

Speech by
Hon Eric S Ripper MLA
Deputy Premier; Treasurer; Minister for Energy
Thursday, 16 May 2002

Mr Speaker

I move that this Bill be read a second time.

INTRODUCTION

Mr Speaker, every day Western Australia cements its position as the economic powerhouse of the nation.

In 2001-02 we are expected to experience 4.5 per cent growth – the strongest economic performance of any State, Territory or the Commonwealth.

Business investment this year is expected to rise by 19.5 per cent, the best performance in Australia.

And there is every indication that Western Australia is on the cusp of the biggest development boom in the State's history.

There are estimates of projects worth \$87 billion in the pipeline and if just a proportion of these come to fruition Western Australia could enjoy an unprecedented period of economic prosperity.

But we are all too familiar with the boom and bust cycles that are a feature of Western Australia's economic history.

That is why this government is taking no chances. It is doing everything a State Government can do to optimise the conditions for growth.

The 2002-03 State Budget, more than anything, is about making long term investment decisions.

It is about providing the supporting intellectual and physical infrastructure for economic growth.

It is economic growth, after all, which helps to ensure Western Australians have jobs and a good quality of life and which pays for the services we all expect.

In short, the Government is investing in our future.

In working to encourage economic growth, the Government has not forgotten its commitment to meeting community priorities.

They are different sides of the same coin.

We are delivering at record levels in our priority areas of education, health and community safety.

GROWING THE ECONOMY

The 2001-02 financial year has been the year of recovery as the State shook off the effects of the GST induced economic slow down and overcame the economic shocks of the tragic events of September 11.

The recovery in business investment is expected to continue in 2002-03, with economic growth of 3.75 per cent forecast, likely to be the best in the nation.

Increased exports will also contribute to economic growth within the context of a global economic recovery.

The current and expected strength in business investment reflects a rise in investment in the mining and resources industry.

While weak international demand has had an impact on exports, we expect a recovery in export growth to 5.25 per cent in 2002-03, reflecting an improvement in the global economy.

Mr Speaker, as the Government has said repeatedly, growth equals jobs.

And in 2002-03, growth is expected to deliver a further 21,000 new jobs.

This can't be done without the private sector.

That's why the Government is developing a policy framework to encourage business activity in the State. Our initiatives in funding economic and social infrastructure underpin this strategy.

Diversification of Western Australia's industrial capacity adds stability to our economy and protects jobs.

Adding value to what we produce enriches our economy, creates new jobs and maximises our competitive edge.

The Government is alert to the fact that some of our most serious competitors are the other States of the Federation.

Business is increasingly mobile, and will relocate to the State that offers the most attractive environment to live and do business.

We have stunning natural advantages, but we must maintain and enhance our economic advantages if we are to be the best place in Australia to invest and do business.

That's why the Government has committed to maintain its tax competitive position with other States and Territories – a position that remains unchanged as a result of this budget.

And it's why the Government is proposing sweeping business tax reforms to make doing business – and meeting tax obligations – a whole lot simpler.

And it's why this budget delivers targeted stamp duty relief to some sections of the business community who are disadvantaged.

Mr Speaker, this government is also moving to streamline the complex and convoluted approvals process for major projects and has released a discussion paper to generate constructive debate on the way forward.

It is also working to establish a clear framework for native title negotiations to ensure there is mutual respect for the rights and interests of all citizens and a focus on achieving agreements.

To improve our competitiveness, the Government is pressing ahead with electricity reform because it recognises that high energy prices are a major disincentive to economic development in Western Australia.

And the Government will continue to develop a policy for public-private partnerships this year because it would be irresponsible of a government – particularly with the infrastructure needs of Western Australia – not to explore these opportunities.

By 1 January 2003, the Government plans to put in place an Economic Regulation Authority to increase independence, transparency and accountability in the regulation of the electricity, water, gas and rail industries – all critical for economic development.

Mr Speaker, these are complex and difficult issues but they are unavoidable for any government that is serious about pursuing long term economic prosperity for the people of this State.

INVESTING IN OUR PEOPLE

Education

Mr Speaker, it is a statement of the obvious that the economic health of Western Australia is dependent on tapping the innate skills and initiative of our people.

But this government is prepared to do something about it.

We are investing in our people.

In 2002-03, the Government will make a record investment in education, science and training – the centerpiece of the budget – so that Western Australians are equipped with the ideas and skills to drive the local economy.

