

Speech by

Hon Eric S Ripper MLA

Deputy Premier; Treasurer; Minister for State Development

Thursday 8 May 2008

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

INTRODUCTION

Mr Speaker, the Carpenter Government is building for our future. We are building WA. That is our priority for this budget and beyond.

We are sustaining the State's incredible prosperity with unprecedented investment in both economic and social infrastructure.

We are ensuring that, so far as possible, everyone can benefit from this long boom.

And, Mr Speaker, we are preparing the State for whatever the future may hold.

The Government is using the budget surplus to provide tangible long-term benefits for all Western Australians.

Tangible long-term benefits such as building new and better schools and hospitals, new and better police stations, and new and better roads.

Tangible long-term economic benefits like better railways and ports, better electricity networks, and better water services.

Tangible long-term benefits for the future vibrancy of the State, with funding for a spectacular new foreshore development in the heart of our capital, and more cultural and sporting facilities.

The Carpenter Government will invest \$26.1 billion in capital works around the State.

We will spend \$7.6 billion next year alone on capital works.

But this budget is not just about cold, hard infrastructure.

We also recognise the pressures that our rapid economic growth can put on working Western Australians.

This budget will make housing more affordable as part of our \$1.2 billion tax relief package.

Mr Speaker... we will cut stamp duty on the average house by 15 per cent.

In other words, we will slash nearly \$3,000 from the cost of a median-priced home.

Let me say that again. We will slash nearly \$3,000 from the cost of an average family home.

In seeking better living standards for every Western Australian, we are investing in quality health, education and training, law and order, child protection, housing, and disability services.

In 2008-09:

- health funding is up 7.7 per cent, with a 22.7 per cent increase for mental health;
- child protection funding is up 14.8 per cent;
- law and order funding is up by over 12 per cent; and
- education and training funding is up 8.7 per cent.

Crucially for the future beyond the boom, we are building our State through this increased education and training expenditure. We have demonstrated the importance this Government places on education, by offering pay rates to teachers that will be among the highest in the nation. We have committed to building high quality additional schools. We have taken the number of traineeships and apprenticeships to new record levels.

Our investment in services is a major benefit of the boom conditions. It is a major benefit for all Western Australians.

Mr Speaker, Western Australia's economy continues to drive the nation's wealth. Our merchandise exports are more than New South Wales, Victoria and South Australia combined, and more than the entire nation of New Zealand.

We are experiencing phenomenal economic growth, with a third consecutive year of above 6 per cent growth forecast for 2008-09.

But while our economic growth provides opportunities, it also creates challenges.

Such a thriving, growing economy demands more workers and better working conditions for those whose skills are in demand.

Our teachers, nurses, doctors, police officers – all must be taken care of if we are to recruit and retain them.

And rapid growth requires new infrastructure.

This budget responds to these pressures and delivers the services the community needs, while maintaining this Government's commitment to responsible financial management.

We use the surplus – every dollar of it – to build our infrastructure.

Nevertheless we must borrow to meet the full requirement.

The Government's net debt – the equivalent of its mortgage bill – will increase to \$11.4 billion over the next four years.

Fortunately, with seven budget surpluses delivered and four more forecast we are able to minimise the increase in the State's mortgage.

We are putting our surpluses to work so as to borrow less for our huge infrastructure program.

The budget surplus is our annual savings and every single cent of our annual savings will be used by the Carpenter Government to improve the living standards of all Western Australians into the future.

CAPITAL WORKS PROGRAM

Mr Speaker, over the next four years, we will spend an unprecedented \$26.1 billion on our Capital Works Program.

This is just one way that every Western Australian is benefiting from the boom, with Western Australia's direct spend on infrastructure per person in 2008-09 being around 50 per cent higher than the average of other States.

