

Speech by

Hon Eric S Ripper MLA

Deputy Premier; Treasurer; Minister for State Development

Thursday, 10 May 2007

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

INTRODUCTION

Mr Speaker,

Western Australia is thriving.

Our State is the envy of every other and with good reason.

We have the nation's:

- lowest unemployment;
- highest business confidence levels; and
- fastest growth in retail sales.

Our State generates more than a third of the nation's total exports.

These are remarkable achievements Mr Speaker – achievements in which all Western Australians can take pride.

These are their achievements. These are the results of their hard work.

Our State's economy has stepped up to a new level – a level we have never seen before.

Following expected growth of 6 per cent for the current year, the economy is forecast to grow by 4.5 per cent in 2007-08 and a further 5 per cent in 2008-09.

This will make eight consecutive years of growth above 4 per cent under Labor.

There has been a cumulative expansion in the Western Australian economy of a staggering 39 per cent in real terms from 2000-01 to the end of the current financial year.

But these bold economic achievements bring with them responsibility, Mr Speaker, a responsibility to deliver a budget that has a vision for all Western Australians.

On behalf of the Government, I am proud to bring down a budget that is mindful of today as well as tomorrow, a budget that makes decisions for our future.

We are turning today's prosperity into a sustainable future for all Western Australians.

Seven straight years of sound financial management by the Government has allowed us to slash debt to record levels, resulting in a net debt-free general government sector.

That same sound financial management now enables us to:

- offer a tax relief package worth a massive \$2.1 billion over the next four years that includes the nation's most generous cuts to stamp duty for first home buyers;
- undertake a record Capital Works Program of \$5.8 billion with an estimated \$21.6 billion to be spent over the next four years; and
- use the 2006-07 cash surplus to invest \$1.09 billion in a special future fund to pay for the new Fiona Stanley Hospital in Perth's southern suburbs.

Mr Speaker, as you will recall, last year we funded the Perth to Mandurah railway line, paid for in full with the budget surplus.

This funding for a new state-of-the art hospital means the Carpenter Government will have fully paid for the two biggest public sector capital works projects ever undertaken in Western Australia.

What is more we will have funded these two major projects without the need for borrowings and with no debt servicing costs into the future.

Mr Speaker, Fiona Stanley Hospital will be built debt-free.

Our outstanding growth has underpinned the State's finances, with a general government operating surplus of \$1,453 million forecast for 2007-08, following an estimated surplus of \$1,853 million in 2006-07.

Decisions for our future, Mr Speaker.

Decisions that have allowed us to deliver tax cuts under Labor totalling \$5.8 billion.

Decisions that will now free almost 90 per cent of first home buyers from stamp duty entirely.

Decisions that have allowed us to inject substantial new funding to address key areas such as housing affordability, health care, climate change, child protection, training, licensing and policing.

DEBT MANAGEMENT

Mr Speaker, as I have mentioned, in last year's budget, I announced we would use the 2005-06 cash surplus to pay off all debt for the New MetroRail project.

We did this in September 2006, leaving this \$1.6 billion public transport project completely debt-free.

This year, I am pleased to announce that the Government will dedicate the 2006-07 cash surplus to build the Fiona Stanley Hospital.

This budget appropriates the estimated cost of the hospital – \$1.09 billion – into a special purpose account to be called the Fiona Stanley Hospital Construction Account.

This account will be established (and protected) by legislation, for the sole purpose of funding the construction and development of the Fiona Stanley Hospital.

Yet another lasting legacy for Western Australians.

TAX RELIEF

Our surpluses are not only being put to work to minimise debt. The Government is continuing to reform and reduce State taxes in a responsible and sustainable manner.

Last year, I announced that the outcome of Stage 1 of the State Tax Review would include the abolition of three more taxes – stamp duties on mortgages, the hire of goods and non-real business property transactions.

This will bring the total number of State taxes abolished since 2001 to 11.

