

**Speech by**

**Hon Eric S Ripper MLA**

**Deputy Premier; Treasurer; Minister for Energy**

**Thursday, 13 September 2001**

Mr Speaker

I move that this Bill be read a second time.

In doing so I have great pleasure in delivering the first Labor budget for nine years.

This budget confirms, without doubt, how serious the Government is about honouring its contract with the community.

It is a responsible budget, which restores discipline to the State's finances and lays the foundations for the delivery of better services to the community.

Western Australia's finances were like the Titanic after it had hit the iceberg – sinking fast into debt and deficits. This government has charted a course which will lead us into surpluses and better services.

When Labor went to the election in February, we promised a new and more strategic approach to the business of government.

This includes the setting of clear priorities and reallocating resources accordingly.

We did set very clear priorities. They were health, education and community safety.

This budget delivers on those spending priorities and more.

Community development, disability services and the environment have also received significant increases in funding.

But delivering better services is not just about increasing departmental budgets year in, year out. It is also about better planning and management, and finding ways to make taxpayers' dollars go further to meet the needs of the community.

This budget represents the first instalment in a four year plan to achieve the strategic objectives of:

1. honest, accountable and inclusive government;
2. sound financial management;
3. a growing and diversified economy;
4. strong and vibrant regions;
5. safe, healthy and supportive communities;
6. an educated and skilled future for all Western Australians; and
7. a valued and protected environment.

These objectives were the basis of our contract with the people and the parameters within which government decisions on revenue and expenditure were made.

The budget task has not been an easy one.

The Government, when in Opposition, drew up a four year financial plan with independently costed election commitments that were matched by savings measures.

This plan was based on the financial information contained in the Pre-Election Financial Projections statements released by Treasury during the election campaign.

But as we have shown repeatedly in recent months, that statement did not reflect the range of inescapable funding pressures and funding shortfalls across the public sector which any responsible government must address.

Getting the State's finances in order is the first and most critical priority of this government. Without a sustainable financial plan, no government could hope to achieve its economic and social objectives.

The recent budget history has been bleak.

After years of sustained economic growth and record revenues through the mid to late nineties, general government surpluses should have been an established pattern of financial management in this State.

But after four deficits in a row, only the 2000-01 financial year returned a surplus on the back of revenue windfalls from privatisation. The forward estimates of the former government showed a small general government operating surplus in 2001-02, followed by deficits in the following two years. Debt was also accelerating at an alarming rate.

We were advised soon after the election and before we were sworn in as a government that unless urgent corrective action was taken the State's triple-A credit rating would be lost.

For the last six months, the Government has dedicated itself to turning around this deteriorating financial trend.

We are now in a position to announce a modest general government surplus of \$51.6 million in 2001-02, with increasing surpluses projected over each and every year in the forward estimates period.

But this is not a matter about which we should be triumphant.

The work has only just begun.

There are many external and internal risks to the State's financial position which will require continuing financial discipline and a vigorous commitment to reform throughout the Government.

This budget has tackled one of the most insidious threats to the Government's financial stability – government spending that outstripped record revenue growth.

Years of unrestrained growth in spending, averaging at more than six per cent a year, meant there has been no serious effort to evaluate, refocus and reprioritise government activity.

We have cut spending by \$852 million – a record never before achieved – to free up resources to meet the spending commitments we made to the community.

Importantly, spending growth has been more than halved from around 6.5 per cent a year to an average of 2.4 percent over the next four years.

For the first time in years, the Government is living within its means.

The benefit of our massive reprioritising of government spending is there for all to see:

- **health spending will rise to \$2,316 million in 2001-02.** We promised an additional \$240 million over four years to improve basic health services – but we have gone much further, injecting an extra \$385 million over four years in recognition that it is the top priority of the community;
- **Police operational spending will rise to \$490 million in 2001-02.** We have provided for strong growth in police resources to ensure that Western Australians remain safe and secure in their homes, including \$32.6 million to boost police numbers by 200 throughout the State;
- **education spending will rise to \$2,015 million in 2001-02.** The Government will inject an extra \$100 million over the next four years into the Department of Education, which will refocus onto its core responsibilities of teaching and learning;
- spending in the environment and heritage portfolio; training and disability services has also increased significantly; and
- contrary to recent speculation, capital works spending has reached the record level of \$3.3 billion this year.