Here is but a sample of how, in the coming year, the Government will invest to build WA:

- \$1.2 billion has been allocated to the State's electricity infrastructure to improve safety and reliability, and to keep up with our fast growing economy and population. This is part of a four year, \$4.2 billion energy Capital Works Program, the biggest ever undertaken. This includes:
 - \$644 million for power transmission lines, such as a new 360 kilometre transmission line from Pinjar to Geraldton, and a new 165 kilometre line from Muja to the Perth metropolitan area; and
 - \$50 million to enable Verve Energy to initiate renewable energy projects;
- we have allocated \$1.1 billion on water, wastewater and drainage infrastructure, including commencement of the Southern Seawater Desalination Plant, and continuation of the Infill Sewerage program;

- a record \$810 million has been provided to expand, maintain and improve our road network, with major projects including the \$705 million New Perth - Bunbury Highway, the second stage of the Geraldton Southern Transport Corridor, and completion of the Mitchell Freeway extension from Hodges Drive to Burns Beach Road;
- health infrastructure will benefit with a \$502 million injection. Work will start on the \$1.76 billion Fiona Stanley Hospital, and construction of the Rockingham Kwinana Hospital and the Hedland Regional Resource Centre will continue;
- we have committed \$377 million on upgrades and improvements to port facilities to further enhance the State's export capacity;
- \$347 million has been allocated to schools and education facilities, including redevelopment of Karratha Senior High School, redevelopment of the Perth campus of Central TAFE, and commencement of planning to replace Governor Stirling Senior High School; and
- \$211 million has been provided for law and order facilities, including continuation of work on the \$104 million Kimberley Prison and Work Camp, the \$93 million Perth Police Complex, and the \$38 million Police and Justice Complex in Carnarvon.

But our Capital Works Program is for more than just the budget year Mr Speaker.

We are investing \$1.07 billion over the next eight years to build a new major stadium at Kitchener Park, replacing Subiaco Oval as the premier sporting venue in the State.

This stadium will have a capacity of 60,000 seats with the potential to expand to 70,000 seats. This investment will also include the upgrade of surrounding infrastructure to improve access to the stadium. This budget allocates \$334 million over the forward estimates period to enable the Government to get on with this massive project – a true legacy for all Western Australians from our current prosperity.

As a further benefit for all, we have committed a total of \$506 million, including \$52 million over the budget forward estimates, to build a new world-class museum on the site of the former East Perth power station.

The museum will showcase Western Australia's history, Indigenous heritage and unique environment for generations to come, with construction and refitting of the site to commence in 2012 after substantial forward planning.

Mr Speaker, these projects reflect Perth's growing economy and thriving culture, and it is in this environment that the Government has announced its plans to redevelop key aspects of the city and foreshore.

The Perth Waterfront project is currently in its planning stages, and will transform the Esplanade and foreshore between William Street and Barrack Square. The State will contribute \$319 million to the first stage, which is due to commence in 2011 following public consultation.

We will also invest \$9 million to develop the land between the Perth Arena and the Perth Entertainment Centre as part of The Northbridge Link project. There are also substantial works underway on the redevelopment of the Central TAFE and the New Performing Arts Theatre in the Northbridge area.

These projects will transform the city into an exciting and vibrant business, tourism, residential and entertainment precinct for locals and for tourists.

We are able to deliver them by putting the annual surpluses – the State’s savings – to work. We are able to deliver them because our financial management is sound. And we will deliver them to improve the living standards of all Western Australians well into the future.

With that future in mind Mr Speaker, I am also very pleased to announce that the Government will shortly release the State Infrastructure Strategy – a plan that identifies and prioritises Western Australia’s infrastructure needs for the next 20 years. The Strategy, developed with input from a team of industry and business leaders, will provide direction and coherence to the Government’s capital investment choices. It will promote jobs and investment growth for many years to come by providing greater certainty about the nature, timing and location of significant infrastructure projects. It is a vision for the State’s infrastructure for the first time in modern history.

HOUSING AFFORDABILITY

Housing affordability is a key concern for the Government.

