

Speech by

Hon Troy Buswell MLA

**Treasurer; Minister for Commerce; Science and Innovation;
Housing and Works**

Thursday, 14 May 2009

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

INTRODUCTION

Mr Speaker, the Liberal-National Government's first budget is delivered at a time when one of the most significant downturns in global economic history is affecting many West Australians.

The world economy has entered one of the deepest and most synchronised downturns in decades and the deterioration in world trade, commodity prices, confidence and investment will continue to have an impact on our State's economy and our State's finances.

Our Government will not watch these events unfold from the sidelines; we are committed to making hard decisions today to secure our future tomorrow.

This budget delivers four key outcomes to the people of Western Australia.

Firstly, and unashamedly, this is a budget about protecting Western Australian jobs and supporting our State's economy during this difficult period.

Secondly, this is a budget that will drive the structural change that will enable our State to lock in the benefits of the next wave of economic prosperity.

Thirdly, this is a budget that delivers on our election commitments to provide better services and infrastructure to the families and communities of WA. We have focused on keeping our neighbourhoods safer, on improving our children's education and on lifting our standard of health care.

Finally, this is a budget that has been carefully framed to protect the State's finances and the budget surplus.

This budget confirms a surplus for the current year of \$647 million and delivers a surplus of \$409 million in 2009-10; a surplus of \$23 million in 2010-11 and a commitment to the economic reform necessary to drive future surpluses – especially through facilitating major state building projects such as the Ord, the Kimberley LNG precinct and Oakajee Port.

The budget forecasts a moderate slowdown in our State's economy in the short term, and an increase in State debt. However, the Government is committed to ensuring that every dollar in debt supports Western Australian jobs and provides us with the infrastructure platform that will drive our State's economic development into the twenty first century.

This budget sets out a path to recovery built on a long-term vision of a State where all Western Australians share in the next wave of prosperity; where the benefits of the next boom do not bypass future generations of Western Australians.

PROTECTING JOBS AND SUPPORTING THE STATE'S ECONOMY TODAY

Mr Speaker, I reiterate that first and foremost the focus of this budget is on protecting jobs and supporting the State economy through the introduction of a Jobs Protection Package and through record expenditure on our Asset Investment Program.

Jobs Protection Package – Payroll Tax Rebate

Our Jobs Protection Package has four elements that support both employed and unemployed Western Australians, and small business owners, through employment incentives and greater training assistance.

For the coming financial year, the Government will provide a one year payroll tax rebate to small businesses with payrolls of up to \$3.2 million to help them retain and employ staff. Some 6,700 small businesses will be eligible for this payroll tax rebate, which will fully offset payroll tax for around 68,000 employees.

The cost of this rebate is estimated at \$100 million.

In addition, legislation will be introduced for permanent payroll tax exemptions for parental leave and volunteer emergency services work.

Jobs Protection Package – Training and Skills

A further \$47 million will be committed over the next three years to targeted training and skills recognition initiatives, including:

- all eligible unemployed Western Australians will be entitled to an exemption on course fees for any training place during the next three years – this is on top of recent COAG initiatives;
- people disadvantaged in the labour market will receive assistance to increase foundation skills as a pathway to further training or employment;
- additional resources for a critical support unit to support employers and apprentices who have been affected by the economic downturn; and
- as further support to employers to retain apprentices and trainees, a rebate of workers' compensation premiums for first year apprentices and trainees over the next two years, at a cost of \$10.6 million. This measure will support the retention of over 15,000 apprentices and trainees each year.

Jobs Protection Package – Small Business Resilience and Tourism Boost

The current downturn also places pressure on small businesses.

In response, we have allocated funding of \$2 million over the next two years for the BIZFit business resilience program for Western Australian small businesses. This program will develop the capacity of small businesses to weather the current downturn through the provision of hands-on training, support and guidance.

Tourism is a key part of our economy so we are providing additional marketing funding of \$5.7 million in the coming year to help protect the 80,000 jobs in Western Australia generated by tourism.

