



GOVERNMENT OF
WESTERN AUSTRALIA

Western Australia
State Budget
2021-22

Budget Paper No. 1
Treasurer's Speech

2021-22 Treasurer's Speech

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Acknowledgement of Country

The Government of Western Australia acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of Aboriginal communities and their cultures; and to Elders past and present.

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Budget Paper No. 2 – Budget Statements (Volumes 1-2)
Budget Paper No. 3 – Economic and Fiscal Outlook
Reader's Guide to the 2021-22 Budget Statements
(available electronically from www.ourstatebudget.wa.gov.au)

Speech by

Hon Mark McGowan MLA

**Premier; Treasurer; Minister for Public Sector Management;
Federal-State Relations**

Thursday 9 September 2021

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

INTRODUCTION

Today, I am honoured to deliver my Government's fifth Budget.

The first of our second term and my first as Treasurer of our great State.

This Budget sets up Western Australia... for the future.

The COVID-19 pandemic has been one of the most significant global challenges since the Second World War with more than 4.5 million deaths and 220 million cases worldwide.

Throughout the pandemic, my Government has done everything it can to keep Western Australians safe. Crushing the virus as quickly as possible is the best way to protect Western Australians and keep our economy strong.

I am grateful for the sacrifice and understanding of Western Australians over this period.

Since coming to Government, and throughout the pandemic, we have made the responsible decisions to place our finances on a solid footing. We brought spending under control, turned deficits into surpluses, and put our debt on a much more sustainable trajectory.

Our fiscal capacity has been bolstered by our strong economy and our efforts to keep the mining sector, and indeed the whole economy, operating safely throughout the pandemic.

Western Australia is the strongest State in the country – with the brightest future.

So with this Budget – we build for the future.

This Budget uses the capacity we created, to tackle the challenges we face, continue the fight against COVID-19, address the pressures in our health system and to protect our most vulnerable.

This Budget is an investment in our future – in our hospitals, in addressing climate change, saving our forests, growing new industries, building METRONET, building Westport and creating quality local jobs.

This is a Budget that uses the financial success and prosperity of today to provide better infrastructure and services for the future.

An investment in a safer, stronger, fairer future for WA.

WA ECONOMY

Madam Speaker, WA's economy is not just the strongest in the nation – it's one of the strongest in the world.

Our domestic economy has grown by 5.7% since the start of the pandemic, almost double the growth of the rest of the nation.

Annual growth in our domestic economy was the strongest of the States for a second year in a row last financial year. This comes after every State's economy, except WA, contracted in 2019-20.

Treasury estimates Western Australia's Gross State Product grew by 3.25% in 2020-21, and is expected to accelerate to 3.5% in 2021-22, the fastest rate of growth in eight years.

Our domestic economy is crucial to this growth, with very strong activity forecast in housing construction, as well as business and government investment.

Driving our strong economic performance and projections is confidence. Western Australian households and businesses have consistently been among the most confident in the nation throughout the COVID-19 pandemic, given our successful response in crushing the virus.

Consumption has been supported by surging retail trade, which has been growing at the fastest rates on record and the strongest of any jurisdiction.

Our Building Bonus has not only maintained the pipeline of works and protected the jobs of more than 65,000 residential construction workers during the pandemic, but created a boom in activity.

Business investment is also expected to grow strongly for a third consecutive year in 2021-22.

Our decisions have kept the mining sector operating safely throughout the pandemic, which has been vital, not just in supporting the Western Australian economy but also the entire nation.

Western Australia's exports grew to a record \$223 billion last financial year, accounting for well over half of national exports.

In addition, this Labor Government will deliver a record investment in infrastructure to support local businesses and create jobs over the next four years and beyond.

Madam Speaker, despite the pandemic, I am proud to report more Western Australians now have a job than ever before.

Since coming to office, around 107,000 WA jobs have been created.

An additional 34,000 Western Australians are expected to gain employment in 2021-22, with job vacancies at around their highest level since the peak of the mining investment boom in 2012.

The unemployment rate has fallen to its lowest level in more than seven years and is expected to average just 4.5% from 2022-23.

The economic opportunities in Western Australia have prompted more people living on the east coast to move West. Our policies have encouraged eastern State FIFO workers to move to WA, thus ensuring the benefits of those high incomes stay in WA.