Again in this year's budget, we are adding to the dividend to the Western Australian community by cutting taxes by \$2.1 billion over the next four years.

This will ensure Western Australia's tax system remains competitive with other States without compromising the service delivery or the infrastructure demanded by our flourishing economy.

After further community consultation, the State Tax Review has highlighted that stamp duty on property transactions for first home buyers is a high priority for reform given rapidly escalating house prices.

As I mentioned, Mr Speaker, I am delighted to announce that as from today, we will free almost 90 per cent of first home buyers from stamp duty entirely.

The exemption threshold for first home buyers will be doubled to \$500,000, with a partial exemption applying for first home purchases up to \$600,000.

First home buyers in Western Australia will now benefit from the most generous concessions in the nation.

Moving to the most generous first home buyer concessions in Australia will result in savings of up to \$20,700 for home buyers. The estimated cost of the changes is \$80 million in 2007-08, and \$350 million over the next four years.

We are also reforming the land tax scale in order to reduce bracket creep and the tax rate penalty suffered by certain land owners.

At the lower land value ranges, the Government will increase the land tax exemption threshold by \$100,000 to \$250,000.

In the mid and upper land value ranges, effective tax rates will be cut substantially.

These land tax cuts should assist in relieving some of the upward pressure on rents, including rents for small businesses, in Western Australia.

Owners of lower valued land in Perth will also benefit from a change in the way the Metropolitan Region Improvement Tax is imposed. No Metropolitan Region Improvement Tax will be payable on the first \$250,000 of land value.

The Government has also heeded community calls through the State Tax Review for a reduction in motor vehicle stamp duty. This will be targeted at mid-priced vehicles for the average family, and will be introduced in two stages.

To begin with, the thresholds above which the current sliding stamp duty rates apply will be increased by \$5,000 on 1 July 2007. The thresholds will be increased by a further \$5,000 from 1 January 2009, resulting in a total saving on the purchase of a new family sedan of around \$525.

The estimated cost of this measure is \$27 million in 2007-08 and \$197 million over the next four years.

In addition, and as a boost for the domestic tourism industry, the Government will exempt caravans and camper trailers from stamp duty.

Mr Speaker, the tax measures in this budget – the most generous first home buyer stamp duty concessions in the nation, substantial land tax reform and reduced motor vehicle stamp duty – clearly demonstrate this Government's continued commitment to reforming the State's tax system.

CAPITAL WORKS PROGRAM

In addition to providing massive tax relief, the Government is aware that we must continue to invest in necessary infrastructure to meet the growing demands of our economy.

In 2007-08, we will invest a record \$5.8 billion in providing critical infrastructure to ensure that Western Australia continues to grow and meet the capacity demands of next year and beyond. Over the next four years, the Government's Capital Works Program is an unprecedented \$21.6 billion.

In 2007-08, we will invest:

- \$897 million on the State's electricity infrastructure to improve the safety and reliability of electricity generation, transmission and distribution, and meet the needs of the State's fast growing economy;
- \$766 million on water, wastewater and drainage infrastructure, the investigation of alternative water sources, and the continuation of ongoing programs such as Infill Sewerage;
- \$706 million to expand, maintain and improve our road network, with major projects including the New Perth to Bunbury Highway and the Mitchell Freeway extension from Hodges Drive to Burns Beach Road;
- \$220 million on police, prison and other law and order-related projects; and
- \$99 million on upgrades and improvements to the State's port facilities, further enhancing the State's export capacity.

On a comparable basis, and using the latest available estimates, Western Australia's direct spend on infrastructure assets in 2007-08 is around 35 per cent per capita more than the average of the other mainland States.

The forward estimates also include a \$750 million provision to develop one or more new water sources.

While the desalination plant at Kwinana now provides 17 per cent of our water supply each year, it is clear that with our drying climate and fast growing population, Western Australia will need additional water sources in the not too distant future.

While the Government is carefully considering all options for new water sources, we have prudently made provision for the inevitable in this budget to secure Western Australia's future water needs.