I said earlier that we were planning for the long term. Nowhere is this more evident than in our investment in government schools.

Our record recruitment of 347 teachers to reduce class sizes in years 1 to 3 will have a direct and tangible effect on the quality of learning in the important foundation years of schooling.

But we do not stop there.

The Government is making a massive \$56 million investment over four years in computer technology for schools because they have to be at the forefront of the information age – not impoverished bystanders.

As part of our education investment, 100 schools in the lower socio-economic areas will be provided with state of the art information technology and electronic communication equipment to ensure equality of education across the community.

And we will invest \$131 million in new and upgraded schools to ensure our young people have the highest quality environment for learning.

The community has expressed its concern over literacy and numeracy standards at our schools. We have listened.

This budget provides for the continuation of key initiatives in the *Getting it Right* literacy and numeracy program, as well as the *Family Links* program, which allows parents to become more involved in the education of their children.

Overall, education services to the community will receive an extra \$118 million this year – a 5.7 per cent increase – taking our investment in education to nearly \$2.2 billion.

We are investing an extra \$442 in every government school student.

We are also moving to increase the number of young people staying at school beyond the compulsory years.

Last year's Year 12 retention rate was just over 60 per cent. In the 21st century, in a nation as wealthy as ours, such a figure borders on shameful.

Accordingly, the Government is funding pilot reforms to post-compulsory education at a cost of \$2.3 million. This initiative aims to increase school retention rates to 90 per cent and raise standards of academic achievement.

Training

We have also increased our spending on training by \$8 million, bringing the total training budget to \$324.5 million.

We expect there will be around 12,500 apprentice and trainee starts this year – vital investment if we are to avoid a shortage of skilled people to take advantage of employment opportunities of the future.

And more quality vocational education and training services and employment programs will be delivered to students, industry and the community this year.

Student contact hours for more than 125,000 students will reach 25.7 million hours this year, a rise of 1.6 per cent on 2001-02.

Our investment in extending computer literacy throughout the community will continue with grants for community-based initiatives.

Major capital and infrastructure projects will be undertaken including an investment of more than \$8 million for high technology learning and other training equipment.

And to capitalise on our strong tourism and hospitality industry, a new world class Hospitality Centre is to be established to offer vocational education and training programs.

Science and Innovation

We have also moved to invest \$100 million in science and innovation over four years.

This is because we know that economies that can best acquire, generate, supply and use knowledge will win out in the global economy.

In 2002-03, we are establishing a new Office of Science and Innovation – answering to the Premier – to drive these initiatives.

We will inject an extra \$20.4 million into the State's Centres of Excellence budget, and fund fellowship grants to attract the best researchers from interstate and overseas.

We will provide incentives to increase the number of teachers specialising in science.

And we will encourage research and development collaboration by government agencies on strategic priorities for Western Australia.

In addition, our \$20 million, four year commitment to geoscience mapping has been built into the budget to assist mineral exploration.

These key investments in education, training and science are our pathway to economic and social success.

INVESTING IN COMMUNITY PRIORITIES

Mr Speaker, developing a State Budget is about finding the right balance.

And we have balanced our economic imperatives and our financial discipline with the need to meet important community priorities.

Our commitment to health, education, and community safety is almost a cliché, and that's as it should be, for these were the priorities on which we were elected.

Mr Speaker, in 2002-03, we once again deliver on these priorities.

Health

Health spending will rise by \$99 million, or 4.3 per cent, in 2002-03. This is the single biggest budget increase health has received in years, taking total recurrent spending to a record \$2.4 billion, or 24.6 per cent of the entire State budget.

Since the change of government, our decisions have ploughed an additional \$1.345 billion into the health portfolio over the forward estimates.

We have:

- increased funding for hospitals;
- upgraded facilities;
- expanded dental services;
- improved pay and conditions for doctors, nurses and other hospital workers; and
- we are part way through a major recruitment drive for extra nurses.

The Government recognises that record increases in health funding will never be enough to meet rising costs and satisfy community needs.

That's why we are striving to do better with our health investment by embarking on a much needed reform program to ensure maximum dollars go to services.

In keeping with the Government's strategic direction for health, there will be an increased emphasis on prevention of illness and disability and continued commitment to a rural health strategy.

