

**Speech by**

**Hon Ben Wyatt MLA**

**Treasurer; Minister for Finance; Aboriginal Affairs; Lands**

**Thursday 8 October 2020**

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

**INTRODUCTION**

Today, I am honoured to deliver the McGowan Labor Government's fourth Budget and the last of this term of Government.

Like all Budgets around Australia, the focus of the 2020-21 Budget is on the response to the COVID-19 pandemic. It is a crisis like no other that we have experienced in our lifetimes.

It has had a disastrous impact, not only on public health – with millions of cases worldwide and over a million people losing their lives – but also terrible economic consequences. Entire economies have been forced to shut down to stem the spread of the virus and millions of people have lost their jobs.

Responding to the COVID-19 pandemic has been the toughest challenge we have faced.

The decision to implement restrictions to stop the spread of the coronavirus, impacting thousands of businesses and tens of thousands of Western Australians, was very difficult. Unfortunately, some parts of our economy continue to be affected.

I am incredibly proud of the response and discipline of Western Australians. Our efforts to adhere to physical distancing restrictions prevented a more catastrophic impact that we have seen elsewhere. As international examples have shown, the best economic response is to control the spread of the virus in our community. It is critical that we remain vigilant to the ongoing risk presented by COVID-19.

Our hard border has proven to be our best defence against community spread and to avoid the need to reimpose restrictions. It has allowed our economy to reopen faster and to a greater degree than any other State, and given households and businesses the confidence to go about their normal lives. Our collective determination to maintain the hard border based on the expert health advice, has stopped others seeking to pull it down.

Central to the 2020-21 Budget is the WA Recovery Plan, the McGowan Government's comprehensive response to the pandemic. It has ensured our frontline services are well-resourced to respond to the virus, delivered support to Western Australian households, businesses and community groups, and provided a wide-ranging strategy to drive economic and social recovery across the State. Our focus has been, and will continue to be, on keeping Western Australians in work and providing new opportunities to gain work. A job, a career, is central to a healthy productive life and this is our focus and the focus of the WA Recovery Plan.

The 2020-21 Budget continues to deliver on the McGowan Government's priorities including providing cost of living relief to households; training our citizens; keeping our communities safe; supporting those who are vulnerable; improving essential services; and delivering quality infrastructure including roads, ports and our METRONET public transport system.

## **ECONOMIC OUTLOOK**

Mr Speaker, prior to the impact of COVID-19, the Western Australian economy was building momentum. Our domestic economy was growing at its fastest rate in seven years. Western Australian businesses were the most confident in the nation, and business investment was accelerating. The McGowan Government had overseen the creation of 77,000 new jobs and unemployment had fallen to its lowest level in nearly five years.

The COVID-19 pandemic brought this growth to an abrupt halt, causing an unprecedented economic shock. Our domestic economy contracted by 6% in the June quarter, the largest quarterly decline on record. Some 103,000 Western Australians lost their jobs in the three months to May 2020. Consumer and business confidence fell to record lows and businesses were severely impacted.

As I noted earlier, the economic impact of COVID-19 would have been far greater if not for the efforts of Western Australians. The continued operation of the resources industry supported both the Western Australian and national economies, with the construction of new mines and export production continuing strongly.

Our economy has fared much better than most. As we have seen, countries with more severe COVID-19 outbreaks have also experienced much greater economic damage. For example, in the June quarter the US economy contracted by 9%, the euro area declined by 11.8% and the UK economy contracted by a staggering 19.8%. This highlights the importance of keeping COVID-19 out of our State, not only from a public health perspective, but also to protect our economy.

Remarkably, despite the unprecedented economic shock in the June quarter, our domestic economy still grew by 1.1% in 2019-20. Western Australia was the only State to achieve annual growth, highlighting our economy's strength prior to the crisis.

Encouragingly, despite the contraction in the June quarter, our economy is bouncing back solidly. Business and consumer confidence in Western Australia have rebounded to pre-COVID levels. Since restrictions have been eased, over 70% of jobs lost and almost 90% of the reduction in aggregate hours worked have been restored. Leading indicators of employment such as job advertisements and payroll data suggest continued improvement. Recent retail trade data has shown the fastest rate of growth in annual terms in seven years. But we have more work to do to return every Western Australian who wants a job back into a job.

Treasury's early modelling provided in the Economic and Fiscal Update in May had forecast Gross State Product would contract by 3.1% in 2020-21. I am pleased to report that our GSP is now expected to grow by 1.25%, with continued growth across the next four years. However, economic growth is still projected to be significantly weaker than anticipated at the 2019-20 Mid-year Review, given the ongoing national and international impact of the pandemic and the fallout from the restrictions.