## **SOUND FINANCIAL MANAGEMENT**

During the election campaign the Government promised to constrain its decisions within a number of financial targets. These were to:

- retain the State's AAA credit rating;
- maintain or increase our net worth;
- maintain an operating surplus; and
- maintain our tax competitiveness.

To help ensure we maintain our AAA credit rating, we have adopted two specific targets:

- that net debt to public sector revenue remains below 45 per cent; and
- that real per capita expenses for the general government sector will not increase.

I am pleased to announce that, in addition to returning the general government operating balance to surplus, we have reined in net debt over the forward years from 45 per cent (and growing rapidly) under the previous government to 39 per cent in the final year of the forward estimates period and flattening out at that level.

The Government inherited a substantial expense/revenue imbalance that was masked by temporary revenue windfalls.

High commodity prices in \$A terms due to the low relative value of the \$A, and increased royalties due to high oil prices, provided a major boost to revenues in 2000-01.

The sale of AlintaGas and Westrail Freight also increased revenues by \$250 million for the last financial year.

Given that the revenue windfall in 2000-01 was derived from the sale of assets, it is proper and responsible that it was used by this government – not for recurrent purposes – but for the longer term purpose of reducing debt.

The family silver is sold, and the dividend and tax equivalent revenue the Government would have received if these enterprises had remained under government ownership has gone with it.

But despite massive cuts to cover our spending commitments, it has been necessary to resort to additional revenue measures to meet inescapable funding pressures and to restore the State's finances to a sound footing.

Labor's financial plan was not predicated on raising taxes. We had no intention of doing so and we promised that we would not.

But we, and the rest of the community, were misled by the former government.

I regret that it has become necessary for the Government to resort to tax increases – no matter how modest they may be – to meet the financial objectives which are critical to the long term sustainability of the State's financial position.

The Government has resisted the first budget urge to go overboard with its revenue measures.

Like the household fees and charges announced earlier this year, the Government has exercised restraint in framing the tax measures. It has protected the battlers and targeted those who have the greatest capacity to pay.

Significantly, the revenue measures contained in this budget will be implemented without compromising the Government's commitment to maintain Western Australia's tax competitiveness.

Western Australia will still be the lowest taxing State in the nation, in gross state product terms.

These revenue measures raise just \$45 million this financial year, rising to \$165 million in year four. All up, the measures add less than 1.5 per cent to the State's total revenue over four years.

The Government did not take the easy way out and allow the proliferation of poker machines – a revenue source on which many States are now dependent and which carry a social cost that this government considers is just too high.

The Government did not resort to directing an increase in power charges – electricity prices will remain frozen which is good news for families and businesses.

The Government did not resort to the big stamp duty increases of the previous governments in the 1998-99 and 1999-2000 Budgets – increases which squeezed extra revenue out of property conveyances, motor vehicles and insurance.

The Government did not entertain regressive tax measures like a \$50 levy on compulsory third party insurance.

And this government has resisted any further privatisation.

In light of these parameters, the revenue measures introduced in this budget are mainly in the areas of payroll tax and land tax. They are primarily measures aimed at eliminating tax avoidance and restoring equity.

To repeat, where tax rates have had to be increased, the burden of the increase is on those with the greatest capacity to pay and the measures will have no direct impact on ordinary Western Australian households.

The Government has taken care not to overburden business, and while it has introduced some modest revenue measures, it is also delivering some degree of relief for business by:

- cutting stamp duty on workers' compensation premiums from five to three per cent, effective from 30 June 2001;
- instructing government agencies to pay their bills within 30 days – a move that has remedied the cash flow problems suffered by many small businesses under the previous government's 60-day payment period;
- reducing the TAB turnover tax, significantly increasing profits to the racing industry; and
- moving on electricity market reforms to deliver greater price competition.

I will now turn to the measures:

### ***Payroll Tax***

From 1 January 2002, the payroll tax base will be broadened to include the before-tax or "grossed up" component of taxable fringe benefits. This measure is consistent with the current payroll tax treatment of cash wages, the Commonwealth's Fringe Benefits Tax arrangements and similar initiatives announced by Victoria, Queensland and South Australia in their 2001-02 Budgets.