The Government has made a commitment to a \$375 million capital works program in health over the next four years, with spending of \$109 million planned for 2002-03 to upgrade hospitals and health facilities in suburban and regional areas.

Mr Speaker, this investment equates to more than 400,000 inpatient and 600,000 emergency service attendances every year.

It also represents 700,000 vaccinations, 70,000 potentially life saving mammograms and more than 3.5 million occasions of service for non-admitted patients.

The volume of government spending on health is beyond the grasp of most of us to properly comprehend, but at its most fundamental it is about making a real difference to the quality of life of our people.

It is about:

- the man with suspected lung cancer who will have access to new diagnostic equipment at Sir Charles Gairdner Hospital with the provision of the Positron Emission Tomography scanner worth \$8.6 million. Early diagnosis may save his life;
- the Aboriginal elder who will be able to go home because a \$1.5 million allocation will see the Kimberley Satellite Dialysis Centre completed by September. At the moment, many Aboriginal people from Broome are forced to live in Perth to access renal dialysis, which has a profound impact on individuals and their communities;
- the expectant mother who will deliver her baby in a modern, well equipped labour ward as a result of our \$15 million allocation to upgrade King Edward Memorial Hospital.

Police

Safety is of paramount concern for the whole community but particularly for our older citizens.

The Government has responded to this concern in 2002-03 with a \$36 million increase in the budget for the Western Australian Police Service, bringing the total to \$530 million – a 7.2 per cent increase.

Increased resources will allow the police to use the latest forensic and technological techniques to target burglary, motor vehicle theft, drugs, robbery and assault.

The funds will also boost operational activities to increase the police presence on our streets and respond to community calls for assistance.

The Government is also on target to deliver on its election commitment to recruit an extra 250 police officers and 40 Aboriginal police liaison officers over four years. Already, 100 extra police officers and 10 extra Aboriginal Police Liaison Officers have been recruited.

In 2002-03, we have provided \$6.2 million to implement DNA legislation, including the collection of samples from convicted people.

And up to \$27.4 million will be spent on implementation of the police computer aided dispatch project, resulting in a greater police presence, improved responsiveness to calls and increased community security.

Also, in recognition of the work undertaken by our State's police officers we have provided \$52.6 million over four years to fund salary increases.

Additional funding will be provided to the Office of Crime Prevention to continue local government participation in crime prevention.

And as an important step in building public confidence in the police service, the Royal Commission into police corruption is being provided \$28 million and extensive powers to carry out its work.

Justice

It is a key focus of the Government to reduce the prison population and implement law reform initiatives.

Changes to criminal law penalties as well as implementing programs that address the causes of anti-social behaviour and offending are key strategies to reduce the prison population.

However, it remains necessary to upgrade and build new facilities.

In 2002-03, the \$14.8 million upgrade and expansion of the Bandyup Women's Prison will be completed. At the same time, construction will commence on a new low security women's facility at the Nyandi/Longmore site.

We have provided additional funding of \$12.5 million for the adult community justice operations over the forward estimates to meet demand.

The Government also intends to pursue the development of new district law courts in the Perth central business district.

Transport

The State's rail and road networks are important for commuters but they are also an artery of the economy, providing for the efficient flow of goods and services around the State.

The Government is committing more than \$755 million in 2002-03 to the State's road networks.

Local government councils will share in \$100 million to be spent on local roads.

The budget contains \$87.8 million in Commonwealth allocations under the National Highways and the Roads of National Importance programs. This includes funding for the construction of a new Ord River Bridge north of Halls Creek – a critical transport route for interstate and intrastate trade which has been severed by floodwaters in recent years because the existing bridge is too low.

In 2001-02, the Government committed funds to the extension of Roe Highway through Beckenham in order to remove freight vehicles from residential streets, and works are well underway.

This year, we have committed a further \$24 million to extending Roe Highway through to South Street.

Further transport efficiency will be achieved by beginning the extension of Tonkin Highway from Mills Road West to Thomas Road and by reconstructing the Great Northern Highway in the Swan Valley.

Road safety affects us all and it remains a key priority of this government to improve road safety for all Western Australians.

As promised when elected, this is the second year of a four year commitment to an additional \$8 million being allocated to the State Black Spot Program to address driver, pedestrian and cyclist safety.

Commuters will also benefit from a \$28 million investment in new buses and \$6 million in improvements to the bike path network.

Disability Services

This Government's commitment to the 500,000 Western Australians whose lives are affected by disability is unwavering.

