

**Speech by**

**Hon Eric S Ripper MLA**

**Deputy Premier; Treasurer; Minister for Government Enterprises;**

**Minister Assisting the Minister for Public Sector Management**

**Thursday, 11 May 2006**

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

**INTRODUCTION**

Western Australia is enjoying one of the great economic booms in our State's history.

Since 2000-01, Western Australia's economy has grown from \$75 billion to \$123 billion.

Western Australians are benefiting:

- from the prosperity of their businesses and their investments;
- from the highest workforce participation rate ever; and
- from some of the lowest unemployment rates since the late 1970s.

The State's economic strength has given the Government the capacity to deliver sustainable further dividends to Western Australians.

Dividends such as:

- more resources for key services, in particular to children at risk of abuse, people with disabilities and the mentally ill;
- tax relief; and
- cuts in real terms in the basket of State Government household fees and charges.

Dividends such as a \$25 cut to motor vehicle third party insurance.

As important as these measures are, it is not enough to focus on today's economy and its immediate benefits.

In this budget and four-year plan, the Government is building on the boom.

We will invest in science and innovation to broaden and diversify our economy.

We will build a legacy of new infrastructure to support the economic development and the services of the future.

To ease the burden on future taxpayers, we will repay debt now and keep future borrowings well below the cap required to keep our triple-A credit rating.

Within the limits of our role as a State Government we will continue to promote and sustain high levels of economic growth.

A booming economy has not been, and will not be, allowed to create complacency in the Government.

Rigour in our financial decision-making processes has been maintained.

Expenses have been held within sustainable levels and the Government will implement a significant program of economic and public sector reform.

## **DEBT MANAGEMENT**

This Government has already reduced our State's net debt to a record low.

Debt reduction reduces the interest burden on Western Australian taxpayers.

In this year's budget, the interest burden is \$100 million lower than when I became Treasurer in 2000-01.

That's \$100 million every year put back into making our State better. We didn't repay debt in a short-sighted way by hocking State assets.

We did it the responsible way by running budget surpluses.

We have used the exceptional surpluses of the last two years to pay \$1 billion off the State's mortgage.

That includes \$322 million in debt left over from the 2000-01 privatisation of Westrail Freight by our predecessors.

And I am proud to announce that every cent of the operating surplus expected for 2005-06 – a record \$1.981 billion – will be used for debt reduction or new infrastructure.

We will invest \$1.3 billion to pay off New MetroRail project debt.

This is a remarkable achievement, Mr Speaker.

The biggest public works project undertaken in this State will be fully-owned by Western Australians upon completion. Not a cent will be owed.

By paying off this loan we will save Western Australians \$75 million a year in dead interest payments.

Our critics mocked us when we said we would deliver Western Australia the nation's best urban transport system, Mr Speaker.

They derided us for planning to build something that would benefit our State for decades to come.

But we were building for the future when we took that decision just as we are building for the future in this budget.

Operating surpluses are the key to our debt management and building program.

In 2006-07, the Government is expecting to deliver its sixth consecutive surplus – a forecast \$1.275 billion.

Our strong economy, robust surpluses and debt repayments make this once again a triple-A budget.

Operating surpluses of this size are a product of our economic boom, but all booms must end.

In framing this budget, the Government has not been blinded by the State's stellar economic performance.

As responsible financial managers, we have made decisions based on the budget capacity expected over the medium-term rather than the peak of the economic cycle.

To do otherwise would be irresponsible.

A significant factor in framing this budget for the longer term is the delayed impact of the Grants Commission process on our share of Commonwealth GST funding.

Our current boom is expected to progressively reduce our funding over time and cost the State almost \$700 million in GST grants in 2009-10 alone – a significant constraint on our future finances.

## **A PROSPEROUS ECONOMY**

Mr Speaker, our economy is forecast to grow by 5.25 per cent in 2006-07 – the sixth consecutive year of growth.

This will mean that since 2000-01, Western Australia's economy will have grown in real terms by 36 per cent – well ahead of the nation.

We now account for more than 30 per cent of national exports, while almost 20 per cent of the nation's investment projects under construction are in Western Australia. All this from only 10 per cent of the nation's population.

We also enjoy the lowest unemployment rate of all the States, with an expected rate of 4.25 per cent over 2005-06.

