



Budget 2011-12

Overview



Supporting Our Community
Building the State

2011-12 Budget Overview

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2011-12 Budget Paper set includes:

Budget Paper No. 1 – Budget Speech

Budget Paper No. 2 – Budget Statements (Volumes 1–2)

Budget Paper No. 3 – Economic and Fiscal Outlook

Budget Overview

Reader's Guide to the 2011-12 Budget Statements (Available electronically from <http://ourstatebudget.wa.gov.au>)

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Overview

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Introduction

The Liberal-National Government's third budget:

- targets spending to deliver high quality services for all Western Australians;
- delivers major social infrastructure for future generations;
- invests in the Western Australian economy now to keep the growth going into the future; and
- provides increased accountability through disciplined financial management.

This budget provides for an operating surplus of \$442million for 2011-12. Surpluses are also projected across the forward estimates, enabling the Liberal-National Government to continue the biggest ever infrastructure investment program in the State's history, as well as provide a \$1billion Social Services Package to improve the lives of those most in need in our community.

This historic and unprecedented investment by the State Government will provide social housing, support for seniors, children and families and other services to those who are often overlooked – those who are most in need of the Government's support.

This budget will make real changes in people's lives by transforming Western Australia through the provision of better services and the delivery of major social infrastructure. It will also responsibly reflect the strong economic decisions necessary to build a prosperous and sustainable State for future generations.





Declining GST Share

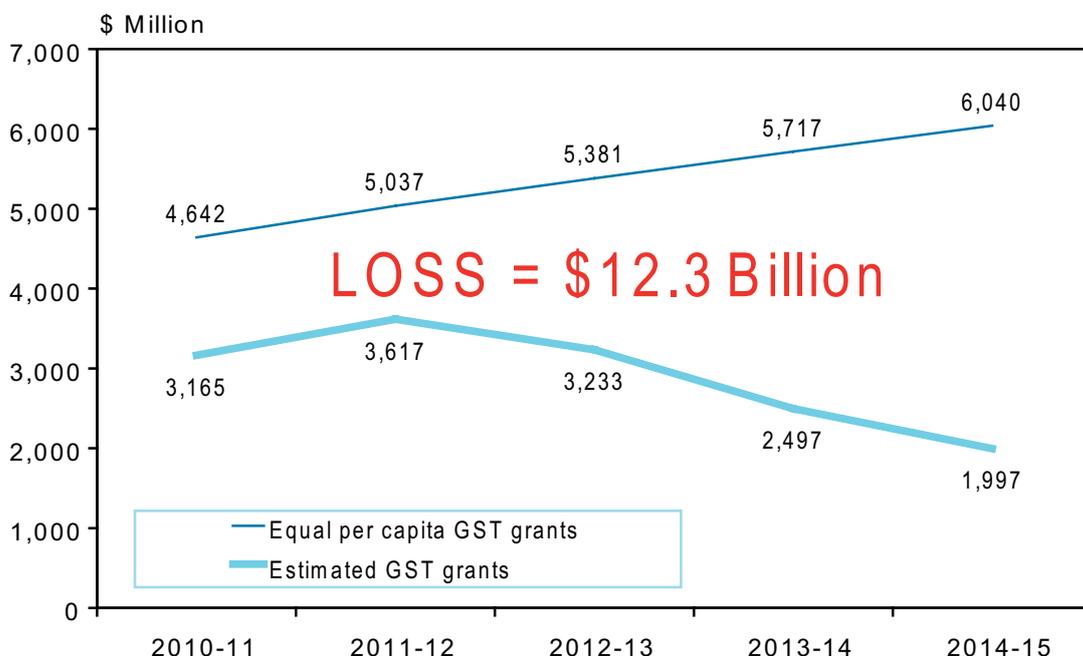
The State Government's predicted surpluses reflect the Government's strong financial management, and have been achieved in the face of a substantial downward revision to property transfer duty revenue and a rapidly declining share of national GST revenue.

Current estimates are that Western Australia's population share of GST will fall to a record, and previously unthinkable, low of 33 per cent by 2014-15.

If we were to receive our full population share of GST, Western Australia would receive extra revenue of **\$12.3billion** over the five years to 2014-15. This loss of \$12.3billion represents the massive price that Western Australia pays, because of the Commonwealth's GST formula, for its economic success.

As part of the GST review announced by the Commonwealth, the Western Australian Government will continue to push for a 75 per cent 'floor' under the GST share any State receives of national collections. If achieved, this fair and equitable change would add an estimated \$1.8billion to Western Australia's GST revenue in 2013-14 and a further \$2.5billion in 2014-15.

REDUCTION IN WESTERN AUSTRALIA'S GST REVENUE GRANTS



Supporting Our Community

Targeted Spending to Deliver Quality Services for All Western Australians

The 2011-12 State Budget delivers a **\$1billion Social Services Package** to support our community. This targeted spending will provide quality services and support for disadvantaged and vulnerable people throughout Western Australia and improve the livelihood and well-being of those people most in need.

Sustainable Funding and Contracting with the Not-for-Profit Sector

This budget allocates \$604million over five years to support the development of sustainable not-for-profit (NFP) service delivery now and into the future, and to address historical funding shortfalls that have emerged in service agreements with NFP organisations.

Some of the lowest paid workers in our community are employed by the NFP sector, yet they do some of the hardest work. These are the people who care for the deaf and blind, for children and adults with profound intellectual and physical disabilities, those who suffer debilitating mental illness, and families in crisis. The ability of the NFP sector to continue servicing our growing community is now assured by this key funding decision.

This budget includes:

- \$491million, including \$88million in 2011-12, to provide sustainable funding to the sector for the services it provides. This represents an average 25 per cent increase in funding provided for human services contracts by 2014-15;
- \$96million in additional indexation funding, recognising the ongoing growth in costs; and
- \$18million for education, training and support to the public and NFP sectors for the roll out of the additional funding and implementation of associated contracting reforms.





Disability Services

The 2011-12 Budget provides an additional \$41million over four years to meet the expected growth in demand for disability services. This funding will assist the ongoing provision of a range of disability services including respite options, access to aids and equipment, and family and carer support.

A further \$400,000 per year over the next four years will be provided to the Motor Industry Foundation for the modified vehicles program to increase the overall quality of life for people with disabilities and their families and carers.

The Government is also on track in the delivery of its election commitment for five out of home respite facilities, which will offer carers of a family member with a disability the opportunity to take a break from their supportive role.