The payroll tax base will be extended further from 1 July 2002 to include payments made under contracts wholly or principally for the labour of "employee-like" contractors. This will remove the current incentive for employers to convert common law employees into contractors in an attempt to minimise their payroll tax liability.

It is not the Government's intention to extend the payroll tax base to contractors operating as genuine independent businesses. A series of tests will be developed – in consultation with tax professionals and key industry groups – to ensure this outcome.

Together, these payroll tax base broadening measures are estimated to raise around \$36 million in their first full year of operation.

In addition, from 1 January 2002 the top payroll tax rate will be increased by just 0.44 percentage points from the current 5.56 per cent to 6.0 per cent – the average top rate applying in the other States and Territories.

This measure – which is estimated to raise \$63 million in its first full year – will only affect employers with an annual payroll in excess of \$4.5 million. Based on average earnings, these employers would generally employ at least 100 employees and the additional payroll tax paid, in the case of an employee on average earnings, will be less than \$4 per week for an employer already paying the top tax rate.

### *Land Tax*

I am pleased to announce that from 1 July 2002, the Government will be abolishing land tax for 52,000 investors – or nearly 30 per cent of all land tax payers – who have properties with an unimproved land value of less than \$50,000.

In order to introduce further equity into the tax system, the Government will also scrap provisions which allow companies and trusts to qualify for principal place of residence exemptions from land tax. There will be exceptions in special circumstances.

This measure will effectively restrict the principal place of residence land tax exemption to owner-occupiers, and is estimated to raise around \$11 million in its first full year.

As part of the new land tax scale applying from 1 July 2002, the rate of tax on high value property will be increased – from 2 per cent to 2.3 per cent for land with an unimproved value between \$2 million and \$5 million, and from 2 per cent to 2.5 per cent for land with an unimproved value exceeding \$5 million.

The new land tax scale is estimated to raise net additional revenue of around \$29 million in its first full year.



### ***Premium Property Tax***

The Government will also introduce a Premium Property Tax with effect from 1 January 2002.

This tax will apply to principal places of residence with an unimproved land value in excess of \$1 million, with this threshold to be indexed annually in line with the Perth Consumer Price Index. I repeat, this tax applies only to the land component of the property – not the house, and the first \$1 million is tax free.

About 900 premium properties in the metropolitan area will be affected by this measure. The average unimproved value of these properties is around \$1.6 million – 14 times greater than the average unimproved value of land owned by ordinary Western Australians.

The Premium Property Tax will broaden the State's tax base, raising around \$12 million in 2001-02.

The Government believes those affected by the tax, because of their relative wealth, will accept making an additional contribution towards extra spending in the health system.

## **FEDERAL-STATE RELATIONS**

A critical factor in the financial well being of the State finances is the policy position of the Commonwealth Government.

### ***Goods and Services Tax***

As every Western Australian knows, the streets are not paved with gold as a result of the GST – it has impacted heavily on businesses and households as well as State Government finances.

Expectations of economic growth as a result of the GST have not been fulfilled – indeed, the opposite has occurred.

As a result, Western Australia is financially worse off now than it would be if pre-GST taxing arrangements were in place.

This shortfall arises because the supposed windfall that the State was to receive as a result of a “growth dividend” has not materialised, while savings that agencies were supposed to receive from the removal of the “embedded wholesale sales tax” have been illusory.

### *Specific Purpose Payments*

Almost 50 per cent – or \$2 billion – of the Commonwealth payments to WA are in the form of specific purpose payments that often include onerous conditions and in some cases require matching contributions by the State.

There is no doubting the worthiness of the purposes for which the grants are made – such as health, education, roads, salinity and vocational training – but the Commonwealth’s approach takes no account of what the State is already doing in these areas.

The State Government has endorsed new best practice guidelines for improving the flexibility and effectiveness of specific purpose payments, and has called on the Commonwealth to do the same.

## **COMMONWEALTH GRANTS COMMISSION**

The State has also expressed its concern about the steady deterioration in Western Australia’s share of State allocations through the Commonwealth Grants Commission.

Today, we are receiving \$364 million less than if our share of eight years ago had been maintained.

Western Australia firmly believes in the need for a review of the Commonwealth Grants Commission process to make it fairer. The Government will join with New South Wales and Victoria in undertaking the review, details of which will be announced soon.