Over the next two years, government expenditure and investment, including the McGowan Government's Recovery Plan and record infrastructure spending, will play an important role in supporting our economy. Recovery in consumption and accelerating business investment are then expected to take over as the drivers of growth.

Growth in the State's population had been strengthening prior to the onset of COVID-19. However, the closure of international borders will result in a sharp fall in net overseas migration, which is typically the largest driver of population growth. International migration is not assumed to rebound until 2022-23, resulting in weak population growth by historical standards. This is also expected to weigh on economic growth over the forward estimates period.

Unemployment has been forecast to average 8% in 2020-21 before gradually reducing over time. I am pleased to see that following the finalisation of Treasury's forecasts, the unemployment rate has already fallen faster than expected, declining to 7% in August, with a record 32,200 increase in employment in that month.

Further volatility is expected as Commonwealth stimulus measures such as JobKeeper and the boost to JobSeeker are unwound. History has taught us that, at these points of global disruption, jobs are quick to be lost and take a long time to return. Hence, the McGowan Government's number one priority is getting Western Australians back to work as soon as possible.

It is important to note that forecasts remain highly uncertain given the ongoing risk of the COVID-19 pandemic to the global, national and State economies. Treasury also warn that a second wave of COVID-19 in Western Australia, similar to that experienced in Victoria, could propel our domestic economy into a deep and damaging recession.

## **REFOCUSED FISCAL STRATEGY**

Mr Speaker, Western Australians elected the McGowan Government to fix the State's finances after the mess left by the previous Liberal-National Government.

To this end, the McGowan Government's financial targets and focus in its first three years had been on returning the Budget to surplus. This was essential to not only fund asset investment but to pay down debt.

As I have said many times before, building financial capacity in the Budget is also essential to be able to respond to crises as they emerge.

In 2018-19 the McGowan Government successfully returned the Budget to surplus for the first time in five years. Prior to COVID-19, a surplus of \$2.4 billion was recorded for the first nine-months of 2019-20. By 31 March 2020, net debt was a massive \$9 billion lower than projected when the previous Liberal-National Government left office.

In response to the impact of COVID-19 and its ongoing effects, the McGowan Government's fiscal strategy and targets have been redirected from paying down the debt left by the previous Liberal-National Government, to supporting our economy and creating a pipeline of jobs for Western Australians. The change in fiscal strategy supports a similar recalibration by the Commonwealth Government in response to the COVID-19 pandemic.

Expenditure has increased by \$4.9 billion relative to the Mid-year Review, underpinned by an increase in COVID-19 related spending. Revenue has been revised down by \$1.7 billion as a result of COVID-19 relief measures, lower taxation income and lower GST-related grants. These were partially offset by higher royalties.

Increased expenditure and lower revenue have reduced net operating surpluses by \$6.6 billion since the Mid-year Review. The projected surplus in 2020-21 has been cut from \$2.7 billion to \$1.2 billion.

Rather than utilising net operating surpluses to pay down debt, every cent of the Government's surplus positions will be spent on a record \$27.1 billion infrastructure investment program to support our economy and Western Australian jobs, including an increase of almost 50% in 2020-21 from last financial year. The infrastructure program includes the largest ever investment in regional Western Australia, totalling \$7.5 billion over the next four years.

In 2020-21 alone, general government expenditure and infrastructure investment will increase by a projected \$4.8 billion – a very substantial lift in fiscal support for our economy.

Significantly lower operating surpluses and record infrastructure spending will result in the need for additional borrowings, with net debt projected to rise by \$8.3 billion to 30 June 2023 relative to the Mid-year Review. While a necessary and unavoidable projected increase, this level of debt remains sustainable, with net debt as a share of our economy to rise modestly.

## WA RECOVERY PLAN

Mr Speaker, the McGowan Government's WA Recovery Plan provides a comprehensive strategy and unprecedented \$5.5 billion investment to support Western Australia through the COVID-19 pandemic and drive our economic and social recovery. As I said previously, it is all about getting Western Australia back to work by providing our people with jobs or the opportunity to reskill into new jobs.

The 2020-21 Budget contains over 500 recovery initiatives across 21 priority streams from boosting local manufacturing to investing in new technologies, reskilling our workforce, investing in schools, hospitals and community infrastructure, revitalising culture and the arts, and investing in tourism.