Social Housing

The State Government has provided \$151million over three years for an additional 284 homes across the State for people who are impaired by a disability, mental illness or alcohol and drug-related difficulties. This includes expenditure in 2011-12 of:

- \$44million for 83 houses for 167 people with disabilities;
- \$46million for 100 houses for people with mental illness; and
- \$8million for 15 houses for high need clients with alcohol and other drug-related problems.

An additional \$45million has been allocated over four years for the provision of accommodation support services by the Disability Services Commission, the Mental Health Commission and the Drug and Alcohol Office to help clients make the transition into the community, and access ongoing treatment and recovery programs.

Supporting Our Community (cont.)

A further \$5million has also been allocated to build an acute homeless shelter within 2km of the Perth CBD to house 10 men per night who would otherwise be sleeping on the streets.

Families

The Government has provided for families, as part of the unprecedented Social Services Package in this year's budget. We recognise that many families are still feeling the pressure from the utility charge increases in recent years. Because utility charges were kept artificially low under the previous Labor Government, the Liberal-National Government

had to make the difficult but responsible decision to raise utility charges to avoid even greater pain than families are feeling now. We did not make this decision lightly and recognise the increases hit many families hard.

This budget further acknowledges that many families need the Government's support through the utility adjustment period, which is why we have committed a \$6million increase in 2011-12 to the Hardship Utilities Grant Scheme, taking the total funding in the coming year to \$10million.

Child protection and related services in Western Australia will also receive a significant boost in this budget, with an additional \$51million over the next four years.

In 2011-12, the Government will spend a further \$39million to enable us to respond to increases in demand for core child protection services, as well as fund increased effort in prevention and early intervention programs for at-risk families.

Suicide prevention among Western Australia's young people will also be a priority this year with \$1million allocated to the Youth Focus program, which provides access to free counselling and support services to young people at risk of depression and suicide.

The Government will also provide a one-off grant of \$500,000 in 2011-12 to Lifeline WA to train an additional 60 telephone counsellors to expand the delivery of suicide telephone crisis support.

The Government is also investing in the wellbeing of our children throughout the State with \$20million towards *Sport for All*, which includes, as an Australian first, specific programs to keep Western Australian children active, resilient and healthy.





Seniors

In recognition of the cost of living pressures faced by many seniors on low or fixed incomes, this budget includes:

- an increase in the Seniors Cost of Living Rebate. In 2011-12 the rebate will be increased from \$104.80 to \$150 for singles and from \$157.22 to \$225 for couples, at an estimated cost of \$40million over the next four years; and
- expansion of the eligibility criteria for the Seniors Card. People aged over 60 are now eligible for the Card if they work 25 hours or less per week, up from the previous limit of 20 hours. Around 4,500 seniors are expected to benefit from this initiative (bringing the total number of eligible seniors to around 316,000), at a cost of \$11million over four years.

Aboriginal Services

With respect to Aboriginal services, this budget includes:

- \$2million in 2011-12 towards extending the Clontarf Hostel at Waterford;
- \$2million over the two years to 2011-12 for the continuation of Aboriginal Community Patrols;
- \$9million in *Royalties for Regions (RfR)* funding over three years towards the Aboriginal Justice Education Program to provide enhanced services to victims of crime and enhanced driver training in regional Aboriginal communities; and
- \$10million in *RfR* funding to establish the Aboriginal Community Emergency Response Fund.

Supporting Our Community (cont.)

Health Services

To accommodate growth in demand for hospital services driven by the State's increasing population, this budget provides an extra \$363million over five years from 2010-11. In 2011-12, the additional spending will allow the Department of Health to service a 3.6 per cent increase in inpatient activity, a 4.7 per cent increase in outpatient occasions of service, and a 5.3 per cent increase in emergency presentations.

This budget also provides an additional \$75million over five years as part of the Government's commitment to employ all graduating domestic

medical interns in Western Australia to address shortages in the medical workforce. During 2011-12 it is expected that over 250 domestic medical internships will be provided, with more opportunity for rotations at outer metropolitan general hospitals and country hospitals.

In regional Western Australia, the Liberal-National Government will invest \$565million over the next five years in the new Southern Inland Health Initiative. More details on this major initiative may be found in the *RfR* section of this Overview.

Education Services

The Government is restructuring the education budget. Additional funding of \$362million over five years will be provided from 2010-11. This includes \$149million in 2011-12 to:

- meet the anticipated costs of the 2011 Teachers and Administrators Enterprise Bargaining Agreement;
- continue implementation of the Independent Public Schools initiative; and
- provide the Department of Education with a more financially sustainable setting, as it moves towards a more efficient and effective service delivery model.





Road Safety

The current one third of speed and red light camera revenue that is provided to the Road Trauma Trust Fund will be increased to two thirds from July 2011, and to 100 per cent from July 2012. This will significantly increase the Government's capacity to fund road safety programs, police traffic enforcement and road maintenance.

Police Information and Communications Technology

This budget allocates additional funding to the Western Australia Police of:

- \$53million from 2011-12 to 2014-15 for the replacement of information and communications technology infrastructure to mitigate operational risks and ensure the provision of efficient support to policing; and

- a further \$60million from 2011-12 to 2013-14 to develop upgrades and replacements to software systems supporting the management of intelligence, property and forensic evidence.

This investment will support modern policing techniques and the increasingly intelligence led approach to crime reduction. It will facilitate collaboration across agencies and between jurisdictions, and deliver a more efficient and effective policing service to the Western Australian community.

Summary of Key Service Delivery Agencies' Expenses

The following table summarises the budgeted expenses (i.e. recurrent expenditure on service delivery) in 2011-12 for key general government agencies.