In this regard, \$195 million has been allocated to provide disability services in this State in 2002-03.

An additional \$4 million will be provided through the Disability Services Commission for new accommodation, with a total of 75 new places for people with disabilities.

This budget also provides an increase of more than \$2 million for respite and other family supports, an additional \$1.5 million into alternatives to employment and post school options, and \$1.3 million new money into therapy and aids equipment.

Community Development

It is a sad reality that there is a growing number of children in State care in Western Australia.

In order to meet the needs of these children, the Government has provided \$4.9 million which will be used for foster care subsidies and other support costs.

Overall, the Department for Community Development budget will increase by \$6 million in 2002-03.

New funding of \$1.6 million has also been allocated over four years to expand sexual abuse counselling and treatment services to Aboriginal and Torres Strait Islander families in metropolitan and regional areas.

Sport and Recreation

Sport and recreational pursuits have a positive impact on the physical, mental and social well-being of all Western Australians.

To this end, in 2002-03 we have allocated \$12.7 million for the development of sporting facilities statewide through the Community Sport and Recreation Facilities Fund; and invested \$9 million to ensure the ongoing viability of State sporting associations.

We will also progress the development of a baseball stadium in Gosnells with a government contribution of \$1.5 million.

The Government will also provide \$6.8 million towards the redevelopment of Perth Oval and \$1.7 million for a multi-purpose stadium at Leederville.

Environment

Our natural environment is highly valued by Western Australians and visitors alike.

It attracts tourists. It supports our ongoing growth and economic development. It has its own inherent value and provides us with our way of life.

These competing pressures demand sustainable environmental management.

It means making unpopular decisions at times, but above all it means thinking about the long term.

Nowhere is this more evident than in the Government's decision to protect old growth forests.

This is the centrepiece of an ambitious environmental program we took to the people in February last year.

We are backing that decision with our *Protecting Our Old Growth Forests* package worth \$123.5 million which will continue this year with a total allocation of more than \$49 million, including funding for training, business exits and industry assistance.

We will also create a record 30 new national parks in our first term of government.

So far the Government has released proposed boundaries for five of these new parks, with more to be released this year. To back this program, the Government will continue to roll out an extra \$25 million over our first term – with the largest investment of \$7.5 million next financial year in new park management and facilities.

This investment reflects the Government's efforts to protect the conservation values of the parks while also ensuring they are accessed in an environmentally responsible way, through activities such as tourism.

In addition, the Government has provided \$1 million for the Karri Tingle Discovery Centre in the proposed Walpole Wilderness area – with planning and construction for this project set to begin in the next 12 months.

The Government also remains committed to new forestry development, with the Forest Products Commission pursuing avenues to achieve investment in greatly expanded plantation programs.

This \$5.5 million investment program will also integrate with the greenhouse strategy currently under development and, as a renewable resource, is another plank in our sustainability strategy for the future.

The State Government will also build on more than \$30 million currently being spent tackling salinity. A new framework for salinity investment has been devised to ensure taxpayers' dollars are used in the most effective way possible. The Government is also poised to sign the inter governmental agreement on salinity and water quality.

The increasing incidence of greenhouse gases in the atmosphere is another key environmental issue. An amount of \$4 million has been provided in 2002-03 for the programs of the newly created Sustainable Energy Development Office.

GROWING OUR STATE

Let me now outline our investment in infrastructure and regional development.

Infrastructure is the roads, the railways, the ports, bridges, water and energy supply, and other works needed to ensure our State is able to develop and compete.

Last year, the Government made a record investment in capital works of more than \$3 billion.

In 2002-03, we will spend a similar amount. To give this a sense of proportion, the size of our works program relative to the economy is the second highest of all States.

As the Premier has recently said, the Burrup Peninsula is as economically important to Western Australians today as the Kalgoorlie goldfields were at the turn of the century to our forebears.

There are six proposed gas processing projects for the peninsula, with a combined value of more than \$6 billion.

This means jobs, income to the State and the nation, investment in the local economy and a multitude of economic spinoffs.

That's why the Government put together a common user infrastructure package to encourage the development of the site as a world class industrial estate.

And it's why the Government has taken a lead role in native title negotiations to secure mutually beneficial agreements, and invested an extra \$14 million in the newly created Office of Native Title over the next four years.

We have also signed off on a major upgrade of the State's ports which are an integral part of the transport network and our window to world markets.