Mr Speaker, our Capital Works Program is huge and, to ensure it is delivered on time, it must be reviewed periodically. This is why we recently undertook a strategic review of our capital program.

Our review identified a number of projects where the expected timeframes were not realistic in the current market. Accordingly, we have revised the timing for these projects by 6 to 12 months.

We have also adopted a two-stage approval process which allows planning, environmental and other approvals to be secured before proceeding with construction. This will provide more reliable information on project costs and timelines. Projects that will adopt this approach include the Member's Equity Stadium redevelopment.

Going forward, we will continue to review and reprioritise our capital program as necessary, to ensure that timeframes are realistic and project costs are contained.

We need to ensure taxpayers get maximum value for each dollar. To assist in this, a Works Centre of Expertise will be established to improve collaboration and coordination across 'works' procurement agencies.

The benefits of reform through the Works Centre of Expertise will primarily be cost minimisation through a focus on better planning and project management, with benefits accruing from improved project definition, better costing and budgeting, less scope creep, and greater certainty in project timetables.

FAMILIES

Mr Speaker, in addition to the tax relief measures outlined earlier, the Government will continue to assist Western Australian families by keeping increases in key State 'government' tariffs, fees and charges below inflation.

Annual spending by a 'representative household' on the basket of State government goods and services will increase by \$133.65, or 3.95 per cent. Included in these figures is a \$27.30 (or 8.07 per cent) increase in water charges for the average household. This increase, based on recommendations from the Economic Regulation Authority, reflects the increased costs incurred in providing water, and will ensure that appropriate price signals are sent to consumers for this scarce resource.

These decisions follow the freeze in key household charges in 2004-05 and the decision to remove, reduce or freeze a number of tariffs, fees and charges in 2005-06. In seven years, Labor has reduced key household fees and charges for a representative household by \$413 (or 10.8 per cent) in real (inflation-adjusted) terms.

PRIORITY SPENDING INITIATIVES

Reducing taxes and government debt, expanding infrastructure, and holding fee and charge increases below inflation all need to be weighed up against the provision of quality services demanded by our rapidly expanding population. Mr Speaker, the 2007-08 Budget strikes an appropriate balance and addresses many important issues across the range of public services provided to the Western Australian community. I will now outline just some of the key initiatives included in this budget.

Housing Affordability

Earlier, I referred to the introduction of the most generous tax concessions for first home buyers in the nation. This is one key element of the Government's response to housing affordability issues.

We are also injecting \$417 million for social, affordable and indigenous housing over the next four years. This will ensure the continuation of Western Australia's affordable housing programs through the sustained delivery of a combination of public and community housing, as part of an integrated social housing system.

Of this funding, \$376 million will go towards the delivery of almost 3,700 new public and community housing units over the next four years. A further \$35 million will provide a range of immediate and medium term actions for Aboriginal Town Based Communities.

The package also includes \$5.7 million in 2007-08 to facilitate expansion of the Bond Assistance Scheme through an increased bond loan limit, along with income eligibility limits set above social housing eligibility. This will result in more families and singles being assisted with entry costs into private rental accommodation. The land tax changes will also assist in this regard.

On the other side of the coin, and to improve land supply in the State, we are committing \$21.1 million over four years to deliver the electronic Land Development Program. This program will provide a more streamlined, transparent and efficient subdivision approval management system and will allow developers to apply online for approvals – 24 hours a day, seven days a week.

Quality Health Care

Mr Speaker, to ensure we continue to have among the best quality health care in the nation, we will spend \$4 billion in 2007-08 to deliver health services across the State – a 5.4 per cent increase on 2006-07. Our focus will be the ongoing implementation of the Health Reform Committee's recommendations.

Key initiatives include an increased focus on non-hospital and community based care to avoid unnecessary hospital admissions, and improved access to quality health services through effective outpatient and elective surgery reforms.