SUMMARY OF KEY SERVICE DELIVERY AGENCIES' EXPENSES

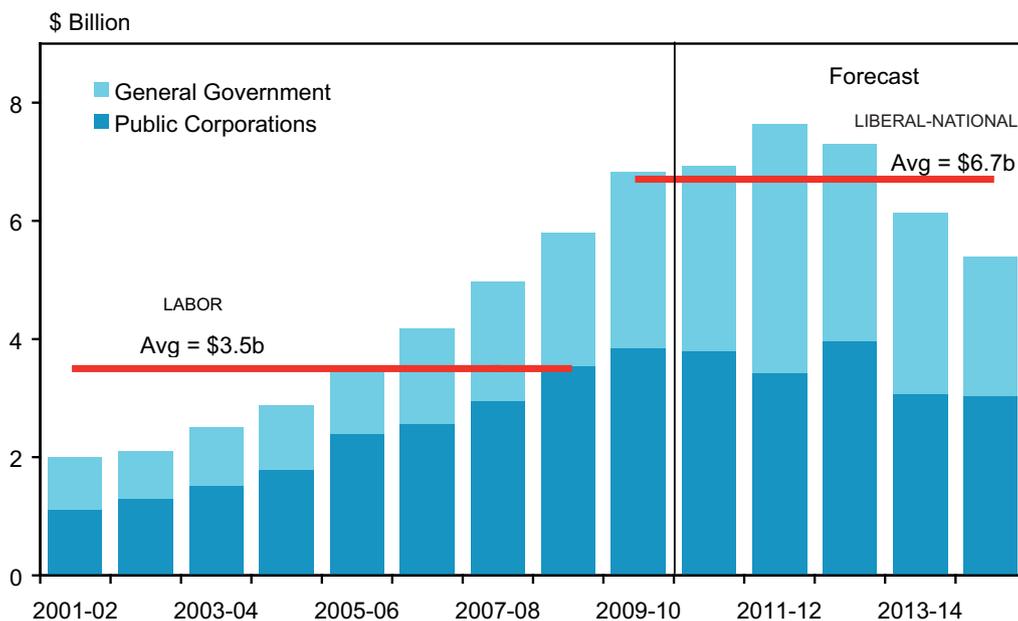
Agency	Expenses 2011-12 \$m	Increase From 2010-11 \$m	Increase From 2010-11 %
Health	6,217.6	469.7	8.2
Education	3,978.6	185.6	4.9
Police	1,130.9	44.8	4.1
Training and Workforce Development	758.3	62.5	9.0
Corrective Services	715.1	49.5	7.4
Disability Services Commission	610.8	68.6	12.6
Mental Health Commission	531.2	41.1	8.4
Child Protection	487.1	39.2	8.8
Attorney General	480.4	16.6	3.6
Environment and Conservation	349.2	31.8	10.0

Supporting Our Community (cont.)

Delivering Major Social Infrastructure for Future Generations

The State Government's investment in infrastructure (i.e. the Asset Investment Program) in 2011-12 will total \$7.6billion, up from \$6.9billion in the current financial year.

ASSET INVESTMENT PROGRAM



Transforming Our Capital City

The Liberal-National Government is using the State's strong economic and financial position to invest a mix of revenue and targeted borrowings in infrastructure that will transform Western Australia over the coming years and deliver lasting assets for future generations of Western Australians. The investments we are making today will ensure a vibrant and modern State that will continue to grow and prosper well into the future.

Central to this is the transformation of our capital city. The long awaited redevelopment of the Perth foreshore represents an important shift to a more diverse, liveable, contemporary and globally competitive city. Net of land sales revenue, the State Government will invest \$270million over the 10 year

life of this exciting project to see it finally come to fruition.

This is a project that will benefit many generations of future Western Australians and with planning under way, works will start after the Commonwealth Heads of Government Meeting (CHOGM) this year. Construction is expected to take about 30 months and this major phase of the project is due to be completed in mid-2014.

As part of the City Link project, the Government has allocated \$57million over four years to accelerate development of the City Square. This will coincide with sinking the Perth to Fremantle railway line between Perth Station and Milligan Street and the construction of a new underground bus station at a cost of \$609million.



The Government has also provided funding of \$5million in 2011-12 to allow the planning for a new museum that will contribute to the revitalisation of the Perth Cultural Centre precinct.

It is also committed to the delivery of a New Major Stadium, with \$13million in planning money allocated in the 2011-12 Budget.

Commonwealth Heads of Government Meeting

In October this year Perth will serve as the backdrop for CHOGM, to be opened by Her Majesty Queen Elizabeth II. This is arguably the biggest international event ever to be held in Western Australia.

This event will ensure Western Australia attracts international attention, with the leaders of more than 50 countries meeting to discuss global and Commonwealth issues such as international security, health, the environment and democracy.

Health Infrastructure

The Government will invest \$1.6billion in 2011-12 in health infrastructure, which includes:

- \$542million on the Fiona Stanley Hospital and \$107million on the State Rehabilitation Centre, \$94million on the Albany Health Campus, \$64million on the Joondalup Health Campus, and \$26million toward the development of the Midland Health Campus; and
- \$92million to commence construction of the \$1.2billion New Children's Hospital, located on the Queen Elizabeth II Medical Centre site, in early 2012. The hospital will have capacity for 274 beds, house the State's paediatric trauma centre, and nearly double the number of theatres that presently exist at Princess Margaret Hospital for Children.

Supporting Our Community (cont.)

This budget includes a significant down payment of \$505million in 2011-12 for the New Children's Hospital. This is funded primarily by a \$350million payment by BHP Billiton and Rio Tinto in relation to changes to State Agreement Acts in 2010, and a higher than expected surplus outcome for 2009-10.

Education

The Government will spend \$850million in 2011-12 to improve infrastructure for public schooling throughout the State.

Highlights in the 2011-12 Budget include the construction of:

- four new primary schools at East Dalyellup, Pearsall, Baynton West (Karratha) and West Byford at a total cost of \$69million, with all scheduled to open in 2013;
- Stage Two of the Karratha Senior High School (\$46million); the redevelopment of District High Schools at Dongara (\$30million), Bullsbrook (\$20million) and Exmouth (\$15million); improvements to Harvey Agricultural College (\$25million); and upgrades for student and staff accommodation at Narrogin, Cunderdin, Morawa and Denmark Agricultural Colleges (\$18million); and
- trade training centres at 14 secondary schools at a cost of \$60million.

This budget also allocates \$52million over four years from 2011-12 to expand the Government's School Air Conditioning policy to include 480 schools that were previously outside the nominated air cooling zones.