In this context Mr Speaker, we will slash stamp duty on the purchase of residential properties. From 1 July this year, the duty payable on a median-priced house will fall 15 per cent, representing an average saving to homebuyers of nearly \$3,000.

We will do this through a combination of increased property value thresholds announced today, estimated to cost \$487 million over four years, and the 5 per cent rate cut included in the recently enacted *Duties Act*.

Secondly, we have already announced the complete abolition of mortgage duty from 1 July, saving the average home buyer around \$300 on the average \$240,000 mortgage.

Thirdly, also from 1 July, the land tax exemption threshold will be increased by \$50,000 to \$300,000. This means that, on top of measures in last year’s budget, the Government will have doubled the land tax exemption threshold in the space of just 12 months. This will serve to reduce cost pressures on rental housing also.

Fourthly, in 2008-09 we will invest \$1.2 billion in affordable housing and land programs, to be delivered by the Housing Authority. This includes more than \$200 million in grants for community and Indigenous housing to be provided as part of an integrated social housing system.

This budget also includes an additional \$450 million over the forward estimates period to cover cost increases in land development and public housing construction, so that the Government can deliver on its commitment to provide an extra 984 public housing completions per annum.

The Government is also continuing its commitment to increase the supply of land, with Housing Authority land development expected to yield 3,182 lots in 2008-09, following the development of 2,652 lots in 2007-08.

The First Start Shared Equity Scheme will continue with a further 1,000 first home buyers expected to be assisted in 2008-09, and a total of 3,000 households to be assisted over three years.

PRIORITY SPENDING INITIATIVES

Mr Speaker, I will now outline some of the key service delivery initiatives included in this budget.

But before going into detail on these initiatives, it is worth highlighting the impact of the State's tight labour market on the cost of running the public sector.

Since this time last year, there have been a number of Enterprise Bargaining Agreements either concluded or offered to key groups such as nurses, medical practitioners, prison officers, teachers and general public servants. In total, these are worth \$2.1 billion over the next four years, representing a substantial – but essential – investment in the future provision of quality services in Western Australia, and ensuring we attract and retain the best people. In this current, super-charged environment, this is a need the Carpenter Government is acutely aware of and is responding to.

Protecting Our Children

Mr Speaker, child protection services receive another massive boost in this budget, with additional funding of \$185 million over the next four years.

This includes:

- \$112 million to meet increasing demand for child protection services, by substantially boosting the number of front-line workers to support children in care, protect children from abuse, and support families at risk;
- \$68 million to facilitate mandatory reporting of child sexual abuse. This funding will see a special unit established at the Department for Child Protection to deal with mandatory reports of child sexual abuse. It will also provide for extra case workers to manage the expected increase in assessments and investigations, and expansion of the Princess Margaret Hospital's Child Protection Unit and the Sex Crimes Division of WA Police; and
- \$5 million for remote community child protection workers in Oombulgurri and Warmun in the East Kimberley, and extra front-line workers to work alongside Police in remote communities where child abuse allegations and immediate support needs may arise.

These new funding initiatives are in addition to a range of ongoing commitments to protecting our children, including:

- \$19 million for Working With Children Checks;
- an extra 128 beds, or a 75 per cent expansion in places, across the State for young people who have experienced multiple placement breakdowns and for whom other care settings are not appropriate;
- funding of \$1.8 million over the forward estimates period for a safe house in the Perth Hills for teenage mothers and their children who are escaping domestic violence; and
- a further increase in the foster care subsidy rate from 1 July 2008.

Health

Mr Speaker, we will provide a record \$3.9 billion in 2008-09 to deliver health services across the State, an increase of \$276 million or 7.7 per cent on the current year.