STATE FINANCES

Madam Speaker, I am pleased to report that last financial year, Western Australia's net operating surplus was stronger than expected, at a record \$5.6 billion.

This is the result of strong financial management and our strong economy.

Revenues are higher across a range of sources as a result of strong economic conditions, including increased royalties from a higher iron ore price.

However, as we know, the iron ore price is extremely unpredictable. Western Australia is exposed to this volatility unlike any other State.

Indeed – since its peak in May, the iron ore price fell over \$US100 per tonne or almost half.

An important lesson to those who call for permanent recurrent spending increases on the back of temporary revenue boosts.

Other States have used that temporary spike in iron ore prices to try to unravel the GST reforms we fought so hard to achieve.

They don't acknowledge that all States and the Commonwealth have benefitted from high iron ore prices.

They don't recognise that the structure of the Western Australian economy is different and that if iron ore royalties were collected through, for instance, payroll tax, Western Australia would retain all of its GST share.

WA continues to receive a lower share of GST than any other State in history, at 70 cents in the dollar, and despite the reforms, is expected to provide a \$2.4 billion GST subsidy to other jurisdictions in 2021-22.

The GST arrangement is used by other States as an excuse for their lack of financial discipline. As a consequence, debt levels are rising rapidly in all the other States.

In contrast, we worked hard prior to the pandemic to place our finances on a sustainable path.

In 2021-22, a net operating surplus of \$2.8 billion is projected, with solid surpluses expected to continue across the forward estimates based on prudent revenue assumptions.

This is what responsible financial management looks like in Western Australia – we must assume the worst, plan for surpluses and retain the capacity to respond to whatever the world throws at us, come what may.

By budgeting responsibly, Western Australia's net debt is forecast to fall for a third year in a row to \$32.1 billion in 2021-22, more than \$11 billion lower than the \$43.7 billion projected under the last Liberal-National Government.

Our net debt position is now stable, a stark contrast to the increasing net debt projections of other States, and the Commonwealth.

Significantly, no additional borrowings are required by the Consolidated Account over the next four years, with only a limited rise in debt held by government trading enterprises.

COVID-19 RESPONSE

Madam Speaker, our work to fix the finances has allowed us to deliver an unprecedented response to the COVID-19 pandemic, with almost \$9 billion announced to date as part of the WA Recovery Plan and additional measures.

More than \$4.4 billion has been spent since the start of the pandemic, including over \$1 billion on frontline services to keep us safe – including the vaccine roll-out, COVID testing, hotel quarantine, PPE, contact tracing and managing our borders.

More than \$2.6 billion has been provided to support WA businesses and households – with business assistance grants, fees and charges relief and electricity bill credits.

Hundreds of projects are under construction as part of our WA Recovery Plan – to invest in our schools and TAFEs, build community infrastructure and drive industry development, with projects like the extension and expansion of the Australian Marine Complex at Henderson to grow our defence industry capability.

We have committed a further \$605 million for our frontline services and community health and safety initiatives in this Budget to continue our fight against COVID-19, with a key focus on delivering the vaccine roll-out.

A further \$800 million has been allocated to deal with any costs that may arise, including due to the virus, with \$240 million set aside specifically for WA Health.

Every effort is being made to ensure we can achieve a high vaccination rate across our large and diverse State – putting us in the safest position possible when the time is right to open international and interstate borders.

HEALTH AND MENTAL HEALTH

Madam Speaker, the McGowan Labor Government has approved a massive \$1.9 billion boost in spending for health and mental health.

This includes an additional \$960 million for WA Health and a record \$495 million for the Mental Health Commission to expand and improve services.

Our health system has been under significant pressure given unprecedented demand during the pandemic, especially in our emergency departments.

A large proportion of this investment will go towards an additional 332 beds, supported by around 100 new doctors and 500 nurses.

A \$100 million Emergency Department Support Package is underway that includes at least 50 additional staff, better triaging of patients in ambulances, and targeted measures to boost capacity at the Perth Children's Hospital.

WA Health has employed a record number of staff since the start of the pandemic. Despite this, like other States, the supply of healthcare workers is not keeping up with demand.

This Budget includes specific measures to attract more healthcare workers, including hiring more graduate nurses, as well as a local, national and international recruitment campaign.