Supporting Jobs Through Infrastructure

Mr Speaker, the infrastructure investment is the other critical element in the immediate support the Government is providing to WA jobs and businesses.

In the coming year, this Government will deliver the highest spending on infrastructure in WA's history – \$8.3 billion in 2009-10 on a range of economic and social infrastructure. Over the next four years, we will invest \$23.8 billion – a significant increase on the \$18.5 billion spent over the past four years.

We have deliberately chosen to focus much of the infrastructure program so that it can deliver immediate support to the economy.

For example, we have committed \$316 million to immediately construct more than 1,000 new dwellings to boost the housing construction industry and reduce pressure on the State's social housing waiting list.

And together with additional Commonwealth funding, some 2,600 new public houses will be procured throughout the State over four years. In addition, around 400 existing public dwellings will be upgraded to provide tenants with better quality housing.

The budget also locks in the Government's election commitment to boost the education infrastructure program, which involves building and upgrading an additional 14 schools over six years for a total cost of \$300 million. And, with additional Commonwealth funding, each and every one of Western Australia's schools, both government and non-government, will receive funding to add or upgrade facilities.

We are providing \$572 million for health-related infrastructure in 2009-10. We are also bringing forward the construction of a new children's hospital at the QEII Medical Centre site, with work commencing on a \$117 million forward works program; together with the redevelopment of Kalgoorlie Hospital and the Joondalup Health Campus Development.

Next year we will spend \$654 million on road construction and improvement works, with continued progress on major roads such as the Mandurah Entrance Road; improved linkages to the Port of Bunbury; Indian Ocean Drive Stage 2; the extension of the Reid Highway; and \$20 million over the next two years to commence construction on the Hopetoun to Bremer Bay Road.

Port infrastructure across the State will receive \$377 million including inner harbour deepening at Fremantle Port and continued construction of the Port Hedland Port Authority's Multi-User Panamax Berth.

Mr Speaker, the *Royalties for Regions* program is strongly supported across the Government as a way of addressing past underinvestment in the very regions where our export income is generated.

Over the forward estimates, *Royalties for Regions* will provide support for small businesses and construction jobs across the State through the \$400 million Country Local Government Fund; the \$368 million Regional Community Services Fund; and the \$1.7 billion Regional Infrastructure and Headworks Fund.

SECURING THE STATE'S ECONOMIC FUTURE

Mr Speaker, not only must this budget provide immediate support for the WA economy, it must also provide the foundations for the next economic upswing. The previous boom offered WA the opportunity to build a lasting legacy of economic and social capital – but the State was under-prepared and the opportunity was lost. We cannot repeat these mistakes.

Encouraging Private Sector Investment

A clear difference which the new Liberal-National Government brings is a determination to work with the private sector to encourage business investment. There can be no more Inpexes lost to this State.

The Oakajee Port and Rail project will open up the Mid West Region and enable a significant expansion of the State's mining industry and value adding through the port's industrial estate.

The James Price Point LNG Precinct will bring long-lasting benefits to the Indigenous people of the Kimberley.

And the Gorgon LNG project would represent a record investment for the State.

And in order to attract even further business investment, the Government will implement a range of improvements to the approvals process for resource, infrastructure, land and housing projects, and developments in regional and urban Western Australia.

Asset Investment Program

The record \$8.3 billion Asset Investment Program will provide infrastructure across the State – with a particular focus in the north – not just in investment to support the resources sector, but to broaden the economic base of the north beyond mining and to build vibrant and self-sustaining communities.

Ord Stage 2 was a major Government election commitment that will be funded through *Royalties for Regions* in partnership with the Commonwealth. The project will see the Liberal-National Government contribute \$220 million to double the size of the irrigation area.

We will work with the Federal Government to manage a further \$195 million of investment in education, health, housing and community services, and key transport infrastructure projects in the East Kimberley.

Through *Royalties for Regions*, this budget provides a total of \$300 million to support a Pilbara Revitalisation Plan which will allocate \$120 million this year to support a range of community initiatives throughout the Pilbara region, with \$60 million for each of the subsequent years to 2011-12.