The port enhancement strategy is worth \$41 million in 2002-03 and, in addition, conditional approval has been given to the deepening of the Geraldton port to serve the growing grain and mineral export industries of the Mid West.

This project will be bolstered by the Government's separate commitment to the Geraldton southern transport rail and road corridor.

The Government is also proud of its decision to expand the urban rail network – one of the biggest capital projects in the State's history.

Just as the northern suburbs railway ultimately confounded the critics, the southern railway will stand the test of time as a visionary project to improve traffic flow and transport efficiency of Perth's burgeoning southern metropolitan area.

There is no denying it is a complex and difficult project, but the Government is up to the challenge and will press ahead by committing \$188.5 million this financial year.

The Government makes no apology for shifting the emphasis to public transport because it is investing for the long term.

Roads will not be neglected. More than \$755 million will be spent this year on projects throughout the State to streamline heavy haulage routes and improve road conditions for commuters and commercial users. This includes \$322 million in capital works alone.

Water and sewerage infrastructure is another staple of a developing economy.

The Government has signed off on the Water Corporation's \$353 million program of works to upgrade water and sewerage infrastructure, including \$61.8 million of drought alleviation measures and \$20 million for odour control.

Similarly, our energy utility Western Power will spend \$444 million this year on a program of power generation and distribution projects, including two new regional wind farms and continued work on the underground power program.

We will shortly be announcing plans for new energy generation capacity to meet the State's future energy needs.

An investment of \$108 million will be made in 1,500 new and refurbished public housing dwellings, and \$519 million will be loaned to 5,000 Western Australians through the *Keystart* program.

In addition, \$38 million worth of land development will proceed with more than 2,000 lots to be generated, many for first home buyers.

Since coming to office, the Government has demonstrated a strong commitment to regional development.

It has created a regional investment fund, providing \$24.1 million in 2002-03 to improve the economic and social development of regional Western Australia.

It has also invested in tourism to capitalise on our potential to be one of the world's premier nature-based tourism destinations.

Federal-State Relations

Mr Speaker, I must congratulate the Commonwealth Government on its recent commitment to the HIsmelt project in Western Australia.

That is another project where the State has committed to a strategic \$30 million investment in land and port facilities to bring this project to fruition.

But the Commonwealth is also putting the hand brake on the State's economic development.

Every year, Western Australian taxpayers face increasing demands for infrastructure support to secure major industrial projects.

And almost every year the Commonwealth Grants Commission rewards our initiative by reducing our share of State grants.

This is compounded by the fact that the promised GST 'bonanza' has not materialised.

The reality is that we will be dependent on the Commonwealth for top-ups to GST revenues until at least 2004-05 when we are expected to reach break even point.

Total Commonwealth funding to Western Australia will increase by 0.6 per cent in 2002-03, excluding North West shelf royalties. That's a reduction in real terms of 1.6 per cent and in real per capita terms of about 3.0 per cent.

As a result of the Commonwealth's breach of the intergovernmental agreement on financial relations at the March Treasurer's Conference, Western Australia starts the next financial year \$18.3 million out of pocket.

Over the next four years, the effect of the changed calculation rules in relation to fuel excise indexation, will strip \$83 million out of our State budget.

Decisions in the Federal budget announced earlier this week will also add pressure to the State's finances.

The State Government will need to be vigilant this year because key Federal-State agreements for hospital and public housing, and disability services funding are due to expire.

Mr Speaker, these financial pressures on the State are of no consequence to a Commonwealth Government that gambles away billions on international currency markets.

But one would have thought the Commonwealth would be keen to encourage the industrial development of this State, because it serves the national interest.

I have previously advised the House that our share of general purpose grants has declined by over \$350 million over the past nine years.

This is a long term financial problem for Western Australia.

The independent review of the Grants Commission process commissioned by the Governments of Western Australia, New South Wales and Victoria will be released soon.

This is not an abstract academic exercise.

It is a trigger for further reform of Commonwealth-State financial relations – reform that is vital to Western Australia's long term ability to invest in essential infrastructure to attract major industrial developments.

SUSTAINABLE FINANCES

Mr Speaker, I have outlined the Government's plan to invest in infrastructure and important community priorities.

But this investment can only be sustained through responsible financial management.