Kimberley Science and Conservation Strategy

This budget includes \$41million over four years for the implementation of the Government's Kimberley Science and Conservation Strategy. This Strategy will preserve the unique environmental and cultural values of the Kimberley, yet still allow responsible and sustainable economic development focused on providing benefits to the people of the area. Funding for the Strategy over four years includes:

- \$10million in funding for the Western Australian Marine Science Institute and an Integrated Marine Observation System, to contribute to the study of the Kimberley's marine environment;
- \$9million for the establishment and management of Eighty Mile Beach and Camden Sound Marine Parks;
- \$9million for the creation of a conservation reserve, an island conservation reserve, and additional conservation linkages across the North Kimberley through voluntary partnerships with traditional owners, pastoralists and non-government organisations;
- \$7million from *RfR* for the development and promotion of tourism corridors across the region, including the development and upgrade of camping facilities;
- \$3million for two new recreational fishing initiatives in the Kimberley and to monitor progress of the Strategy; and
- \$3million to enable geophysical and geochemical surveys of the region.

GASCOYNE

Total project spend in the Gascoyne region of \$109.1million in 2011-12, including:

- \$55.7million for continued redevelopment works on the Carnarvon Power Station
- \$16.5million on building and upgrading schools
- \$11million for the development of the Carnarvon Police and Justice Complex
- \$6.9million for seasonal service workers accommodation in Coral Bay (RfR funded)
- \$3.6million for the new Ambulatory Care Facility at Exmouth Hospital

KIMBERLEY

Total project spend in the Kimberley region of \$301.6million in 2011-12, including:

- \$117.5million under RfR for the Ord River Scheme Stage 2
- \$47.7million for continued construction of the West Kimberley Regional Prison
- \$45.4million on building and upgrading schools
- \$18.9million for improvements to the Broome Boating Facility

PERTH METRO AREA

North Metropolitan

Total project spend in the Perth Metropolitan North region of \$1.3billion in 2011-12, including:

- \$429.4million on health services
- \$111.4million on building and upgrading schools
- \$77.7million for Perth City Link
- \$53.2million for the Perth Waterfront Project
- \$42million on upgrades and improvements to Fremantle Port
- \$38.4million for the Perry Lakes Redevelopment project
- \$35.9million on various water supply and wastewater projects
- \$28.3million for Riverside Redevelopment works and land acquisition activities
- \$12.5million for construction of the new State Netball Centre

South Metropolitan

Total project spend in the Perth Metropolitan South region of \$1billion in 2011-12, including:

- \$655.5million on health services
- \$100.9million on upgrading and building new schools

- \$73.9million on road improvement works
- \$64million on upgrades and improvements to Fremantle Port
- \$16.4million for completion of the FESA Services Complex in Cockburn
- \$6million on redevelopment of the Rockingham campus of Challenger Institute of Technology

East Metropolitan

Total project spend in the Perth Metropolitan East region of \$619.9million in 2011-12, including:

- \$196.8million on road projects
- \$140.6million on building and upgrading schools
- \$102.4million for the Mundaring Water Treatment Plant
- \$30.2million to commence the Smart Grid Trial
- \$26.4million to commence the development of the Midland Health Campus
- \$18.8million to complete accommodation works at Banksia Hill Detention Centre

PEEL

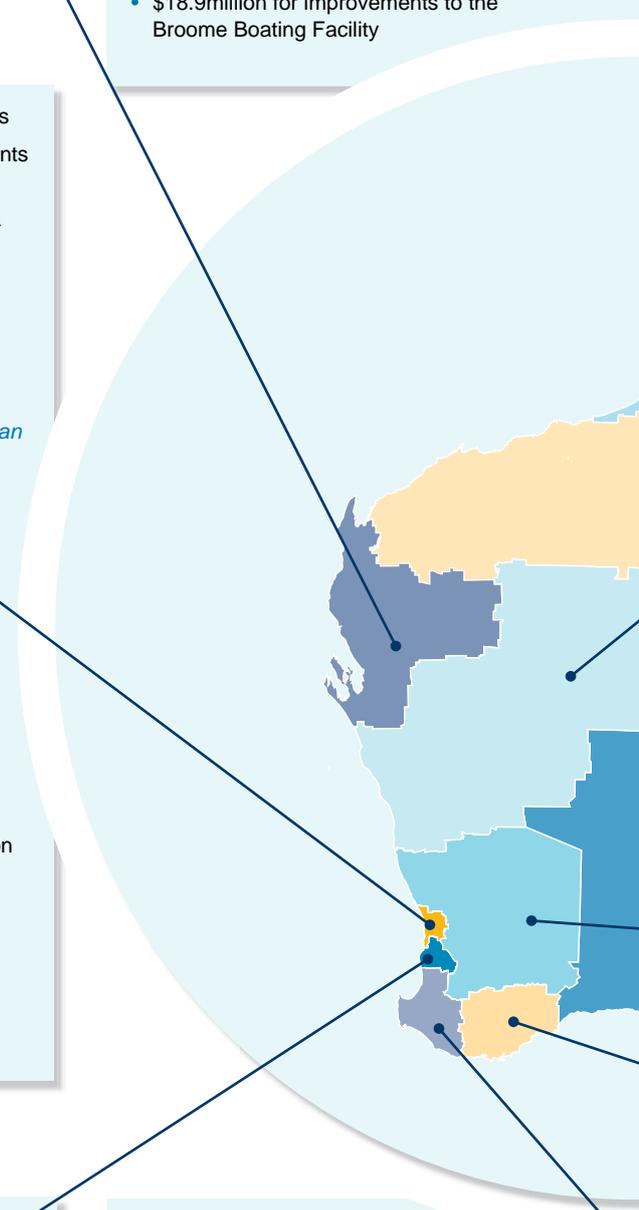
Total project spend in the Peel region of \$35.5million in 2011-12, including:

- \$26.4million on building and upgrading schools
- \$3.1million for completion of upgrades to Water Corporation's monitoring and control systems in Mandurah
- \$2.5million to connect Ravenswood Pumping Station to North Dandalup Pumping Station
- \$1million for works to assist the continued construction of the Mandurah Entrance Road

SOUTH WEST

Total project spend in the South West region of \$516.5million in 2011-12, including:

- \$113million for completion of Southern Seawater Desalination Plant
- \$62.5million on building and upgrading schools
- \$52.6million for continuing improvements to the Perth to Bunbury Highway
- \$45.2million for continuing work on the Muja Power Station
- \$22million for continued construction of the Busselton Wastewater Treatment Plant