This funding will focus strongly on town centre enhancement, improving recreation and cultural amenities and upgrading housing, health and education facilities.

Across the State, we are allocating \$1.2 billion for expanding, maintaining and improving the State's electricity infrastructure. This includes the construction of two new 100-megawatt high efficiency gas turbines to be commissioned in 2011 at a total cost of \$263 million. These turbines will contribute to the reliability of electricity supply, as well as lowering overall carbon intensity and making better use of available gas supplies.

We are also increasing distribution capacity for customers to support growth, and continuing the State Underground Power Project.

\$1.1 billion is being invested in the State's water, wastewater and drainage services to ensure the ongoing quality and maintenance of water services. This includes the commencement of construction of the \$955 million Southern Seawater Desalination plant at Binningup, the ongoing construction of wastewater treatment schemes at Alkimos, Broome and Beenyup, and further investigation and research into alternative water sources for the State.

The Liberal-National Government is undertaking a range of investments in transport infrastructure across the State, including the extension of the Northern Suburbs Railway to Butler and Brighton, with \$147 million to be spent in the next four years, and commencement of planning for the Ellenbrook railway.

A service and supply base at the Australian Marine Complex will be constructed at a cost of \$35 million to initially meet the needs of the Gorgon project.

Land Tax Reform

Excessive land tax is an impost that can be a disincentive for business to invest in this State. And not just landlords – land tax is passed on to tenants, large and small.

In recent times, a combination of rising land value, a highly progressive tax scale, a narrowing tax base, and the effects of aggregation have led to dramatic tax rises.

One of our first acts in Government was to reduce land tax rates across the board to return to taxpayers a \$43 million windfall gain from recent large land valuation increases.

And today I am announcing we will mitigate the harsh impact of any future steep land tax hikes. The annual volatility of land tax bills will be moderated through the introduction of a 50 per cent cap on the increase in valuations in any one year.

Land tax reforms will also extend to the reintroduction of the developer engloba concession.

BETTER SERVICES FOR WA FAMILIES

Mr Speaker, the Liberal-National Government was elected promising to improve the quality of life for the people of Western Australia. This budget delivers on those election commitments through record expenditure on health, education and law and order.

Law, Order and Safety

Mr Speaker, a key issue for the people of WA at the last election was law and order. This new Government is very focused on ensuring West Australians feel safer on the streets and in their homes – and in this budget we provide the funding to deliver on that promise through more funding for police and more investment in prisons.

In this budget we will spend \$2.2 billion on law, order and safety, an increase of \$68 million.

The Western Australia Police are major beneficiaries of this budget, with an increase in recurrent spending to \$950 million and capital works initiatives of \$152 million in the next year, including:

- the construction of the Perth Police Complex;
- \$8 million on the re-opening of regional police stations over four years and \$34 million on the construction of new police facilities;
- \$209 million for the recruitment of an additional 500 police personnel and 200 expert civilian staff;
- in a joint initiative between Western Australia Police and the Department of Corrective Services, \$49 million has been allocated over four years to expand the Perth Metropolitan Radio Network north to Lancelin, east to Northam and south to Dunsborough, improving police response times, information availability and officer security; and
- \$24 million on a replacement helicopter this coming year.

The Liberal-National Government's election commitments to toughen sentencing laws will be underpinned by a significant investment in prison capacity. A total of \$655 million will be invested over the period to 2012-13 towards an additional 1,657 prisoner beds and to reduce over-crowding across the Western Australian prison system, including:

- a new 350 bed prison in the Eastern Goldfields;
- the addition of 387 beds at an expanded Acacia Prison;
- commencement of works for the new 150 bed Derby Prison, and the Wyndham work camp;

- the development of an 80 bed prison for young offenders;
- the construction of two new work camps in Warburton and the Wheatbelt; and
- commencement of the expansion of Banksia Hill Detention Centre.

The Government will also spend an additional \$47.3 million over five years on emergency services, including support for volunteer marine rescue services, and a new Brigade Alarm Network to monitor government facilities and commercial and private sector residential buildings.