## **BUILDING A GROWING AND DIVERSIFIED ECONOMY**

Economic growth in Western Australia is estimated to have slowed to around 1.75 per cent in 2000-01 on the back of a weak domestic economy and subdued global demand. However, Treasury is forecasting a return to stronger growth of 4.0 per cent in 2001-02.

An increase in business investment is expected to drive this growth, underpinned by plant and equipment investment for several major resource projects including the fourth train expansion of the North West Shelf project.

Dwelling investment is expected to rebound from its GST-induced slump with low interest rates and the temporary increase in the First Home Owner Grant for new homes already boosting building approvals and housing finance commitments.

Weak international demand is likely to have a slight downward impact on net exports in 2001-02, but net exports are expected to rebound as business investment contributes to production capacity and the international economy improves.

The labour market is expected to remain relatively soft over 2001-02, although 11,600 new jobs are expected to be created. Employment should pick up in 2002-03 as a lagged response to the rebound in domestic demand this financial year.

A moderation in wages is forecast for 2001-02, with growth averaging around 3.0 per cent over the medium term.

Underlying inflation is expected to rise to 3.0 per cent in 2001-02, up from 2.5 per cent in 2000-01.

In 2000-01, Western Australia's domestic economy was the weakest it has been in almost a decade, with business in particular showing a reluctance to invest. Growth was further dampened by the introduction of the goods and services tax, which had a substantial negative impact on both business and consumer confidence and distorted dwelling investment.

This budget has put in place a framework to promote strong and consistent growth in the State's economy. This pick-up in growth is due in large part to an anticipated surge in business investment that will, in turn, enhance the State's productive capacity and generate increased exports.

The resources sector is expected to lead this recovery in business investment, and recognising the importance of this sector, this government has committed \$2.86 million over the next four years to assist in addressing native title issues associated with access to land for mining, exploring and prospecting.

For its part, the Western Australian Government will undertake the biggest ever capital works program in the history of this State with \$3.3 billion in spending this year on road, rail, energy, water and other important economic and social infrastructure.

The Government will also continue to enhance the development of strategic industrial areas with particular emphasis on Port Hedland, Karratha, Geraldton and Kemerton.

However, we also need to broaden the State's industrial base to improve the economy's resilience to downturns in particular markets or commodities.

Reflecting this, the new Cabinet Standing Committee on Economic Policy is developing as its key priority a new industry policy to frame the Government's approach to attracting viable new business to the State.

A key plank of the industry policy will be to improve the competitiveness of the State's business environment and we are committed to a review of State business taxes to improve their equity, efficiency and simplicity.

The Government has also announced a review of the approvals process for major projects in this State. The review will examine ways to bring greater coherence to the administrative processes and thereby reduce the delays and uncertainties faced by major project proponents.

In addition, the Government has established a State Development Forum that will operate as a think-tank to provide a strategic link between government, industry, academia and the community on industry development.

## **SAFE, HEALTHY AND SUPPORTIVE COMMUNITIES**

It is this government's belief that the public sector has a major role to play in the community. This is particularly so in the key areas of health, education and community safety.

This is why we quarantined the Department of Health, the Department of Education, the WA Police Service and the Disability Services Commission from savings initiatives placed on other departments in order to help fund election commitments.

We also ensured that the Department of Community Development was required to meet a smaller priority dividend than the rest of the public sector.

### *Health*

This government is committed to giving all Western Australians access to a well-managed, high quality public health system. Nothing is more important to Western Australians than their health.

Accordingly, we have allocated the greatest proportion of the State budget – \$2.2 billion – for recurrent health expenses this financial year. This is equivalent to around one-quarter of the entire State budget.

Over the next four years an extra \$385 million will be provided to improve health services. This is a substantial advance on the Government's election commitment of \$240 million over four years.

But it is only too clear that no amount of extra money would be enough for a health system confronting high community expectations, increasing costs, powerful vested interests, structural inefficiencies and ineffective financial management.

Everyone in this place recognises that health finances are growing at unsustainable rates and that major reforms are vital to ensure taxpayers' dollars are used in the most effective way possible to achieve the standard of service the community expects.