With the pressures of a rapidly growing population on our health system and a world-wide shortage of doctors and nurses, it is vital we continue to build on the number of people entering these professions each year, as well as retaining and attracting experienced staff. With this in mind, I am pleased to announce that:

- a record 586 new graduate nurses have started work across the State's public health system since the beginning of 2008;
- the system now employs a record 10,241 full-time equivalent nurses, an increase of more than 2,200 or 28 per cent since 2001;
- a record 172 new medical interns have started work in the State's public health system in 2008; and
- we now employ a record 2,910 full-time equivalent doctors, nearly 1,000 or 52 per cent more than in 2001. Further, medical graduate numbers at Western Australian universities will grow from 125 in 2006 to an expected 278 graduates in 2010, and the Government is committed to offering internships to all domestic graduates of Western Australian medical schools.

All of these employment initiatives will reduce staff shortages and pressure on existing staff, and enable us to treat more patients.

Enterprise Bargaining Agreements for registered nurses, enrolled nurses, medical practitioners and support workers have recently been finalised, or are close to being completed, with an additional \$941 million provided for 2007-08 and the forward estimates period.

Investing in mental health continues to be a priority. A further \$100 million has been allocated to the Department of Health over the next four years, to improve the overall delivery of mental health services across the State and to reduce the demand on acute services.

Targeted strategies include: increased access to adult inpatient beds, including a new inpatient facility at Broome; additional funding for the early detection and treatment of mental illness in children and adolescents; and continued investment towards addressing the growing accommodation needs for people with a mental illness.

As indicated earlier Mr Speaker, we will build for future service delivery with spending of \$502 million on health infrastructure in 2008-09 alone (an 84 per cent increase on 2007-08). This includes commencing construction on the \$1.76 billion Fiona Stanley Hospital, the \$77 million Busselton Integrated District Hospital, and the \$65 million Cancer Centre Stage 2 at Sir Charles Gairdner Hospital.

In 2008-09, work will also continue on the \$115 million Rockingham Kwinana Hospital Redevelopment, the \$114 million Hedland Regional Resource Centre, and the \$51 million Broome Regional Resource Centre and Mental Health Unit.

Education and Training

Mr Speaker, over the six years to 2006-07, Western Australia has increased its investment in education by more than any other State, with spending growing by almost 60 per cent over this period. In per capita spending terms, Western Australia is the second highest of all States, behind only Tasmania. In fact, Western Australia spends nearly \$200 or around 10 per cent more per capita on education than New South Wales, Victoria and Queensland.

In this budget, we will continue to ensure that Western Australians have the skills and knowledge to drive our economic prosperity into the future. We will provide increased funding in 2008-09 of \$244 million or 8.7 per cent. We will invest \$10,836 per student in 2008-09, an increase of 46 per cent since 2000-01.

Since coming to office, this Government has committed an additional \$241 million to fund additional apprenticeship and traineeship places and to implement the recommendations of the Skills Formation Taskforce, including:

- more Apprenticeship Field Officers;
- streamlining apprenticeship and traineeship processes;
- increasing the opportunity for experienced but unqualified tradespeople to receive formal recognition of their skills;
- improving the quality of training assessment; and
- a marketing campaign to attract more people to the trades.

This budget includes \$61 million to be spent in 2008-09 and across the forward estimates to bring the total number of funded apprenticeship and traineeship places to 39,000 by December 2008. This is more than double the number of places compared to February 2001.

The Government is also continuing to improve teacher recruitment and retention, with \$71 million provided over the forward estimates period to implement initiatives such as:

- enhanced graduate commencement salaries and allowances;
- a teacher recruitment and retention scholarship program;
- strategies to increase the Indigenous workforce;
- a targeted recruitment advertising campaign;
- a Bachelor of Education conversion course for education assistants; and
- electronic recruitment capacity for teachers to apply for positions online.

Community Safety

Mr Speaker, Western Australia spends more per person on public order and safety than any other State. We also have the largest growth in spending, nearly doubling our spending in this area over the six years to 2006-07.

And we are doing more in this budget to stay in front. We are providing an additional \$181 million to law and order in 2008-09. This includes a \$95 million or 12 per cent funding increase to Western Australia Police.