With these good times, some might say no more is needed by way of structural reforms to our economy.

But this Government is looking to the horizon, Mr Speaker.

We will continue to tackle difficult reforms for the broader benefit of all Western Australians and the future of our economy.

Both industry and the broader community are set to plug into the benefits of a more competitive electricity market with the creation of four new entities.

And at the same time we have recognised the need for reforms in how we access and deliver water through the State water strategy, the irrigation review and a new pricing scale. We have also signed off on the National Water Initiative.

At the retail level, our reforms to the liquor licensing laws will help small, independent stores to compete on a level playing field.

They will also offer consumers more choice.

But just as importantly, they will cast off the shackles of an archaic system and breathe a new vibrancy into our State, making it an even more appealing destination.

## **CAPITAL WORKS PROGRAM**

Mr Speaker, a rapidly expanding economy such as ours needs infrastructure to keep pace with demand.

We must invest in the capital works that are crucial to develop the economy and deliver key Government services.

We will therefore invest a record \$5.2 billion in capital works this year – a program that will grow and link the State like never before.

Over the four-year forward estimates, the Capital Works Program is a massive \$18.1 billion.

Highlights for the 2006-07 program include:

- \$633 million on electricity improvements across the State. This will provide for a safer, more reliable power source for Western Australia and facilitate the connection of new power stations to the grid;
- \$620 million to upgrade water and wastewater services, including the completion of the Perth Seawater Desalination Plant, better drinking water, and new and improved wastewater treatment facilities;
- \$475 million for improving and expanding roads, with major projects for this year to include the New Perth-Bunbury Highway, Stage 2 of the Karratha-Tom Price Link Road, the Mitchell Freeway extension from Hodges Drive to Burns Beach Road, and the Eyre Highway from Caiguna East to Balladonia;

- \$391 million on the New MetroRail project, bringing it closer to its debt-free completion; and
- \$88 million on port facilities, including upgrades to berthing facilities at Geraldton for iron ore exports and upgrades at Fremantle and Dampier.

## **A BETTER DEAL FOR FAMILIES**

Mr Speaker, years of managing the State's finances responsibly means the 2006-07 Budget will continue to ease the burden on Western Australian families.

Household expenditure on State Government goods and services will increase by 0.94 per cent – well below the inflation rate of 3 per cent.

In 2006-07, spending on the so-called basket of State Government goods and services in an average household will increase by \$31.46 over the year or about 60 cents per week.

Mr Speaker, water is a precious resource, especially in a State such as ours, and the Government has a responsibility to manage that resource carefully.

In the wake of a report by the Economic Regulation Authority, we are introducing a new metropolitan pricing system to help us develop and protect our water resources. This means total water charges for the average household will rise \$18.90 in 2006-07 or about 36 cents a week.

Offsetting that Mr Speaker, fees in some other areas will be cut.

Compulsory Third Party insurance premiums will be slashed 10 per cent, saving the average motorist about \$25 per year on every car they register.

Even before this reduction, Western Australian premiums were at least 21 per cent lower than anywhere else in Australia.

As well, the family rebate on car registrations, which increased by \$25 in the last budget, will rise to just under \$55 to keep pace with inflation.

Families will also save from a full year of 50 cent Transperth fares for school-aged children while electricity prices will also be frozen for the sixth year in a row.

In six years, Labor has reduced household fees and charges by \$390 in real terms – proof of this Government's commitment to families.

## **TAX RELIEF**

Mr Speaker, the Government is aware of the opportunity our economic strength offers to rationalise and reform taxes.

In last year's budget, I commissioned the State Tax Review. As part of that Review, we invited public submissions to help establish clear priorities for tax relief and reform.

After considering those and early feedback from the Review's Reference Group, we announced the abolition of three taxes.

They were mortgage duty, stamp duty on the hire of goods, and stamp duty on non-real business property.

These measures will save taxpayers \$631 million over the four years to 2009-10.

They will also see the number of taxes abolished since 2001 hit double figures – 11 taxes wiped out.

This budget also includes other measures from the Review to improve the equity and operation of the tax system.

Once again, we will adjust the land tax scale to offset the combined effects of growth in land values and bracket creep.