I am pleased to announce that this government has a progressive and systematic investment plan in place to upgrade public hospitals and health facilities across the State.

Other important initiatives that we have funded to address community concerns include:

- \$10.5 million per annum over four years for hospitals to address waiting lists, emergency and acute care, and a comprehensive care in the home trial;
- \$7 million per annum over four years to fund a 'care awaiting placement program' for patients waiting for nursing-home placement into more appropriate care. Unfortunately, this represents the shifting of costs from the Commonwealth onto the State taxpayers; and

- \$2.5 million per annum over four years to ensure a dedicated, state-wide mental health service.

### ***Transport***

The Government has made a major commitment to sustainable urban transport infrastructure in this budget with allocations for the direct rail link between Mandurah and Perth.

Passenger trains will be brought up the centre of the Kwinana Freeway, over the Narrows Bridge and underground through the CBD, linking up with the northern rail line at a central city station.

The \$1.2 billion project will connect Mandurah – Australia’s fastest growing city – and the southern suburbs to Perth.

In order to do the detailed planning for the new route, the completion date will be extended by a year, but this is a small price to pay for a superior public transport system.

I am pleased to announce that the Government will also spend \$24.7 million improving rail security and upgrading existing stations on the Midland, Fremantle and Armadale lines.

In this budget, the Government has also funded its commitment to freeze public transport concession fares for the battlers.

### ***Road Safety***

Road safety is another important issue for communities. This government has honoured its pre-election promise to increase State Black Spot funding by \$2 million each year.

In this budget, the Government will allocate \$15 million for specific safety upgrades at hundreds of road locations throughout the State to improve driver, pedestrian and cyclist safety.

Overall, the Government is spending \$709.7 million on road construction, maintenance and associated costs this year, which represents a substantial investment in road infrastructure.

## *Community*

The Government recognises that families are diverse and that family support is vital to a healthy, well functioning society.

As part of its commitment to the community, the Government has allocated \$10 million over five years as part of the *Family Strength* policy. Special priority will be placed on supporting families in remote and rural areas, and indigenous families and communities.

The Government has committed \$4.6 million over four years to develop a number of initiatives that seek to prevent domestic violence. We have also provided \$2 million for increased crisis supported accommodation services for young people who are homeless.

In 2001-02, we will provide \$184.1 million through the Disability Services Commission to provide a range of services for people with disabilities and their families. This includes accommodation, respite, therapy and other services.

In addition, reflecting our whole of community approach to the issues facing people with disabilities, we are honouring our pre-election pledge to provide an additional \$10 million over four years to implement a range of initiatives to ensure more formal recognition of carers and the vital role they play in providing community care and support. More than \$2 million is included in the disability budget and will be targeted directly towards supporting carers of people with disabilities.

Volunteer work is an integral part of any community. This is why in this international Year of the Volunteer we are providing \$2 million of funds over four years to support the State's volunteers and to help promote the important role they play in Western Australia.

## *Police*

Our large planned capital works program for the Police Service in 2001-02 of \$31.4 million includes nearly \$18 million of new projects.

On a comparable basis Police operational funding of \$489.8 million represents an increase of \$27.6 million, or six per cent in 2001-02. By 2004-05, police operational funding will increase by a further \$46.2 million to \$536.1 million.

The increased funding will help to put in place the commitments made by this government during the election campaign:

- over the next four years, we will spend \$32.6 million to boost police numbers by 200 officers throughout the State. This represents real funding for real officers;
- \$14.3 million will be utilised to introduce a team of 50 Transit Police to patrol our metropolitan rail system;
- addressing community concerns, we will spend \$20.0 million boosting the police operations budget to help improve police response times;
- \$22.0 million will be spent to ensure there are adequate resources to effectively link Western Australia to the National DNA Database and to utilise DNA as a crime investigation tool;
- \$5.2 million will be spent to recruit a minimum of ten Aboriginal Liaison Officers each year.

These initiatives will all contribute to making our community a safer place in which to live.

### *Justice*

Reform is at the heart of the Government's approach to the justice system, and the Government is guiding a visionary program of reforms that will be complemented by budget measures announced today.

In order to reduce delay and increase the performance of the State's courts, this government will spend \$5 million in 2001-02 on the roll out of a \$10.9 million computer-based Integrated Courts Management System. The Integrated Courts Management System will replace more than 14 separate computerised information systems that currently support the various court jurisdictions.