Western Australians

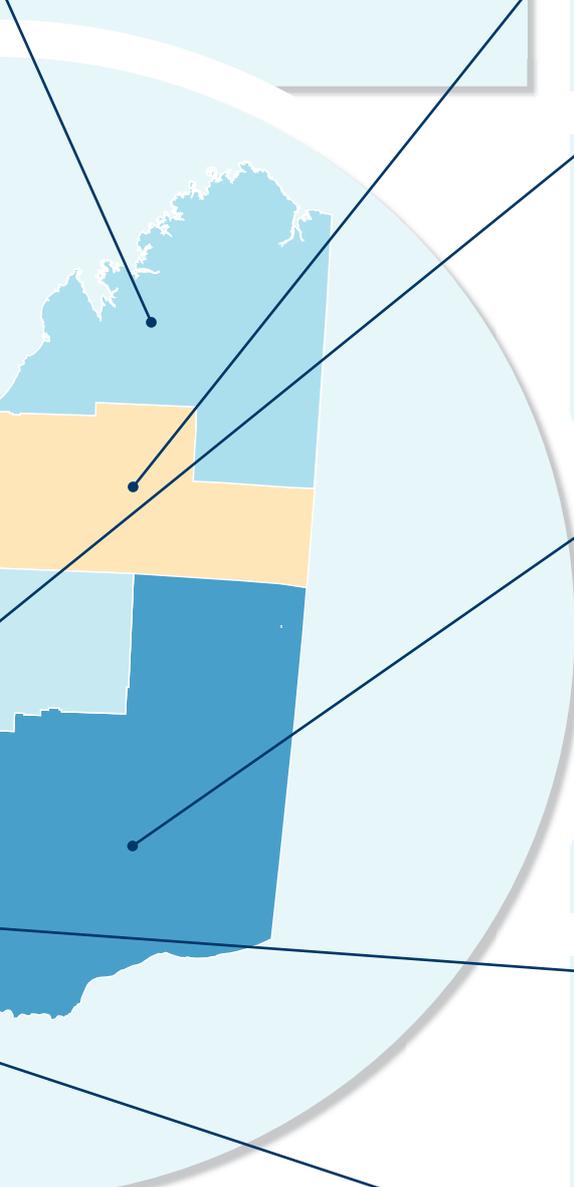
- \$8.2million for continuing work on the Kununurra Courthouse
- \$5.9million for completion of upgrades to the Wyndham Port Facility
- \$5.3million for ongoing work on the Fitzroy Crossing Police Station
- \$4million for ongoing work on the acute inpatient mental health unit at Broome Regional Resource Centre

PILBARA

Total project spend in the Pilbara region of \$344.6million in 2011-12, including:

- \$84.3million for various water supply and wastewater initiatives
- \$60.5million for works on the Pilbara Underground Power Project
- \$57.7million on building and upgrading schools
- \$50million for continued construction of dualling the Dampier Highway

- \$49.9million for reconfiguration works on the Great Northern Highway in Port Hedland
- \$9million to complete a pilot study on the provision of essential services to Jigalong
- \$7million on various works within Port Hedland Port
- \$4.5million to commence upgrades to the Pundulumurra TAFE Campus



MID WEST

Total project spend in the Mid West region of \$69.3million in 2011-12, including:

- \$36.4million on building and upgrading schools
- \$5.3million to complete construction works on the 3 ML water storage tank at White Peak

- \$4.2million for construction works on the Mount Magnet Police Station
- \$4million to increase the transfer rate of the Nanson Road and Hall Road tanks in the Geraldton region

GOLDFIELDS-ESPERANCE

Total project spend in the Goldfields-Esperance region of \$136.8million in 2011-12, including:

- \$30million for continuing upgrades to Kalgoorlie Court
- \$25million for Esperance Port access to the Coolgardie to Esperance Highway
- \$20million for continuing upgrades to the Kalgoorlie Health Campus
- \$17.9million for ongoing safety improvements to power services in Esperance

- \$12million for Esperance Residential College
- \$8.6million for ongoing improvements to schools and trade centres
- \$8.1million for maintenance of water supply schemes
- \$3million for completion of the Work Camp in Warburton
- \$2.4million for the Volunteer Fire and Rescue Service Fire Station in Kambalda

WHEATBELT

Total project spend in the Wheatbelt region of \$58.7million in 2011-12, including:

- \$7.4million from RfR for redevelopment of Merredin Residential College
- \$6.6million of RfR funds for education in the Merredin area

- \$6.5million to complete Indian Ocean Drive from Lancelin to Cervantes
- \$5.7million for completion of the Trade Training Centre at WA College of Agriculture in Narrogin
- \$5.6million for student and staff accommodation upgrades at agricultural colleges

- \$16million for continuing work on Bridgetown Town Water Supply
- \$13.4million for ongoing work on the South West Regional College of TAFE – Bunbury
- \$11.5million to commence construction on the Critical Care Unit at South West Health Campus
- \$10.6million for continuing work on Bunbury Waterfront
- \$9million for planning and early development works for the Busselton Health Campus
- \$7.4million for continuing work on the Wellington Dam turnoff to the Coalfields Highway

GREAT SOUTHERN

Total project spend in the Great Southern region of \$162.7million in 2011-12, including:

- \$94.2million for ongoing construction of the Albany Health Campus
- \$25.5million on building and upgrading schools

- \$21.3million for completion of the Grasmere Wind Farm
- \$20million from RfR for the South West Gas Pipeline corridor
- \$15.8million for various water supply works

Building the State

Investing Now to Keep the Growth Going into the Future

With strong population growth and a massive pipeline of investment activity over the next few years, it is vital the State Government uses Western Australia's strong economic position to invest revenue and targeted borrowings to keep the growth going.

Delivering Improved Transport Services

With the transformation of our capital city, demand for public transport services will continue to increase into the future. In order to address crowding and increase the efficiency of services, the Government has taken action by committing significant additional funding for new trains, new buses and bus services.

The Government has provided \$164million over five years to purchase an additional 15 three-car train sets. Once operational, they will have the capacity to carry an additional 8,400 passengers at any time in peak periods.

The Government has also committed \$40million to purchase an additional 78 buses over the next four years, and will spend a further \$134million to provide more frequent, accessible bus services.

Importantly we have invested \$46million in the budget during 2011-12 to continue construction of the Northern Suburbs rail extension to Butler.

Improving Our Roads

The Liberal-National Government will spend \$1.2billion on Western Australia's road system in 2011-12.

Significantly, the Government will spend \$30million over the next two years to widen the Mitchell Freeway between Hepburn Avenue and Hodges Drive. The Freeway's northbound lanes will be widened from two to three, increasing capacity to meet the existing and forecast traffic demand, and reduce congestion.