As a result of increasing the minimum threshold from \$130,000 to \$150,000, about 18,000 landholders will be freed from land tax.

When combined with other tax relief given by this Government since July 2004, we are saving taxpayers about \$700 million in 2006-07 alone. This means tax relief of \$3.3 billion over the four years to 2009-10.

## **PROVIDING PRIORITY SERVICES**

Mr Speaker, we have two key goals – firstly to ensure that every Western Australian shares in our State's prosperity, and secondly to build capacity for future growth.

Our financial discipline is achieving both.

### ***Education and Training***

There can be no better investment than an investment in our children's future.

This year \$313 million will be spent on public schools and training facilities throughout the State, with \$54 million for work on seven new primary schools.

We will also continue construction of four new secondary schools and a new senior college on the Edith Cowan University site in Bunbury at a total cost of \$127 million.

At the last election, the Government committed to increasing the number of apprentices and trainees from a base of 26,300 to 30,000 by 2009.

This target was achieved last December – four years ahead of schedule – but we remain firmly committed to working with industry to help solve skills shortages.

We will therefore contribute almost two-thirds of the \$66.4 million of funding over four years for a joint Commonwealth-State program to do just that.

Our decision to raise the school leaving age to 17 ensures all young people have the skills they need to succeed in the modern economy.

An extra 88 teachers have been hired to deliver this commitment, with half of them appointed to country schools.

### ***Health***

Mr Speaker, ageing populations and increasing demands for health services are challenges not just for Western Australia but for every developed country.

But this Government will meet those challenges. We will continue to provide first class health care for all Western Australians.

To that end we will increase spending on our health care by \$241.3 million in 2006-07 and \$904 million over the next four years.

We are continuing the additional \$10 million annual allocation made last year to boost elective surgery and cut waiting lists.

And we will take another giant step towards fulfilling our promise to recruit 800 nurses in this term of Government by employing a further 200 in 2006-07.

This means we will have 1,741 more full-time nurses than when we first came to office.

But simply adding more to the existing system is not enough. We need to constantly improve and refine the way health services are delivered.

We will spend \$278 million to develop and reconfigure health facilities across the State.

This will include turning the existing hospital at Broome into a Regional Resource Centre for the Kimberley, the development of Stage 1 of the Rockingham-Kwinana District Hospital and the State Cancer Centre at Sir Charles Gairdner Hospital.

Mr Speaker, sadly, almost one in five Western Australians will have a diagnosed mental health disorder during their lives. We need to do more to help those who face this problem – and we are.

We will spend an extra \$99 million over four years to further support the provision of improved community mental health services while recognising the need for more in-patient facilities over the next decade.

### ***Law and Order***

Since coming to office, we have recruited an extra 330 police officers and we will add another 90 this year as part of our promise to increase the ranks by 350 over this term.

The Western Australian Police will also recruit 160 administrative and expert civilian staff over the next four years, releasing more sworn officers to front-line duties.

In all, 510 more police will be deployed in the community by 2009-10. It is a reflection of our commitment to community safety that police funding has increased by about 60 per cent under this Government.

We have also allocated an extra \$37 million over the next four years to improve the State's counter-terrorism and emergency response capabilities.

As well, in line with the Mahoney Inquiry recommendations, we will spend an additional \$117 million over the next four years on our justice system.

Because of this funding, there will be an extra 31 community corrections officers, 18 new juvenile justice officers and additional prison officers.

It will also provide for better intelligence gathering, the more efficient classification and management of prisoners and a significant investment in training across the corrections system.

### ***Community Development***

Mr Speaker, the safety of our children is paramount to the Carpenter Government and child protection workers play a key role in providing that safety. The Government is providing for an additional 154 permanent staff in 2006-07.

That will include 87 caseworkers and support staff, rising to 132 by 2009-10. These extra resources will enable the Department for Community Development to meet international workload benchmarks for staff supporting children in care.

We have also allocated \$3.2 million in 2006-07 to continue the Responsible Parenting Initiative, which helps parents take responsibility for improving poor or anti-social behaviour in their children.

Over the next four years, funding to the Department for Community Development will be increased by \$164 million or 17 per cent on last year's budget.