As part of our commitment to extend the modernisation of courts and court services in Western Australia, this government will commence planning for the construction of the long-awaited Albany Justice and Police Complex.



Like its counterparts at Joondalup, Rockingham, Busselton, South Hedland and Fremantle, the Albany complex will provide modern facilities and integrated justice services for its clients – the people of the Great Southern region.

We have committed \$900,000 in 2001-02 for the planning phase of the \$11.3 million redevelopment of the Nyandi/Longmore site in Bentley as a purpose-built women's minimum security prison.

The Government will also commence planning for a new metropolitan secure facility for women.

This government is committed to ensuring imprisonment is a punishment of last resort and will, in future, make greater use of community management of minor offenders. Too often in the past, minor offenders have been imprisoned without being given appropriate opportunities to reform their behaviour. As a result, we have allocated funds to increase the number of Community Corrections Officers employed by the Department of Justice to manage offenders on community-based orders.

This government will also introduce new electronic monitoring technology for offenders on home detention.

## **AN EDUCATED AND SKILLED FUTURE FOR ALL WESTERN AUSTRALIANS**

### ***Education***

This budget begins a new era for public education in Western Australia.

The Department of Education has been refocused onto its core responsibilities of teaching and learning. The Government makes no apology for diverting resources away from head office and into schools where they are most needed.

Our decisions will increase education spending by a further \$100.5 million over the next four years. By 2004-05, our spending on public education will be increased by 12.75 per cent.

The Government is particularly proud of its well resourced 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.

Well-trained and motivated teachers are vital to improved learning outcomes in our schools. We have provided a range of measures in this budget to increase the skills of teachers and attract the best new graduates:

- \$8.6 million will be made available in the next four years to enhance the professional development of teachers and increase the number of senior teachers by 200; and
- a further \$2.1 million will provide scholarships to prospective teachers.

We have allocated \$10 million over the next four years to address behavioural problems in high schools throughout the State, bringing the total funding for the program to \$28 million. Schools will have the flexibility to use the funding to decrease class sizes or to employ other support staff.

The Government believes that equipping children with IT skills is now as important as ensuring they have basic literacy and numeracy skills. As a first step, increased bandwidth will be provided to each school and teachers will gain low cost access to laptop computers over the next 18 months.

Children with disabilities and learning difficulties have a right to a quality education. An additional \$9.4 million will be made available in the next four years to provide better learning opportunities for these children.

As part of our commitment to both the community and education, we have provided \$4 million over the next four years to implement programs to further involve parents in their children’s schooling.

A program of upgrading government schools will help restore confidence in the public education system and provide a better learning environment. To undertake additional refurbishment of older schools, \$30 million is provided in these forward estimates, which is additional to funds already allocated over the next four years.

The Government will also honour its election commitment to provide new secondary facilities at Mindarie, Eaton and Canning Vale and to rebuild the Mount Lawley Senior High School.

### *Training*

An additional \$113 million will be spent over four years to provide training opportunities for Western Australians, including additional funding of \$67 million from the Commonwealth provided under the Australian National Training Authority Agreement.

Consistent with the Government's election commitment, there will be an increase in the number of apprenticeships and traineeships available with 4,550 apprentices and 9,000 trainees expected to commence training during 2001-02. This is four per cent more than in 2000-01.

The Government has established the Skilling WA program in line with its election commitment to improve skills and training for the current workforce. A total of \$4 million will be allocated under the program over the next four years with \$1 million available for the delivery of training over the next 12 months.

Training will be directed at high priority industry and regional areas. During 2001-02 this will include particular focus on the South West Region where projected population increases and major structural changes are impacting local industries.

The Government's employment programs are expected to provide assistance to over 36,000 job seekers.

The difficulty that mature age workers have in finding employment is a major concern of this government. To help address this problem we have strategies in place to assist 4,800 mature age job seekers to gain access to employment, education and training and increase employer awareness of the advantage of mature age workers.

We will also expand the Aboriginal School Based Traineeship program, which is expected to generate employment opportunities for up to 450 young indigenous Western Australians.