I am pleased to announce that the number of people on the elective surgery waiting list was at a record low at 31 March 2007. This reflects recent initiatives such as the establishment of surgi-centres at Kaleeya and Osborne Park Hospitals and a joint initiative with the Australian Government to enable some public patients to appropriately receive treatment as private patients at no cost to themselves.

Our investment in health care covers not just physical health, but mental health. Almost one in five Western Australians will have a diagnosed mental health disorder during their lives.

We will spend \$237 million over the forward estimates on furthering this Government's Mental Health Strategy initiatives. This funding will increase access to appropriate adult inpatient services, including extra beds in Bunbury and Joondalup. It will also increase access to a range of community-based services and alternatives to prevent the need for hospital admission.

In 2007-08, we will spend \$324 million on health infrastructure. This is almost double the expenditure in 2006-07, and includes:

- \$45 million to commence construction on a major expansion of the Rockingham Kwinana Hospital;
- \$22.3 million to redevelop the existing hospital in Broome into a substantial Regional Resource Centre for the Kimberley;

- \$21.2 million to progress the upgrade of the Joondalup Health Campus, including expansion of the inpatient mental health unit; and
- \$10.3 million to commence construction of the Hedland Regional Resource Centre.

Construction on the new \$1.09 billion Fiona Stanley Hospital will commence in 2008, and is due to be completed in 2012-13. What is more, Fiona Stanley Hospital will be built free of debt Mr Speaker!

Climate Change

Mr Speaker, here in Western Australia we are blessed with a vast and beautiful State. We must preserve and protect it.

This is why the Government has committed over \$100 million over the next five years to implement our climate change package.

This package includes \$36.5 million to establish a Low Emission Energy Development Fund to support technology breakthroughs that cut greenhouse gas emissions.

It includes \$19.5 million to promote the State Government purchasing 20 per cent of its electricity requirements from accredited renewable energy sources by 2010.

It also includes \$8.8 million to implement a mandatory energy efficiency scheme to be applied to large and medium sized power consumers.

Households will be rewarded for using waterwise products through the continuation of the Government's Waterwise Rebate Scheme, with funding of \$9 million per annum in 2007-08 and 2008-09. Products for which households can claim rebates include rainwater tanks, water efficient washing machines, greywater re-use systems, swimming pool covers, flow control valves, subsurface irrigation systems and waterwise garden assessments.

We will work to make the most of the State's sunshine by spending \$4.1 million over four years to enable more than a quarter of the State's schools to use renewable energy by 2011. One kilowatt solar power systems will be installed in over 350 primary and secondary schools to reduce power consumption, and to serve as an educational tool to raise awareness of sustainable energy.

We have also provided \$1.6 million to establish a National Emissions Trading Team. This team will help ensure the best outcomes for Western Australia, both environmental and economic, under a future national emissions trading scheme – with or without the Commonwealth's involvement.

Protecting Our Children

Mr Speaker, our children deserve the right to live in a safe and secure environment.

In response to the Review of the Department for Community Development, the Government has split the Department for Community Development into the Department for Child Protection and the Department for Communities, effective from 1 May 2007.

In addition, funding of \$104.5 million over four years has been provided to implement a number of structural reforms to child protection operations in Western Australia.

This investment builds on the \$51 million child protection package announced by the Government in September 2006 to recruit an additional 133 child protection and support workers to meet the increasing needs of vulnerable children and families at risk.

Key initiatives in 2007-08 include increased subsidies and additional support for foster carers, planning for the expansion of residential care placements across the State and establishing the first five additional new group homes, and improving services to children in care, with a particular focus on indigenous children.

In addition, we have allocated \$11.9 million over four years to operate two hostels in Halls Creek, which will provide an additional 17 care places for children at risk.

Education and Training

Mr Speaker, in recognition of the significant skills shortage across the State, this Government continues to demonstrate its firm commitment to the training system.

Industry has been asking for upgraded facilities to deliver the skilled workers to the industries and areas where they are needed most. The industry-led Skills Formation Taskforce has called for greater flexibility and responsiveness in the system.