Health

This budget will see a record \$5.1 billion being spent on health services across the State in 2009-10, a \$282 million or 5.9 per cent increase from the past year, including initiatives such as:

- \$27 million for the Friend-in-Need Emergency initiative;
- \$18 million for patient transport services through the Royal Flying Doctor Service and the Patient Assisted Transport Scheme;
- \$8 million for palliative care and cancer services;
- \$6 million to implement the State Suicide Prevention Strategy; and
- \$7 million to support nurses' training.

The Government is also committed to implementation of the 'Four Hour Rule'. This will improve the patient journey through our public health system by ensuring that patients arriving at emergency departments are seen and admitted, discharged or transferred within a four-hour timeframe.

A major feature of this budget is the Government's investment in new and expanded hospitals across the State, including:

- a new Children's Hospital in Perth with commencement of forward works fast tracked at a cost of \$117 million;
- Fiona Stanley Hospital is moving into construction;
- Joondalup Health Campus is being expanded; and
- regionally, new hospitals will be built in Albany and Busselton, and Kalgoorlie and Nickol Bay Hospital redevelopments are proceeding.

Education and Training

Mr Speaker, in 2009-10, we will spend a record \$4.1 billion on education and training services in Western Australia, up \$419 million from the past year.

The Government is meeting its election commitment to invest an additional \$300 million to build and upgrade 14 schools. Together with existing funding, 32 schools will be built or undergo significant redevelopment over the next six years.

The Government is also focused on implementing a range of initiatives to improve student behaviour and increase the quality of pastoral care for students. To do this, we will spend \$47.7 million over five years to 2012-13 to provide:

- an additional 50 school psychologists;
- more Behaviour Centres and school Chaplains; and
- training to assist and empower teachers in the classroom.

Social Services

Mr Speaker, this Government was elected having committed to better help those in need. This budget will see key social services including child protection, disabilities, communities and social housing receive a significant boost to meet increasing demand and improve service quality. This includes:

- an extra \$15 million in 2009-10 to meet the increasing demand for child protection services including funding for case workers, domestic violence intake teams, remote community child protection workers, and intensive in-home support services;
- \$78 million over four years for the reform and expansion of residential care for children;
- additional funding of \$142 million over five years to 2012-13 for the disability sector to provide increased accommodation support, respite, disability professional services, alternatives to employment and to meet increasing costs; and
- an additional \$1.3 million in 2009-10 for the Hardship Utilities Grants Scheme initiative to lessen the impact on low-income families of higher electricity tariffs announced earlier this year.

Seniors

Mr Speaker, seniors on retirement incomes are particularly vulnerable at this time as they face declining investment returns and increases in the cost of living.

The Government is providing free off-peak public transport for seniors, while pensioners in country Western Australia who do not have access to low-cost public transport can access the Country Age Pension Fuel Card which will provide pensioners with \$500 worth of fuel or taxi travel each year.

All Western Australian Seniors Card holders are being provided with the opportunity to receive an annual Cost of Living Rebate of \$100 for singles and \$150 for couples. We have committed \$136 million over five years to provide these payments, and with over 200,000 seniors benefiting each year from the rebate, this is the largest payment of its kind ever undertaken in Western Australia.

We have also committed \$10 million over three years to provide a \$200 rebate per household for all Western Australian Seniors Card holders toward the installation or purchase of home security devices to ensure seniors feel safe and secure in their own homes.

PROTECTING THE STATE'S FINANCES

Mr Speaker, funding the important range of measures I have outlined in this budget today has required some hard decisions.

Over the past months, as the global economy has been in decline, the State has been hit by large downward revisions to projected taxation revenue, GST grants from the Commonwealth, and mining royalties.

Since the mid-year review, the budget has lost a massive \$4 billion in forecast revenue from these sources. Our Treasury is forecasting a fall in Gross State Product of 1.25 per cent in the coming year, and these pressures put our triple-A credit rating at risk.