Additional Training Places

This budget provides \$33million in 2011-12 to respond to unmet training demand with an extra 12,000 training places.

This initiative will result in a 25 per cent increase in the total number of training places from 134,000 in 2008 to 168,000 in 2011, providing the skills required to meet growing industry demand.

Further, *RfR* will invest \$136million over four years to 2014-15 to develop skills and training facilities in regional Western Australia (see also the *RfR* section of this Overview).

Skilled Migration Strategy

The Government is pursuing a strategy of skilled migration to fill jobs that are beyond the capacity of the local workforce. Funding of \$4million has been allocated over four years from 2011-12 for the processing of applications for State sponsorship of migrants for occupations in demand.

South West Gas Pipeline

Options are currently being assessed for the provision of natural gas through the construction of a transmission pipeline from Bunbury, via Manjimup to Albany. A decision on the preferred procurement option is expected later in 2011.

The approval and land assembly phase of the project has begun under the guidance of the Department of Regional Development and Lands. The Government has allocated \$20million from the *RfR* program for acquisition of land in the South West Gas Pipeline corridor.

Building the State (cont.)

Energy

Investment in energy infrastructure will total \$4.2billion over the next four years, with \$1.3billion in 2011-12. Key initiatives include:

- more than \$1billion on transmission and distribution capacity within Western Power and Horizon Power networks to support growth and improve reliability and safety. This includes the ongoing State and Pilbara Underground Power projects;
- ongoing construction of a new power station at Carnarvon, at a total cost of \$80million, with completion scheduled for 2013-14;
- completion of construction at the Kwinana Power Station of two high efficiency gas turbines with total capacity of 200 MW at a total cost of \$263million; and
- completion of the \$38million Grasmere Wind Farm in 2011-12. Its 14 MW capacity will augment that of the existing Albany Wind Farm to meet around 80 per cent of Albany's electricity needs from renewable energy.

Water

The Government will invest \$861million in 2011-12 in water and wastewater projects to meet the needs of industry and the community as part of a \$3.6billion program over the next four years.

The most notable project is the \$955million Southern Seawater Desalination Plant at Binningup, with \$113million to be spent in 2011-12. The plant will produce 50 GL of drinking water annually, with capacity for its output to ultimately double. Commissioning of the plant, which is expected to be fully operational towards the end of 2011, has commenced.

The Water Corporation will also spend \$10million over the next two years to extend the infill sewerage program in regional areas.

Events Funding

To expand Western Australia's events calendar, this budget allocates an additional \$60million over the next four years to Tourism WA, including \$40million from *RfR*. When combined with existing events funding, this means the Government will spend an unprecedented \$30million per year over the next four years to secure and manage existing and new events, in both the metropolitan and regional areas of the State.





Increased Accountability through Disciplined Financial Management

Operating surpluses will be generated in 2011-12 and each of the out years. While significant, these surpluses will not sufficiently fund the Government's critical infrastructure investments, which total \$26.5 billion over the next four years, including \$7.6 billion in 2011-12.

With the reality of a rapidly declining share of GST revenue, total public sector net debt is projected to rise to \$22.4 billion by 30 June 2015. The Government has made a conscious and correct decision to combine surpluses, invest savings and target borrowings that allow necessary infrastructure investment at this time.

The Western Australian economy is robust and the predicted level of investment, even without making provision for a fairer distribution of the GST system that we rightfully expect in the out years, represents an affordable level of debt that is consistent with the State's triple-A credit rating.

Strong Financial Management

To ensure the State's net debt levels remain affordable and consistent with a triple-A credit rating, this budget includes a \$3.5 billion package of measures to decrease the borrowing component of continuing the State's social and economic infrastructure program, including:

- a phased increase in the royalty rate applying to iron ore 'fines', rising from the current rate of 5.625 per cent to 6.5 per cent from 1 July 2012 and then to 7.5 per cent from 1 July 2013, equal to the rate on 'lump' iron ore. It is envisaged that the additional revenue from this measure over the forward estimates period, estimated at \$1.9 billion, will be quarantined for debt reduction purposes;



- a 5 per cent efficiency dividend on the discretionary operating expenditure of government trading enterprises from 1 July 2011. This is expected to reduce net debt by \$515 million over the next four years;
- further savings of \$300 million over the period 2012-13 to 2014-15 to be achieved through a targeted review of specific programs and activities that are not delivering the Government's priorities; and
- deferral of infrastructure spending on the West Pilbara Desalination Plant and the realignment of cashflows for the Eastern Goldfields Regional Prison to better reflect expected project timelines, which will save \$541 million in net debt over the four years to 2014-15.

This budget also funds a third round of voluntary separations for up to 400 employees, which is expected to realise annual savings of \$15 million. This will bring the total number of voluntary separations since the Government came to office to over 1,200, resulting in full-year savings of \$57 million per annum.

Building the State (cont.)

In response to the much higher than expected uptake of the feed-in power tariff scheme, which has increased by 200 per cent more than initial forecasts and resulted in a \$123 million increase in the scheme's cost, the Government will reduce the feed-in tariff rate from 40c to 20c per kWh. This decision ensures the scheme remains sustainable in the long term.

The above measures not only enable the delivery of the economic and social infrastructure that Western Australians need and deserve, but build on the State Government's disciplined and accountable financial management.

Fees and Charges

The costs of generating and delivering electricity need to be paid for. Either users pay for the electricity they consume directly through the price on their bills, or those same consumers pay indirectly by their taxes being used to subsidise the gap between the price they pay on their bills and the actual cost.

Ultimately, massive taxpayer subsidies mean massive opportunity costs as billions of dollars going to electricity utilities cannot be spent on health, education, and law and order.

KEY BUDGET AGGREGATES

	2010-11 Estimated Actual	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
General Government Sector					
Revenue (\$m)	23,764	25,233	26,232	27,209	28,202
Growth (%)	7.8	6.2	4.0	3.7	3.7
Expenses (\$m)	22,980	24,791	25,464	26,422	27,732
Growth (%)	8.4	7.9	2.7	3.8	5.0
Net Operating Balance (\$m)	784	442	768	787	471
Total Public Sector					
Cash Position (\$m)	-3,763	-3,944	-2,534	-1,425	-852
Net Debt at 30 June (\$m)	13,387	17,291	19,959	21,451	22,441
Asset Investment Program (\$m)	6,936	7,638	7,303	6,129	5,401
Total Non-Financial Public Sector					
Net Interest Costs as a Share of Revenue (%)	2.1	2.4	2.8	2.9	3.0
Net Financial Liabilities as a Share of Revenue (%)	60.6	67.3	70.8	71.1	69.6



Knowing this, the Government took the difficult and unpopular decision to reverse years of no price increases and get prices at least within sight of the costs of generation and delivery.