This substantial increase includes better pay for police from the Enterprise Bargaining Agreement negotiated in 2006. It also provides for the recruitment of an additional 90 police officers, which will complete the Government's commitment to increase the number of police officers by 350 in this term of Government.

These additional 90 officers will bring to 600 the total number of additional police recruited since February 2001.

The additional funding for the Police Service also accommodates a range of other initiatives, including:

- deployment of Crime Regional Response Teams to investigate issues facing Indigenous communities, including serious cases of child abuse;
- targeted responses to the outcomes of the Government Action Plan arising out of the WA Illicit Amphetamine Summit; and
- implementation of the State Graffiti Vandalism Reduction Strategy.

Mr Speaker, this Government is also delivering on its commitment to improved road safety with the ongoing State Black Spot Program, where we have again allocated \$20 million in 2008-09, fulfilling our 2005 election commitment. The Government has also responded with the Safer Roads Program, increasing the allocation to \$50 million for 2008-09.

Road safety is, and will continue to be, a priority of this Government, and \$7.4 million has been allocated for driver behaviour and awareness education campaigns throughout 2008-09. A further \$14 million has been provided to fund various road safety initiatives, including additional Police enforcement, RoadWise, school-based education programs, and other road projects which are trialling alternative ways to reduce road crashes.

People with Disabilities

This budget provides \$325 million in recurrent funding for disability services in 2008-09, Mr Speaker. This is an increase of \$20 million or 6.4 per cent on the current financial year, and represents nearly a doubling of State funding for people with disabilities since 2000-01.

To provide additional support for people with disabilities and their families, growth funding of \$16 million will be provided in 2008-09. This includes funding for accommodation support for an extra 121 people.

To assist young carers and siblings of people with disabilities, we will facilitate access to counselling, information and peer support for young carers and siblings aged under 26 years. We will also provide a broader range of aids and equipment grants to enhance the independence of people with disabilities and their carers.

ECONOMIC REFORM

This Government recognises that continued economic reform is essential to ensure our economy remains efficient, and its capacity to grow expands.

This allows the State to respond faster to opportunities for growth – delivering tangible benefits to the community through improved living standards and increased capacity to deal with social and environmental issues – and to adapt to the challenges that will arise when the resources boom inevitably cools.

It is for these reasons the Government has implemented reforms in the key sectors of electricity, gas, rail and water.

We are also working with the new Federal Government to progress the important new COAG reform agenda across areas such as transport, infrastructure, health service delivery, productivity, climate change and water, housing, and Indigenous disadvantage.

Western Australia is playing a lead role particularly in the COAG reforms for business regulation and competition. In this budget we are allocating \$3.75 million over the forward estimates period to enhance regulatory gatekeeping processes at the State level. The strengthened process will minimise unnecessary red tape and restrictions on economic activity, and reduce business compliance costs. Gatekeeping assessment helps to ensure that regulations and restrictions on competition are only introduced when the benefits outweigh the costs.

A strengthened process has been sought by business for some time. It will allow businesses to operate and innovate without unnecessary constraints, improving long-term economic prosperity and also benefiting the wider community.

NORTH WEST DEVELOPMENT

The eyes of the world are fixed on Western Australia's surging resources industry.

Export volumes are forecast to grow by 10.75 per cent in 2008-09, underpinned by the resources sector.

While massive growth in resources exports is good for the State, it also presents some profound challenges.

We are addressing capacity constraints such as scarce raw materials, skills shortages, rising production and development costs. Responding to the challenges and risks posed by a strong economy, we intend to drive the public sector to ensure the resources boom can be sustained.

These challenges are exacerbated in regional Western Australia.

A dynamic economy is central to our revenue expectations and sustaining growth in the Pilbara is pivotal.

Mr Speaker, I believe that it is important that the House notes the staggering rate of growth forecast for this region.

Current iron ore production in the Pilbara is 285 million tonnes. Together iron ore companies aspire to export 1.1 billion tonnes by 2015. That is, output in the Pilbara could more than treble in volume in seven years.