We need financial discipline:

- to meet the heavy infrastructure demands of a developing State;
- to plan for increasing community services;
- to minimise the tax burden on households and businesses;

- to ensure we have the flexibility to respond to unforeseen challenges in the years ahead; and
- to guard against the erosion of the State's financial position by the Commonwealth Government.

Spending Control

Building sustainable finances is why the Government has slashed spending growth in this budget to a figure well short of the inflation rate – the lowest growth in government spending in eight years.

In 2002-03, government spending will grow by only 1.8 per cent to \$11 billion, or minus 0.4 per cent in real terms.

This is in stark contrast to the average annual growth in spending under the Coalition of 5.6 per cent, much faster than the rate of inflation and completely unsustainable.

Our record speaks for itself.

This year, spending increased by just 4 per cent, fractionally above the 3.8 per cent forecast in the 2001-02 Budget.

The slight increase since budget time is not the result of profligacy, but the combined effect of policy choices to provide a \$70 million top up to health to meet community demand and the provision of extra federal funding for the First Home Owner Grant scheme.

It is no small feat that the \$852 million in savings imposed on government agencies last year have been delivered without compromising key services.

Mr Speaker, when I brought down the 2001-02 Budget on 13 September last year, I indicated that our work had only just begun.

I advised the House that there were many internal and external risks to the State's finances which would require continuing financial discipline and a vigorous commitment to reform throughout government.

Mr Speaker, my ministerial colleagues have risen to the challenge.

And they know that financial discipline will always be a feature of this government because our government is being subjected to far greater scrutiny than our predecessors were.

We do not fear this scrutiny because we have a record of which we can be proud.

Coalition Legacy

I want Members to appreciate the enormity of the task, because our critics will always understate the achievements of our Ministers in the 15 months they have been in office.

Our government inherited a financial legacy of millions in unfunded or underfunded commitments by the previous government across all portfolios: laptop computers for teachers; police information and technology contracts – the list is endless.

State finances were out of control. The Coalition managed to outspend their income in five out of eight budgets despite record revenue growth averaging 6.6 per cent a year.

Public sector spending grew rapidly each year – in two separate years more than 9 per cent – breeding expectation and indiscipline across the board.

The true financial position was masked by \$4.8 billion in asset sales and the revenue windfalls they generated.

Debt was projected to grow at an unsustainable rate putting the State's AAA credit rating at immediate risk of being downgraded.

Delivering Surpluses

Mr Speaker, in just over a year our government has turned projected deficits into healthy surpluses.

Tight financial control and a strong property market have delivered our first budget surplus of \$118.6 million in 2001-02, more than double our budget time estimate of \$51.6 million.

But unlike our predecessors, we will use this surplus not to book up more ongoing expenses but to reduce our borrowings – in other words, we will invest in the future.

In 2002-03, the Government will again deliver a surplus.

This time the forecast will be \$119.1 million, giving the Government a greater margin to weather unexpected events and meet our capital works commitments.

This is prudent financial management, because we are vulnerable to international conditions. For example, a one US dollar fall in the oil price shaves \$20 million off our surplus.

Naturally, our decision to invest in infrastructure means increasing State debt – extending our net borrowings by \$585.2 million in 2002-03. This includes borrowings by public corporations such as Western Power and the Water Corporation.

As is the case with a mortgage, the critical question is can we meet the repayments?

The answer is yes – because this government, unlike our predecessors, has a track record of financial discipline and a commitment to delivering surpluses.

As a proportion of gross state product, debt will sit at 7 per cent in 2002-03, declining to 6.1 per cent in three years.

The Government has a responsible debt management strategy, which is discussed in the budget papers.

We are determined to bequeath the next generation important infrastructure but not to leave an unacceptable legacy of debt.

This will be achieved by living within reasonable debt to revenue ratios, through preserving operating surpluses, and ensuring only essential capital projects are undertaken.

Our financial discipline doesn't end there. We know it is a week by week, day by day task to keep the finances under control.

We know the international ratings agencies have given us marks for effort but have little tolerance for regression because the previous government tested their patience year after year.

To keep the pressure on, I announce that, with immediate effect, the Government will be commencing a rolling functional review of agencies to further refine strategic priorities and identify scope for savings.

Importantly, any savings from the functional review will better the bottom line.

Financial targets

Mr Speaker, I am pleased to report to the House that – with the framing of the 2002-03 State Budget – the Government is on track to meet the key financial targets it took to the people at the last election.