Undoubtedly, this decision caused households pain and it is in recognition of these difficulties that from 1 July 2011, electricity tariffs for residential customers will increase by only 5 per cent.

Despite tariff increases over the past two years, taxpayers will still be paying for an operating subsidy of \$1.1 billion to Synergy and Horizon Power over the next four years.

Water Corporation charges for a standard residential consumer will increase by a total of 8.5 per cent from 1 July 2011.

Other than water consumption charges, the fixed charge for water supply and wastewater and drainage charges have all been held to around the rate of inflation or lower. The benefit of such pricing policies in recent years is evident in the reduced consumption of water in a standard household, which now consumes around 270 kL per annum, compared with 300 kL per annum two years ago.



Building the State (cont.)

Only by making strong decisions can we send the right pricing signals and ensure we have the funds necessary to invest in the State's water infrastructure. Even with these decisions, operating subsidies and concessions will be needed to ensure water remains affordable for pensioners and regional Western Australians. These subsidies and concessions are expected to total almost \$1.7billion over the next four years.

Overall, the standard 'basket' of tariffs, fees and charges is expected to increase by only 4.6 per cent in 2011-12 for the representative household.

There will be no increase in 2011-12 in:

- driver's licence fees;
- compulsory third party insurance premiums, which remain the lowest in the nation;
- motor vehicle recording fees;
- Transperth 50 cent student fares; or
- stamp duty rates on insurance premiums.





Economic Outlook

The Western Australian economy is expanding at a stable pace. Conditions in the State's resources sector are particularly strong, with robust demand from emerging economies and high commodity prices creating a substantial pipeline of investment activity.

Investment is being led by construction of the \$43billion Gorgon Liquefied Natural Gas (LNG) project, as well as several iron ore developments in the Pilbara and Mid West. Investment in these projects will underpin growth in the State's economy in 2011-12 and 2012-13, before exports become the major driver of growth towards the end of the budget period. With Western Australia already accounting for around 45 per cent of national merchandise exports, this will reinforce the State's status as Australia's export powerhouse.

Conditions in the household sector are also expected to strengthen over the budget period, supported by improving conditions in the labour market.

Overall, the Western Australian economy is forecast to grow by 4.5 per cent in 2011-12, following estimated growth of 4 per cent in 2010-11. In the out years, growth is projected at 4 per cent per annum, which is broadly consistent with the long-run trend rate of growth in the Western Australian economy. This reflects a number of factors, including expectations of moderating growth in the working age population and a projected moderation in business investment after several years of exceptional growth.

Western Australia's labour market is expected to remain strong over the budget period. The unemployment rate is forecast to fall from 4.5 per cent in 2011-12, to 4 per cent by 2014-15.

KEY ECONOMIC FORECASTS ANNUAL GROWTH (%)

	2010-11 Estimated Actual	2011-12 Budget Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate
Gross State Product (GSP)	4.0	4.5	4.0	4.0	4.0
Gross State Income (GSI)	14.5	2.75	0.25	0.25	-0.25
Employment	3.0	2.5	2.5	2.25	2.0
Unemployment rate ^(a)	4.5	4.5	4.25	4.25	4.0
Consumer Price Index (CPI)	2.75	3.0	3.25	3.25	3.25
Wage Price Index (WPI)	4.0	4.25	4.5	4.5	4.5
Population	2.3	2.2	2.2	2.1	2.1

^(a) Average rate over the year.

Royalties for Regions

The *Royalties for Regions Act 2009* authorised the establishment of the Royalties for Regions Fund, which is used to promote and facilitate economic, business and social development in regional Western Australia.

The Fund will receive \$1.2billion in 2011-12, being 25 per cent of forecast royalty revenue of \$4.8billion.

Regional Health Investment

RfR will contribute \$134million in 2011-12 to regional health priorities including \$49million to the new Southern Inland Health Initiative (SIHI), which will receive \$565million of *RfR* funding over the five years to 2015-16.

The SIHI will be delivered through six programs, four of which focus on investment in district medical workforces (including incentive plans to attract more doctors), district hospitals, telehealth, and regional aged and dementia care. The remaining programs are the Primary Health Centres Demonstration Program and the Small Hospital and Nursing Post Refurbishment Program.

Other *RfR* funding for regional health infrastructure in 2011-12 includes \$41million for the development of Kalgoorlie, Albany and Esperance Hospitals, and the Busselton Health Campus. Hospital and health funding for the Carnarvon and Nickol Bay Hospitals, Exmouth clinic and the new Karratha Health Campus will continue in 2011-12 with an allocation of \$9million.

A further \$20million will be allocated in 2011-12 to improve services through the Patient Assisted Travel Scheme, Royal Flying Doctor Service, Rural Generalist Pathways and St John Ambulance.

Regional Education

As part of a \$100million Regional Schools Plan announced in 2009-10, \$45million will be invested in 2011-12 to upgrade the Esperance Primary, Derby and Denmark District High Schools, and senior high schools in Broome, Hedland, Karratha, Pinjarra, Merredin, Northam, and Narrogin and in the out years, to Collie, Katanning and Carnarvon.

Another \$52million will be invested from 2010-11 to 2013-14 to upgrade regional residential colleges, with \$19million allocated in 2011-12 to begin upgrading Esperance and Merredin Residential Colleges.





Regional Skills and Training

Over the four years to 2014-15, *RfR* will provide funding of \$136million to develop skills and training facilities in the regions, with \$54million allocated in 2011-12. \$25million will be allocated over the next three years for the establishment of work camps, including one at Gnowangerup, as well as upgrades to existing work camps.

Water and Natural Resource Management Initiatives

RfR funding of \$23million has been allocated in 2011-12 for initiatives to address natural resource management issues and water resource use and planning. These initiatives will have a strategic focus to deliver greater access to information around water availability supply options, as well as managing water supply demands for future economic development.