### ***Disability Services***

Since coming to office, the Labor Government has proven its commitment to helping people with disabilities, their families and carers by increasing spending for the Disability Services Commission by a staggering 63 per cent.

And we are continuing to provide accommodation support over and above the targets set in the independent Accommodation Blueprint report which was prepared for Government in 2003, with the target exceeded by 53 people over the three years to 2005-06.

We will devote an additional \$6.4 million this year for accommodation support to 113 extra people.

Individual and family support services are also essential for people with disabilities and their families and carers.



We will therefore provide more than \$7.5 million in 2006-07 for a range of programs that will help people with disabilities in their local communities.

The Government has also committed funding of \$18.1 million over four years to set up a community-based continence advisory service to be jointly managed by the Department of Health and the Disability Services Commission.

As part of this service, subsidies will be provided to adults and seniors who are in receipt of either a Health Care or Pension Card and who are currently ineligible for a continence management product subsidy under Commonwealth schemes.

### ***Road Safety***

Mr Speaker, Western Australia has made terrific strides under this Government towards reducing deaths and serious injuries on our roads. But even one death is too many and we must never stop trying to solve this terrible problem.

A further \$44 million will be spent over the next four years to help make our roads safer.

We will crack down on reckless and irresponsible drivers who risk our children's lives speeding through school zones or get behind the wheel while under the influence of drugs.

These people will get a clear message from this Government that they will not be allowed to get away with putting our community at risk. We will be investing in a new program to enforce drug-driving laws as well as additional speed and red light cameras.

As a further deterrent to bad driving behaviour we will also increase the penalties for breaking the law on our roads in line with the recommendations of a recently completed review.

Let me make it perfectly clear Mr Speaker that these measures are not about revenue – they are about saving lives. These changes will not bring one extra cent in revenue if motorists follow the rules that are there to protect all road users.

We have already started to see the benefits of our road safety programs and we make no apologies for wanting to rid our State of a problem which brings nothing but misery to victims and their families.

We will also provide \$28 million in 2006-07 to the Safer Roads Program, and \$20 million to the State Black Spot Program.

### **CONCLUSION**

Good government is not just about today's bottom line – it is also about how we will meet tomorrow's challenges.

This budget rewards hard-working Western Australians.

It looks after those who need our help, it builds our State's infrastructure and assets and broadens our economic base for the future.

But what I have outlined is only a part of the bigger vision this Government has for Western Australia.

The budget also commits new resources to the environment and to science and innovation.

We have also ensured that regional Western Australia – the lifeblood of our economy – is not forgotten in this budget, with massive spending on road works, health care, schools and new police facilities.

Mr Speaker, in achieving these outcomes we are expecting a relatively high rate of expense growth in 2006-07, of 7.7 per cent.

This reflects the cost and demand pressures associated with the current boom conditions, and the Government's desire to share the benefits of the boom in a financially responsible way.

As the demands of our booming economy moderate, so too will the rate of expense growth.

Reforms to public sector procurement and corporate services implemented by this Government are also playing a significant role.

But as a financially responsible Government, we will continue to seek improvement in both the performance and efficiency of the public sector.

We have already started a program of functional reviews, including that of the Department of Indigenous Affairs and the Western Australian Sports Centre Trust.

This process will accelerate over 2006-07 to include other agencies, such as Community Development, Industry and Resources, Premier and Cabinet, Education and Training, Planning and Infrastructure and Housing and Works.

At the same time we will be investing \$13 million to improve the skills of our public servants to increase their efficiency and effectiveness.

Mr Speaker, this is a budget that shares the State's prosperity. This is a budget of vision. This is a budget that builds on the boom.

I would now like to proceed with the formal purposes of the two Appropriation Bills, which seek the sums required for services in the coming financial year. *Appropriation Bill No.1* is for recurrent services, which comprise the delivery 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 \$13,162,260,000 include a sum of \$1,090,183,000 permanently appropriated under Special Acts, leaving an amount of \$12,072,077,000 which is to be appropriated in the manner shown in the Schedule to *Appropriation Bill No.1*.

Capital purposes and financing transactions estimates of \$2,530,065,000 comprise a sum of \$52,679,000 permanently appropriated under Special Acts and an amount of \$2,477,386,000 which is to be appropriated in the manner shown in the Schedule to *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.