These are to:

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

In order to preserve our AAA credit rating we have continued to uphold two specific targets:

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

Revenue Measures

Notwithstanding our spending restraint, the Government has found it necessary to introduce some targeted revenue measures to ensure the tax base is broad enough to sustain our investment in community services and vital infrastructure in the years ahead.

The heady days of revenue growth averaging 6.6 per cent a year – experienced by the former government – are over. And we are not the kind of government that relies on the one-off proceeds of privatisation to paper over the true financial picture.

Our projections are that, without additional revenue measures, our income would grow by only 0.8 per cent this year.

When one considers the demands from the health system alone – which exceed both inflation and the rate of revenue growth every year – it is clear that this income stream would not maintain services.

That is why we have taken corrective action, with new revenue measures raising a net \$110 million in 2002-03.

Consistent with our disciplined approach, the growth in revenue will be only 1.8 per cent – less than the rate of inflation – and, importantly, our tax competitive position will remain unchanged.

I expect some people will be angry about tax increases. That anger would be justified if we had not first curbed government spending.

We cannot bank on windfalls, and we know that it will be at least 2004-05 before we reach break even point in GST revenue to Western Australia.

No government likes to increase taxes, and no business or household likes to pay them.

But there are few alternatives.

The Government can either cut essential services; turn its back on future development opportunities; or run up debt and interest costs to unsustainable levels.

Faced with these choices, it's clear that revenue measures are necessary for the long term well being of the community.

I expect people will ask why we need revenue measures at all when we were able to deliver a healthy surplus this year.

The answer is simple. This government is planning for the long term.

The strong property market activity which boosted revenue this year is expected to moderate in 2002-03 and beyond.

Mr Speaker, from 1 July 2002:

- Stamp duty on motor vehicle compulsory third party insurance will be set at 8 per cent of the premium – the same rate that applies to most other forms of insurance.

This will raise \$24.5 million in its first full year, increasing the effective cost of compulsory third party insurance by \$19.21 for a standard passenger vehicle.

Compulsory third party insurance premiums will not rise and even after this increase in stamp duty, compulsory third party insurance costs in Western Australia will remain the lowest of all the States and Territories.

- Stamp duty on motor vehicle licence transfers (including new registrations) will be increased, except for heavy vehicles exceeding 4.5 tonnes.

Specifically, the rate of duty will be increased from 2.5 per cent to 2.75 per cent for vehicles valued under \$15,000, and from 5.0 per cent to 6.5 per cent for vehicles valued over \$40,000. The rate of duty increases proportionately for vehicles valued between \$15,000 and \$40,000.

By way of example, stamp duty on the transfer of a vehicle valued at \$15,000 will increase by \$37.50.

Stamp duty in Western Australia will remain broadly comparable with other States for vehicles valued up to \$20,000. These vehicles account for nearly 80 per cent of all motor vehicle licence transfers in this State.

- Stamp duty on property conveyances will be increased progressively, with the increases from 1.95 per cent to 2 per cent for property valued below \$80,000, and from 4.85 per cent to 5.5 per cent for property valued over \$500,000.

Western Australia's top rate of conveyance duty – 5.5 per cent – will be the same as the top rates currently applying in New South Wales and Victoria.

Stamp duty on the purchase of a median-priced house will increase by \$393, from \$4,787 to \$5,180.

Mr Speaker, the Government has been mindful of the impact of revenue measures on households and businesses.

That's why we have constrained the overall effect of household fees and charges to below the rate of inflation, and provided targeted tax relief to some businesses.

Business Tax Relief

Specifically, the Government has decided to slash stamp duty on new registrations of heavy vehicles – like trucks, cranes and forklifts – to a flat 3.0 per cent.

The heavy vehicle industry has experienced a significant decline since the previous government increased stamp duty on heavy vehicles – in most cases by 67 per cent – in the 1999-2000 Budget.

To further improve the interstate competitiveness of the industry, the Government will cap the amount of stamp duty payable on high value heavy vehicles at a market value of \$400,000.

Combined with the new rate of 3 per cent, this means that the maximum duty payable on a *new* heavy vehicle will be \$12,000.

This represents a saving of \$28,000 – or 70 per cent – on a heavy vehicle valued at \$800,000, such as a large crane.

Stamp Duty Relief on Property Conveyances – Wholesale Unit Trusts

The Government has also decided to legislate to provide conveyance duty relief for genuine “wholesale” unit trusts investing in Western Australian property.