### **A VALUED AND PROTECTED ENVIRONMENT**

Our natural environment, if carefully managed, will continue to deliver benefits to Western Australians. It is unique and irreplaceable and provides wonderful opportunities for tourism and recreation.

The Government believes that this State's long-term economic well-being *depends* on the maintenance and repair of our environment.

Western Australia's old-growth forests, in particular, are an irreplaceable community asset that must be managed responsibly to ensure their perpetuity for future generations.

To this end, the Government has ceased logging in all of Western Australia's old-growth forests. The total cost of implementing this policy is \$132.5 million. This includes additional funding of \$61.1 million towards the integrated package for implementation of the policy and an expected reduction in timber royalty revenue of \$9 million over the forward estimates.

Key elements of the package include:

- \$28 million as a Business Exit Package for those mills and associated industries which will no longer be viable with a reduced resource;
- \$37.6 million for Workers' Assistance Packages for retrenched workers;
- \$26.5 million for Industry Development within the native hardwood industry and for industry attraction in all existing industry. This includes \$15 million previously promised by the Commonwealth Government; and
- \$25.0 million for the creation of new national parks and conservation parks (including \$9 million capital funds).

Up to 130 jobs will be created with the establishment of these new parks.

Another important environmental issue is salinity, particularly for Western Australia, with over 70 per cent of Australia's dryland salinity occurring in this State.

Our fight against salinity in Western Australia will see the following new initiatives:

- commencement of the new Cooperative Research Centre for plant-based management of dryland salinity;
- completion of the first round of Rapid Catchment Appraisals that has provided an assessment of salinity risk options for approximately 2.5 million hectares;

- development of an integrated Natural Resource Management website, providing critical information to farmers and rural communities; and
- development of salinity management options for land managers and the role of revegetation in salinity management.

The State Government has also committed to spending an extra \$10 million over four years to trial new salinity solutions, including \$4 million for assessing the feasibility of engineering works and \$6 million for the creation of demonstration catchments.

Funding of \$1.435 million in 2001-02 has been provided for the Perth Air Quality Management Plan. Part of this plan involves the promotion of LPG and CNG for use in vehicles as well as initiatives to educate the community further about air quality.

Helping to address the problem of air pollution, this government will provide an additional \$8 million over the next four years to fund new and extended bus services in the State.

And there is no greater commitment to the environmental sustainability of the metropolitan transport network than the \$1.2 billion commitment to the rail link to Mandurah.

Moreover, we will continue to promote the health and environmental advantages of walking or riding bicycles through \$20 million being spent on developing a metropolitan wide network of shared (bicycle and pedestrian) paths.

The Government is committed to promoting energy efficiency through programs targeted at both domestic and industrial users and has set aside \$5 million in this budget over four years for sustainable energy initiatives.

## **STRONG AND VIBRANT REGIONS**

This government is committed to making a difference to the regions by improving the social and economic development of regional Western Australia.

To this end, we have provided \$75 million over four years through the Regional Investment Fund.

A further \$2 million is being provided in 2001-02 through the Regional Co-location Scheme so that we can continue to assist regional communities to improve their access to quality government and community services and associated infrastructure.

To improve law and order in regional areas the Government has allocated \$8.0 million to work with the Western Australian Police Service and the union to develop a package of incentives for country service.

We have also pledged \$100,000 to initiate the planning phase of a \$54.4 million program to replace one regional prison facility in Western Australia.

This will ensure that lower security offenders from regional areas can still be accommodated close to their families and community groups in purpose-built modern facilities.

Given the vast land area of this State, funding for roads and railways is also a major regional issue. We have allocated:

- \$20.6 million for construction of the Mt Magnet-Sandstone-Agnew Road to assist the mining industry and tourism;
- \$12 million for construction of a long overdue dual lane bridge over the Gascoyne River on the North West Coastal Highway at Carnarvon and for associated upgrading of the Highway between the new bridge and the Blowholes turn-off;
- \$9.3 million to progress road and rail works for the Geraldton Southern Transport Corridor project – a major new project that will boost the City of Geraldton by providing a new east-west rail and road link to the Port; and
- \$1 million to start construction of a sealed road from Karratha to Tom Price (this money is for pre-construction activity and construction funds will be provided over the next three years for stage one of this project).