The State's ports are predicted to handle an average increase of over 60 per cent in tonnage over the next five years. Tonnage in Port Hedland is projected to more than double over the same period, increasing by 133 per cent. Electricity demand in the Pilbara by 2013 is expected to outstrip the South West Interconnected System, with a conservative estimate being 5,000 MW.

Clearly there is a lot more to be done. Electricity supplies, port capacity, road and rail networks and social infrastructure must be able to meet the future demands of both the community and industry while red tape must be streamlined to ensure we offer investors efficient approvals processes.

The State Government is meeting these challenges.

We are working collaboratively with the resources sector through the Pilbara Industry Consultative Council to identify key issues and innovative solutions in the Pilbara. The Commonwealth Government has accepted the Council's invitation to be a member. We are working together to develop a shared view of Pilbara priorities. This is an important foundation for building upon our current economic prosperity.

We have now commenced a detailed analysis to ensure that relevant agencies can meet the demands and pressures associated with development in the North West. This review will determine whether approvals processes are on track, the status of social and economic infrastructure, and identify any emerging trends or problems that will be tackled in the coming year.

This strategic approach will not only help the Government to sustain resources growth, but to manage the expansion over the next decade and beyond.

Mr Speaker, it is about investing in the strengths of our economy and the skills of our people. It puts in place the right conditions for sustainable and balanced growth, now and into the future.

TAX RELIEF

Mr Speaker, this budget builds on five previous rounds of tax relief by cutting taxes a further \$1.2 billion over the next four years. This includes the stamp duty and land tax measures I referred to earlier as part of our housing affordability strategy.

The tax relief package I am announcing today also extends to payroll tax. Our payroll tax harmonisation reforms will deliver compliance cost savings to businesses that operate across State boundaries. Furthermore, from 1 July 2009, commonly owned family businesses that operate independently of each other will each be able to claim the exemption threshold on payroll tax.

This measure will not only bring Western Australia into line with other States, but also provide a payroll tax saving for local businesses who qualify, of up to \$41,250 each year, and help ensure fair treatment relative to other stand-alone businesses operating in the same industry. All up it is estimated that the harmonisation measures will deliver payroll tax savings to businesses of around \$164 million over the next four years.

Mr Speaker, the Government previously announced it would cut motor vehicle stamp duty by increasing the tax thresholds for average family vehicles. We will now bring forward this measure, with the \$5,000 increase in the general motor vehicle stamp duty thresholds announced in last year's budget brought forward by six months, to 1 July this year, at an estimated cost of \$12 million.

The stamp duty saving on licensing a \$30,000 car will be \$225, or an 18 per cent reduction.

Mr Speaker, this Government has now delivered six rounds of tax relief. As Treasurer, I have overhauled every major piece of tax legislation to create a fairer, simpler and more competitive tax system. I have abolished or committed to abolish a total of 11 taxes or duties. Indeed, as a share of the economy, Western Australia's tax burden is the second lowest of all States, with only Tasmania lower.

CONCLUSION

Mr Speaker, I commend this budget to the Parliament as a budget that:

- builds Western Australia's future;
- tackles housing affordability through unprecedented investment in public housing and significant cuts in stamp duty on both owner-occupied and rental housing;
- spreads the benefits of the boom to all Western Australians through improved service delivery and social infrastructure; and
- future-proofs Western Australia through spending our savings wisely, and managing the State's finances for beyond the boom.

In short, Mr Speaker, this budget is about building WA. Building a better State and a better community.

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 service estimates of \$14,651,909,000 include a sum of \$1,359,888,000 permanently appropriated under Special Acts, leaving an amount of \$13,292,021,000 which is to be appropriated in the manner shown in the Schedule to *Appropriation Bill No.1*.

Capital purposes and financing transactions estimates of \$2,456,265,000 comprise a sum of \$107,046,000 permanently appropriated under Special Acts and an amount of \$2,349,219,000 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.