This decision reflects some legitimate concerns that have been raised by the commercial property industry about the broad application of Western Australia's private unit trust provisions.

These provisions treat property trusts with a small number of direct unitholders as private unit trusts, subjecting dealings in their units to full conveyance duty, even though the unitholders may be large funds managers with many thousands of individual members, such that the trusts are effectively public or wholesale in nature.

Details of this measure are being finalised in consultation with the Property Council of Australia, to ensure that an appropriate balance is struck between removing impediments to investment in this State and restricting stamp duty avoidance opportunities.

Payroll Tax and Contractors

Following a consultation process with key industry groups and tax professionals, the Government has decided not to introduce new provisions to extend the payroll tax base to "employee-like" contractors.

The consultation process highlighted the difficulty of introducing new provisions that clearly distinguish employee-like contractors from those operating as independent businesses without imposing substantial additional compliance costs on employers.

Accordingly, the Government will leave existing provisions in place, but with an increased focus on taxpayer education in order to assist employers to correctly self-assess whether a contract payment should be subject to payroll tax.

Review of State Business Taxes

In last year's budget, the Government announced a review of State business taxes.

The final report of the review proposes a package of reform initiatives aimed at delivering a tax system which:

- has fewer taxes;
- is fairer;
- is less distortionary;
- is more competitive;
- is simpler; and
- minimises taxpayers' compliance costs.

The proposed package of reforms is substantial and represents an ambitious overhaul of our State taxation system while preserving our revenue base.

Consultation, and the commitment of the business sector, will be the key to its success.

That's why the Government has decided that it will release a draft white paper, outlining the proposed reform package, for public comment.

I expect to be releasing the draft white paper next month.

Household Impact

In its first year in office – and this year – the Government has worked hard to keep the overall impact of fees and charges below the inflation rate.

Electricity prices will again be frozen in 2002-03, as will public transport concession fares.

In 2002-03, water charges will rise by 2.9 per cent, while public transport fares will be increased in line with inflation but held to a maximum of 20 cents per zone.

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

Spending by the standard ‘representative’ household on the basket of government goods and services and State taxes will increase by just \$1.32 a week.

This is equivalent to a 2.3 per cent increase on the previous year’s expenditure on the same basket of goods – significantly less than the forecast CPI in 2002-03 of 3.0 per cent.

For a pensioner eligible for concessions, the increase is expected to be 72 cents a week.

CONCLUSION

Mr Speaker, this budget provides a clear demonstration that the Government is making the tough decisions to ensure the State’s finances are managed responsibly.

But financial restraint is not an end in itself. The AAA credit rating is a worthless aim on its own.

Financial discipline is the key to sustaining our investment in infrastructure and vital community services.

These investments are what government is all about.

They are about building roads, rail networks and bridges.

They are about providing reliable energy supplies and quality water.

They are about opportunities for learning, better health services and a sense of public safety.

Mr Speaker, the 2002-03 Budget aims to develop our State and provide opportunities for our people.

It is an investment in our future.

I commend my colleagues for their vigorous efforts on behalf of their portfolio constituencies in the budget process, and their good grace in accepting the corporate decisions of the Cabinet.

I pay tribute to the officers of the Department of Treasury and Finance, whose professionalism, rigour and integrity have been of immense assistance to the Government in its budget deliberations.

Finally, I acknowledge all Western Australians on whose behalf we are entrusted to prepare our State Budget.

They can judge the results of our work by logging on to the budget papers at www.budget.treasury.wa.gov.au.

Now for the formalities.

I would now like to go to the formal purposes of the two Appropriation Bills which seek the sums required for services in the coming financial year. Appropriation Bill No. 1 is for recurrent services, which comprise purchase of outputs and administered grants, subsidies and other transfer payments. Appropriation Bill No. 2 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent services estimates of \$9,752,892,000 include a sum of \$985,499,000 permanently appropriated under Special Acts, leaving an amount of \$8,767,393,000 which is to be appropriated in the manner shown in the Schedule to Appropriation Bill No. 1.

Capital purposes and financing transactions estimates of \$505,541,000 comprise a sum of \$56,288,000 permanently appropriated under Special Acts and an amount of \$449,253,000 which is to be appropriated in the manner shown in the Schedule of Appropriation Bill No. 2.

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

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