## **HONEST, ACCOUNTABLE AND INCLUSIVE GOVERNMENT**

This government is committed to re-affirming the community's belief in the public sector and government as an institution. To do this we aim to rebuild the public sector to make it more efficient, effective and accountable. We wish to see the public service in Western Australia respected for its excellence in service delivery and we aim to do that as soon as possible.

We have already made great progress:

- in reducing the number of departments and agencies from 46 to 23 in order to facilitate the effectiveness and responsiveness of the public sector to community needs and government objectives;
- in committing to the establishment of an independent Economic Regulator with responsibilities across the electricity, gas, rail and water industries. The Economic Regulator will also be a source of independent expert advice for the Government; and
- in creating a new portfolio, the Minister for Government Enterprises, to exercise the Government's shareholder, owner and investor role in relation to government business enterprises.

A key step to making the public service more efficient, effective and accountable was the establishment of the Expenditure Review Committee. This Committee played a key role in the budget process in ensuring budget allocations reflected government priorities.

More broadly we have a Cabinet Committee system which encourages public servants to contribute to achieving our goals. It is an inclusive approach built around clear strategies.

The Government is also pursuing reforms in utility markets to encourage the provision of these services at sustainable lower prices, while protecting the interests of residential and small business customers.

For too long, Western Australia has had the least competitive electricity market and the highest electricity prices in Australia. Under the previous government's policies, less than one-third of one per cent of Western Power's customers would have had access to a competitive market for electricity.

In implementing full contestability we are committed to lower electricity costs while ensuring reliability, safety and quality of electricity supply.

We have allocated \$950,000 to meet our commitment to the establishment and ongoing work of an Electricity Reform Task Force.

We have also provided \$350,000 for the establishment and conduct of the Gas Retail Deregulation Steering Group to facilitate competition in the gas retail market for householders.

## **CONCLUSION**

As I said at the outset, this is a responsible budget that lays the foundation for the future.

It delivers on our election commitments while demonstrating the financial discipline necessary to sustain government services in the years ahead.

It puts in place the conditions to ensure that Western Australia retains its AAA credit rating.

This budget is a clear demonstration of our commitment to the people of Western Australia.

It addresses each of our seven objectives and provides a sound framework for this government to build upon, because we have only just begun.

I take this opportunity to pay tribute to the Premier and other Expenditure Review Committee members for their contribution to the budget process, and to acknowledge all of my Ministerial colleagues for rising to the long term challenge of restoring the State's finances to good order.

I would also like to acknowledge the work of the Under Treasurer and officers of the Department of Treasury and Finance for their efforts to assemble the budget in a year in which there has been the twin tribulations of machinery of government changes and a change to full accrual presentation of the budget.

I now turn to the formal purposes of the two Appropriation Bills, which differ in some important respects from last year.



For the first time, appropriations to agencies are presented on an accrual basis. This means that the appropriations are inclusive of depreciation, superannuation and annual and long service leave expenses. In addition to these accrual expenses, the appropriations also provide for a capital user charge, which reflects the cost of assets used in the delivery of services. The inclusion of these costs in the appropriations gives Parliament control over a greater proportion of the cost of providing government services.

There are still two Appropriation Bills. Appropriation Bill No 1 is for recurrent services, which comprise purchase of outputs and administered grants, subsidies and transfer payments. Appropriation Bill No 2 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent services estimates of \$9,357,596,000 include a sum of \$908,044,000 permanently appropriated under Special Acts, leaving an amount of \$8,449,552,000 which is to be appropriated in the manner shown in the Schedule to Appropriation Bill No 1.

Capital purposes estimates of \$749,979,000 comprise a sum of \$127,697,000 permanently appropriated under Special Acts and an amount of \$622,282,000 which is to be appropriated in the manner shown in the Schedule to Appropriation Bill No 2.

Supply of \$5,500,000,000 has already been granted under the Supply Act 2001 of which \$5,100,000,000 has been applied to Appropriation Bill No 1 and \$400,000,000 to Appropriation Bill No 2. Hence further supply of \$3,349,552,000 has been provided for in Appropriation Bill No 1 and \$222,282,000 in Appropriation Bill No 2.

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

- Budget Speech – Budget Paper No 1;
- Budget Statements – Budget Paper No 2; and
- Economic and Fiscal Outlook – Budget Paper No 3.