However, this is a Government that is willing to make the hard decisions to protect our finances, to minimise the necessary increase in debt and to fight to protect our triple-A credit rating.

For instance, the Government has decided to increase landfill levy charges by 300 per cent. This levy increase will create a disincentive to dispose of waste at landfill and encourage the recycling of waste.

But as a result of these hard decisions, we have been able to deliver today's budget initiatives while forecasting a surplus of \$409 million in the budget year and a small surplus in 2010-11.

Surplus budgets are vital as every extra surplus dollar allows us to invest more in infrastructure without recourse to debt.

Mr Speaker, the budget papers set out in full the range of hard decisions that have needed to be made to achieve this result. The total value of the remedial action we have taken is \$7.6 billion over the forward estimates.

I have no doubt that each tough decision will be subject to scrutiny. But I must stress that without these tough decisions, we would have exceeded Standard & Poor's key credit rating benchmark and we would have lost our triple-A credit rating and increased the size of our interest repayment unfairly on future generations.

The \$7.6 billion in remedial measures is spread fairly over all aspects of the budget.

3% Efficiency Dividend

As part of the 3% efficiency dividend process, this budget delivers \$1.7 billion worth of savings over the forward estimates, which we have reinvested into better services in health, education, and law and order. Departments have met 97 per cent of the target savings included in the 2008-09 mid-year review.

Capital Works Audit and Works Reform

Through the reprioritisation and rescheduling of major capital projects, the Capital Works Audit has delivered total savings of \$3 billion across the forward estimates. This means our scarce revenue is being focused on the areas of greatest need, such as the new Children's Hospital and new schools, rather than a stadium or museum.

Planning and delivery of the State's infrastructure program over the past five to ten years has been poor. The result is a long list of major projects with significant time and cost blowouts. This is no longer acceptable and we have embarked on major reform of our infrastructure delivery program, including giving much more priority to Public-Private Partnership options.

Employee Costs

Mr Speaker, employee costs are the single largest area of spending on government services. A key driver of the growth in government spending in recent years has been the previous Government's runaway wages bill – an average 9.6 per cent per annum over the last term of government.

To ensure that public sector spending growth is managed responsibly, we have introduced a ceiling on full-time equivalent staffing levels across general government agencies.

We have also adopted a public sector wages policy that seeks to strike a balance between providing employees with confidence that their purchasing power will be maintained, while at the same time delivering responsible wage outcomes.

Economic Audit

In accordance with our election commitment, we established the Economic Audit Committee to conduct a wide-ranging review of the performance of the Western Australian public sector. The first stage of the Audit is now complete and has identified a range of reform initiatives and savings of \$1.1 billion that are implemented in this budget for better, modern and efficient government.

I am looking to the second stage of the Economic Audit to identify strategies for broader reform over the longer term, so we can ensure the budget stays in surplus.

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 (Consolidated Account) Recurrent 2009-10 Bill 2009 is for recurrent services, which comprise the delivery of outputs and administered grants, subsidies and other transfer payments.

Appropriation (Consolidated Account) Capital 2009-10 Bill 2009 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent service estimates of \$16,285,906,000 include a sum of \$1,345,558,000 permanently appropriated under Special Acts, leaving an amount of \$14,940,348,000 which is to be appropriated in the manner shown in the Schedule to Appropriation (Consolidated Account) Recurrent 2009-10 Bill 2009.

Capital purposes and financing transactions estimates of \$3,673,623,000 comprise a sum of \$96,847,000 permanently appropriated under Special Acts and an amount of \$3,576,776,000 which is to be appropriated in the manner shown in the Schedule to Appropriation (Consolidated Account) Capital 2009-10 Bill 2009.

CONCLUSION

Mr Speaker, I commend this budget to the Parliament as a budget that deals responsibly with the present circumstances. It accommodates the need for higher quality services in key areas, while offsetting the impact of declining revenue through savings in lower priorities.

It is a budget that delivers on the Government's determination to:

- protect jobs and the economy;
- secure the State's economic future;
- provide better services; and
- protect the State's finances.

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.