct access to Cabinet Ministers.

A formal process of regional impact assessment has also been instituted for all issues considered by the Cabinet.

HONEST, ACCOUNTABLE AND INCLUSIVE GOVERNMENT

The Government is determined to create a more effective public service, delivering better services to the public.

One of the first tasks undertaken by the new Government was the establishment of a Machinery of Government Taskforce to review the number of government entities and to recommend a package of proposals that would enhance the operation of the machinery of Government.

Implementation of the Taskforce's recommendations has already commenced with the first round of mergers and re-classifications taking place on 1 July 2001, reducing the number of departments by 12.

Further changes requiring statutory amendment will be progressed over the next 15 months.

The Government also acted quickly to introduce a Ministerial Code of Conduct, which sets a new benchmark for governments across Australia. The Code will ensure Ministers do not use their positions for personal benefit or financial gain or to enhance the position of their families.

Financial management will be enhanced in this Budget through the introduction of accrual appropriations and a capital user charge. For the first time in Western Australia, Parliament will authorise the full cost of delivery of agency outputs, as appropriations to agencies are now inclusive of depreciation, superannuation, annual and long service leave expenses and the cost of capital.

The 2001-02 Budget papers also set a new benchmark in accountability with a new chapter detailing the delivery timetable of election commitments. This can be found in Budget Paper No. 3: Economic and Fiscal Outlook.



Drug Summit participants

The Government has showed its inclusive approach to policy development at the Drug Summit. The recommendations from that Summit will result in action at the executive and legislative levels. Similar levels of consultation will be evident on such important issues in the future.

The following are acknowledged with thanks for providing photographs.

Department of Agriculture

Department of Conservation and Land Management

Department of Education

Department of Health

Department of Local Government and Regional Development

Department of Training

South West Development Commission

Western Australian Police Services