A key initiative will be development of the capacity and reliability of the Gascoyne Food Bowl at Carnarvon, including a flood mitigation response.

Regional Centres Development Plan (SuperTowns)

This is a *RfR* initiative to encourage communities located in the southern half of Western Australia to plan and prepare for a predicted population expansion over the next 40 years. \$86million has been allocated to this initiative for 2011-12.

This funding will be used to encourage regional communities to plan and implement projects that cater for and drive population expansion and stimulate economic growth.

Towns will be nominated for the program through Regional Development Commissions in conjunction with local government and will be guided through



a steering group and local community reference groups. Planning and implementation of the program will align with the Western Australian Planning Commission's State and regional planning frameworks.

Aboriginal Initiatives

RfR funding of \$58million in 2011-12 and a total of \$163million from 2010-11 to 2014-15 will be applied to a range of initiatives for Aboriginal people. Projects include:

- Regional Youth Justice Strategy Kimberley and Pilbara Expansion;
- Clontarf Colleges;
- WA Indigenous Tourism Operators Committee;
- Aboriginal Justice Education Program;
- Aboriginal Community Emergency Response Fund;
- Northwest Drug and Alcohol Support Program;

Royalties for Regions (cont.)

- Improving Water Quality in Remote Aboriginal Communities;
- Governance and Leadership Development Program;
- Indigenous Visitor Hostels; and
- Jigalong Essential Services Pilot.

Aboriginal Justice Education Program

\$9million of *RfR* funding has been allocated over the next three years towards the Aboriginal Justice Education Program. The key components of the Program are Enhancement of Victims of Crime Services (\$3million) and Enhanced Driver Training for Regional Indigenous Communities (\$6million).



Mid West

The Mid West Investment Plan is a new initiative delivering \$220million of *RfR* funding over the four years to 2014-15 to implement major infrastructure projects and initiatives in the Mid West.

A total of \$40million has been allocated in 2011-12 to commence projects identified through local government, community stakeholder groups, the Mid West Development Commission and the Department of Regional Development and Lands. Projects include key infrastructure and housing initiatives, town enhancement/revitalisation and community development.

Pilbara Cities

The Pilbara Cities program will transform communities across the Pilbara region and underpin private sector investment to develop Karratha and Port Hedland into major cities of 50,000 residents or more. The program is investing in land release, affordable housing, and economic partnerships with traditional owner groups. A total of \$147million of *RfR* funding has been allocated to the program in 2011-12.

Two new projects to commence in 2011-12 include funding of \$2million to undertake investigations and planning work for the Karratha to Wickham Coast road, and \$5million towards planning for a Pilbara Maritime Common Use Support Facility.

Gascoyne

RfR has committed \$175million from 2010-11 to 2014-15 for the Gascoyne Revitalisation. In 2011-12, \$68million will be invested in the Exmouth CBD and Foreshore Revitalisation, Exmouth Clinic,



Tantabiddi Boat Ramp, Gascoyne Junction Town Centre and Tourism Facilities, Shark Bay Community Sport and Recreation Centre, Coral Bay Seasonal Staff Accommodation, and Gascoyne Irrigation Pipeline.

In Carnarvon, funds will be provided for planning for the Fascine Redevelopment, Library and Art Centre, Police and Justice Complex, Hospital, Boat Ramp and waterfront development.

Kimberley

The Ord-East Kimberley Expansion Project is a State Government election commitment. Phase 1 of the project is almost complete and will deliver 19km of irrigation channel and 14km of road to support up to 8,000 hectares of new irrigated farm land. The project is jointly funded by the State and Commonwealth Governments, with *RfR* providing \$122million of funding in 2011-12.

RfR funding in 2011-12 for other key projects in the Kimberley includes \$19million for the Broome Small Boat Facility and \$8million for the Kununurra Courthouse project.

Country Local Government Fund

In 2011-12, *RfR* has allocated \$152million to the Country Local Government Fund, and funding has been extended for a further year to 2014-15. \$92million has been allocated to individual country local governments towards the cost of implementing their forward capital works plans and \$54million will be allocated to groups of country local governments to invest in regionally significant infrastructure projects, developed with the support of Regional Development Commissions.



A further \$2million will be provided to the Department of Local Government to deliver complementary capacity building initiatives, with a particular focus on strategic and asset management planning, and \$4million will be used to assist those local governments that have elected to amalgamate.

Country Age Pension Fuel Card

RfR funding for the Country Age Pension Fuel Card will continue in 2011-12 with an allocation of \$26million. Following expansion of eligibility criteria in 2010-11, 43,000 Fuel Cards have now been issued to country pensioners to help them cope with travel costs and improve their quality of life.

Exploration Incentive Scheme

RfR will provide additional funding of \$21million over the next three years to the Exploration Incentive Scheme to allow for the expansion of the Scheme to include a new project to 'kick start' exploration and production of unconventional energy sources. This includes shale gas, tight gas and geothermal energy to bring these benefits to regional communities.

Royalties for Regions (cont.)

Regional Events Program

RfR will allocate \$40million over the next four years to facilitate and raise the profile of regional events. The funding will assist regional communities to develop, attract and market major events.

Kimberley Science and Conservation Strategy

RfR funding of \$7million will be provided over the next four years toward implementation of tourism initiatives identified in this Strategy. These include the identification and development of nature-based and cultural tourism opportunities including the

expansion and promotion of the Ibis aerial highway and the development and promotion of tourism corridors.

Regional Workers Incentive

RfR has already allocated \$107million from 2010-11 to 2013-14 for this incentive, and additional funding of \$31million will be allocated for 2014-15. This will provide increased district allowances for public sector workers in regional Western Australia as part of the process to attract and retain workers who provide essential government services.

Marine Parks Management

RfR funding of \$16million has been allocated over four years for the establishment of two new marine parks in the South West (Capes Marine Park) and Pilbara (Dampier Archipelago). The funding will be provided to the Department of Environment and Conservation (\$11million) and the Department of Fisheries (\$5million) to develop management plans and provide education and visitor information, and opportunities for engagement with Indigenous people.

Living Lakes

RfR will allocate \$1.4million in 2011-12 to develop innovative options for enhancing inland lakes and water bodies. An initial \$200,000 was allocated in 2010-11.

The Living Lakes initiative will transform selected inland lake and degraded creek and river systems into permanent waterways for recreation, tourism and commercial purposes.





Budget 2011-12 Overview