The Government has listened to these concerns and is taking action. The training system is being transformed to make it more responsive, flexible and efficient. In addition to the 34,600 apprenticeship and traineeship places in 2007-08, we are providing \$44.5 million to deliver new and upgraded facilities and equipment for TAFE colleges in both metropolitan and regional Western Australia. We will also implement specific reforms aimed at streamlining processes, attracting new people into trades and developing techniques for assessing the skills of workers seeking formal qualifications.

In 2007-08, the Government will spend a record \$3.3 billion on education and training, an increase of \$177 million or 5.7 per cent. This includes:

- implementation of a range of advertising and recruitment programs for more teachers, which has already resulted in expressions of interest from 150 teachers from the United Kingdom;
- the employment of additional teachers for the *Getting It Right* Literacy and Numeracy Strategy; and

- ongoing assistance for parents whose children are aged 16 or 17 in Years 11 and 12, or enrolled in full-time TAFE or private training.

Law, Order and Safety

Mr Speaker, the safety of all Western Australians remains of paramount importance to the Government.

That is why we are increasing recurrent funding for the Police Service in 2007-08 by \$55.3 million, or 7.6 per cent. On frontline policing alone, we are investing an additional \$17.7 million.

In 2007-08, we will recruit an additional 90 police officers, continuing the Government's commitment to an additional 350 officers. By the end of 2007-08, 260 officers will have been recruited above attrition in this term of government and will bring to 510 the total number of additional police officers recruited since February 2001.

We are spending \$220 million in 2007-08 on law and order related capital works, including regional prison upgrades, continuation of the CBD Courts project, commencement of the Kalgoorlie Court Upgrade, the new Perth Police Complex and construction of new police stations in both regional and metropolitan areas. We are also spending \$104 million over the next four years on a new Kimberley prison and work camp.

Road safety is a key concern. Too many people are dying unnecessarily on our roads. We will spend around \$1.2 billion on the State's roads in 2007-08, with two thirds of this to be spent on country roads. Significantly, \$270 million will be spent on road maintenance.

We have also allocated a total of \$48 million in 2007-08 to the State Black Spot and Safer Roads programs.

We are also implementing a reform package worth \$73.8 million over four years to modernise the Licensing Business Unit within the Department for Planning and Infrastructure. These reforms will improve customer service through reductions in waiting times at licensing centres and technology upgrades at the Licensing call centre.

Mr Speaker, these are just some of the major highlights of this year's budget. In 2007-08, we will spend a total of \$16.1 billion on service delivery, or over \$7,600 for every Western Australian. In addition to the major initiatives outlined earlier, this includes significant funding increases for disability services and environment and conservation, together with initiatives in agriculture and food.

CONCLUSION

Mr Speaker, budgets are all about balancing competing demands for services, infrastructure, competitive taxes, and fees and charges.

This budget addresses the challenges – and maximises the opportunities – of Western Australia’s unprecedented prosperity.

This is highlighted by:

- our response to housing affordability, including the introduction of the most generous tax concessions for first home buyers in the nation;
- spending \$67.4 billion on service delivery over the next four years;
- our decision to use the 2006-07 cash surplus to fully fund the new Fiona Stanley Hospital, with no debt burden on future generations of Western Australian taxpayers;
- our massive Capital Works Program, including provision for the development of new water sources to address our future water needs; and
- spending a further \$2.1 billion on tax cuts, bringing the total value to \$5.8 billion over the next four years.

Above all, this budget turns today’s prosperity into decisions for our future.

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 \$13,069,709,000 include a sum of \$1,277,935,000 permanently appropriated under Special Acts, leaving an amount of \$11,791,774,000 which is to be appropriated in the manner shown in the Schedule to *Appropriation Bill No.1*.

Capital purposes and financing transactions estimates of \$2,882,394,000 comprise a sum of \$83,284,000 permanently appropriated under Special Acts and an amount of \$2,799,110,000 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.