The WA Recovery Plan incorporates almost \$2.8 billion in immediate support and stimulus measures comprising:

- \$943 million to support local businesses, including the \$2,500 small business electricity tariff offset; \$17,500 grants and a four-month waiver of payroll tax for small and medium-sized payroll tax-paying businesses; and the waiver of a wide range of business licence fees;
- \$556 million of support for households, including freezing household fees and charges, plus passing on lower gross rental value-related charges, and a one-off doubling of the Energy Assistance Payment to vulnerable households;
- \$453 million to ensure our health and other frontline services are well-resourced to respond to COVID-19;
- \$159 million for not-for-profit sports, arts and community groups, and crisis care through the Lotterywest COVID-19 Relief Fund; and
- \$475 million in support for the housing construction industry.

The housing construction sector had faced a cliff in its pipeline of work. However, the McGowan Government's \$20,000 Building Bonus grants, in addition to support from the Commonwealth, have resulted in a surge in activity. This has secured the jobs of some 65,000 Western Australians employed in the industry. An additional \$30 million on top of the initial \$117 million has been committed, given strong demand for the grants.

In addition, the McGowan Government has committed a further \$319 million towards social housing, which not only supports jobs in the housing construction sector, but importantly, provides homes to hundreds of vulnerable Western Australian families.

Some of the large items of the Recovery Plan aimed at supporting and stimulating the economy and creating jobs include:

- \$492 million for new schools and school improvements across the State;
- \$330 million to improve opportunities for industry, including port upgrades and investments in our defence industry;

- \$300 million for new and upgraded sports, community and cultural facilities;
- \$266 million on road and other transport-related infrastructure, which will stimulate the economy and connect communities across WA;
- around \$230 million for training-related initiatives, including \$167 million to build and refurbish TAFEs and other training facilities;
- \$150 million for tourism initiatives, including affordable regional airfares and providing new and refurbished tourism-related facilities;
- \$127 million for renewable energy technology, investing in environmental projects and creating jobs in the environmental sector;
- \$95 million to upgrade and refurbish police stations; and
- \$78 million for the Bunbury Waterfront Redevelopment.

In the six months since COVID-19 restrictions were first imposed in mid-March, the McGowan Government delivered more than \$1.7 billion of relief and stimulus measures. The hundreds of other initiatives to support our recovery will be delivered largely over the next two years, creating a pipeline of local jobs and providing community-wide benefits to Western Australians.

As I noted earlier, while some parts of our economy have fared better than expected, some sectors continue to be impacted by COVID-19. The McGowan Government is committed to providing further support to affected businesses as required. Recent examples of assistance include:

- \$9 million to continue to provide discounted airfares to regional centres to support tourism;
- \$15 million for the events sector to underwrite shows against COVID-related financial risks and waive hire charges for six months for State Government venues; and
- \$3 million for grants to travel agents to help meet fixed operating expenses.

## **HOUSEHOLD FEES AND CHARGES**

Mr Speaker, the 2020-21 Budget delivers more than just our response to the COVID-19 pandemic. Reducing cost of living pressures for households is a key concern of the McGowan Government.

Last year, the Government kept the increase in household fees and charges to its lowest level in 13 years.

In 2020-21, we have frozen the entire basket of household fees and charges. We also ensured lower gross rental values were passed on to households. This resulted in a 1% reduction in the overall basket of fees and charges for the representative household, the first decline in 15 years.

Further to this, after almost three decades of legal disputes, the Insurance Commission of Western Australia last month finally received the State's share of the proceeds of the settlement from the collapse of the Bell Group, totalling \$655 million after associated costs.

The McGowan Government will return these funds to Western Australians in the form of a \$600 credit on all residential household electricity bills, which will be issued over the two-month billing cycle from 1 November.

The combination of these measures will reduce charges for the average household by a massive 10.4%, or \$664, in 2020-21 – the largest ever decline, with more than \$1 billion in relief provided. It will not only deliver assistance to Western Australian households, but also provide additional stimulus to our economy.

## **COMMUNITY SAFETY**

Mr Speaker, the 2020-21 Budget has committed \$314 million to recruit an additional 800 police officers over the next four years, including flow-on resourcing to the criminal justice system. This is on top of the 150 extra police officers we previously announced in our WA Recovery Plan to respond to COVID-19.

The increase of 950 police officers will be the largest increase on record and results in Western Australia having the highest projected number of police officers per capita of any State.

I have been fortunate, during these historic and volatile times, to have witnessed the Police Commissioner up close. As a State, we are fortunate to have him in our service. Much has been asked of him and his personnel and we are, as a Government, pleased to be able to meet his request for these extra police officers and we thank him and his officers across WA for their service.

Further, this Budget allocates \$52.6 million for the construction of a new purpose-built police station in Fremantle.

## **METRONET**

Mr Speaker, I am pleased to report that the delivery of METRONET, the largest single investment in public transport in Western Australia's history is progressing well, with seven projects now under construction. METRONET is providing significant opportunities for local businesses and creating thousands of jobs for Western Australians. It will deliver long-term benefits by connecting our suburbs with world-class public transport, reducing congestion and meeting our future planning needs.

After years of waiting and broken promises by the previous Liberal-National Government, this Budget delivers on our commitment to build the Morley-Ellenbrook Rail Line. Early works are already underway at Bayswater Station, the connection point for the Morley-Ellenbrook Line and the new Airport Line. The preferred proponent for the final main contract of the Morley-Ellenbrook Line was recently announced and is expected to be awarded in the coming weeks.

The WA Recovery Plan and record infrastructure spend includes the bring-forward of a number of additional METRONET projects that were previously planned for a later date, including:

- three level crossing removals on the Armadale Line (at Oats Street, Mint Street and Welshpool Road);
- the Byford Rail Extension, including the fast-tracked removal of the Thomas Road level crossing; and
- the Midland Station Redevelopment.

## **FURTHER INITIATIVES**

Other notable investments in this Budget include:

- a record spend on mental health, with an additional \$306 million invested to deliver support through COVID-19; additional funding for community and hospital-based services; suicide prevention initiatives, including tailored support for Aboriginal people; as well as additional resources for youth mental health;
- \$201 million has been provided to deliver essential housing maintenance and municipal services in remote Aboriginal communities, following the withdrawal of funding by the Commonwealth;
- \$170.5 million of new State funding to help establish inner-city university campuses, establish a CBD Transport plan and begin rejuvenation of the Perth Cultural Centre Precinct; and
- \$97.2 million has been committed to progress Westport, including project planning, environmental works, and upgrades to Thomas and Anketell Roads.

## **CONCLUSION**

Mr Speaker, the COVID-19 pandemic has been, and continues to be, the most significant public health and economic challenge that we have experienced in our lifetimes. Its impact will be felt for years.

It brought to a halt the momentum building in the Western Australian economy, impacting Western Australian businesses and employment.

However, the discipline and collective investment of Western Australians put a stop to the community spread of COVID-19. We should be proud of the fact that our State has not only recorded some of the lowest rates of COVID-19 in the world, but also that our economy has fared much better than most. The 6% contraction in the June quarter represents the collective investment and explains why Western Australians are determined to protect what we have achieved.

Much has been said of the historic significance of the great global disruption that COVID-19 has wrought. As such, we must, as a nation and global agent, learn from history.



Nations are refocusing and whilst globalisation was under challenge prior to the pandemic, the last great global reconstruction, post-World War II, taught us that no recovery can take place without co-operation. As the world climbed out of World War II, the co-operation that gave us Bretton Woods, the International Monetary Fund and the World Bank was based on the belief that economic stability was the key to political stability. Governments accepted the responsibility to keep employment high, but also that global trade was the driver of this aim for our international neighbours. People learnt from the fallout of World War I that the ‘beggar thy neighbour’ policies simply made another global war inevitable.

Today, these lessons are no less valid. We are the leading State of a great trading nation. While we are correctly experiencing Government intervention unseen in our lifetimes, we must keep a keen eye on the fact that increasing living standards and opportunity are no less guaranteed than they were when the Second World War came to an end. And our living standards are intrinsically connected to a world of commerce and social exchange. This must not be forgotten.

With these words of caution, I conclude, Mr Speaker, extraordinarily optimistic. Western Australia stands at a point where she, more than any other place on the planet, can take advantage of the new disrupted world. Our economy is the envy of the nation. We are safe. We are strong. We innovate and compete with the best. Our training and education systems are first class and our citizens are innovative, ambitious, adaptable and pragmatic. Importantly, we are comfortable with our position looking North and West into a world of opportunity knowing that we have much to offer a world looking for confidence and certainty.

Mr Speaker, I commend the Budget to the House.

I would now like to proceed with the formalities.

Appropriation (Recurrent 2020-21) Bill 2020 is for recurrent services, which comprise the delivery of services and administered grants, subsidies and other transfer payments.

Recurrent service estimates of \$25,393,347,000 include a sum of \$2,619,309,000 permanently appropriated under Special Acts, leaving an amount of \$22,774,038,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Recurrent 2020-21) Bill 2020.

The Bill seeks supply of \$11,273,016,500, with the residual \$11,501,021,500 authorised by the *Supply Act 2020*.

Mr Speaker, I commend the Bill to the House.