An additional \$311 million is being invested in community-based mental health services. These services are designed to treat people in more appropriate settings, reducing pressure on our hospitals and EDs. The increased funding includes \$130 million specifically to enhance services for youth mental health.

The 2021-22 Budget allocates \$3.1 billion to expand our WA Health system.

\$1.3 billion of that is invested over coming years to improve health infrastructure, with major redevelopments and expansions of hospitals underway across metro and regional Western Australia. These upgrades will add a further 314 new hospital beds, in addition to the 332 beds in this Budget.

We have also taken the financially responsible decision to set aside \$1.8 billion to build the new Women and Babies Hospital in Nedlands.

SOCIAL HOUSING

My WA Labor Government will always protect our most vulnerable.

We know that stronger demand for housing is making it difficult for vulnerable Western Australians to secure affordable homes and accommodation.

This Budget delivers a record \$875 million additional spend on social housing – including the establishment of a new \$750 million Social Housing Investment Fund to help vulnerable Western Australians access safe and secure housing.

This increases the total spend on social housing in this Budget to over \$2.1 billion, which will fund around 3,300 homes.

Given strong activity in the construction market, innovative approaches will be used to deliver the social housing more quickly, including modular homes in the regions. We are also exploring options to leverage investment by the Community Housing sector.

Housing is one of the most basic of human needs – and this Budget makes sure that more Western Australians have a roof over their heads.

SAFER AND STRONGER COMMUNITIES

This Budget also delivers on our election commitments for a significant boost in services to support victims of family and domestic violence, as well as those at risk of homelessness and seniors.

Most notably amongst them will be the delivery of our election commitment to expand the Home Stretch WA program, to allow children in foster care to remain there if they wish until the age of 21. At the moment, they are only funded up until the age of 18.

\$41 million has been committed to this initiative, as well as increased funding for Youth Futures to deliver crisis accommodation for teenagers.

Madam Speaker, this will change lives for the better.

In addition, we will invest:

- \$93 million in increased funding for child protection services;
- \$46 million for a range of measures to prevent family and domestic violence and support victims, including measures to rapidly re-house women and children and improve safety, as well as prevention and education initiatives;
- \$6 million for planning and land acquisition for an Aboriginal Short Stay Accommodation facility in the Perth CBD for people visiting for medical, cultural or family reasons;

- \$12 million for rebates to seniors for home security and safety equipment; and
- \$4 million to establish an elder abuse advocacy service.

Suburbs and towns across Western Australia will benefit from \$136 million to build and upgrade community infrastructure, plus \$49 million on a range of community-based initiatives and to fund commitments to sporting clubs, community and local arts groups.

INVESTING IN THE REGIONS

Madam Speaker, this WA Labor Government is a Government for all Western Australians, no matter where they work or live.

We have a proud record of delivering for regional WA – and this Budget is no exception.

Under this Labor Government, the Royalties for Regions program is secure, with more than \$4 billion to be invested over the next four years.

This Budget delivers \$627 million in regional election commitments and additional initiatives, with significant investments in education, health and mental health, growing regional industries, upgrading tourism infrastructure, road safety, promoting Aboriginal well-being and much more.

The State Budget delivers the Government's election commitment to enhance the Patient Assisted Travel Scheme, increasing the accommodation subsidy to \$100 per night, and increasing eligibility for vulnerable and disadvantaged people, and women travelling to give birth.

An additional 25 full-time equivalent paid paramedics will also be employed throughout regional WA to support its network of volunteer paramedics.

The Budget also includes \$19.8 million towards the Regional Airfare Zone Cap to make air travel for regional residents more affordable.

Over the next four years, a record \$9.1 billion has been committed for regional infrastructure, as well as billions more in State-wide infrastructure programs.

EDUCATION AND TRAINING

Madam Speaker, when it comes to investing in the future – there is nothing more important than education and training.

We need to ensure that our young Western Australians have the skills they need for when they enter the workforce.

\$486 million will be invested in new education infrastructure over the next five years, with a focus on enhancing STEM education in our schools.

In addition, we will help meet our future skills needs by investing \$121.4 million in training and workforce development initiatives, including:

- incentives for mature-age apprentices;
- industry placements for TAFE lecturers;
- additional VET places for Year 11 and 12 students;
- introducing a VET Taster Program for Year 9 students; and
- further upgrades to TAFE infrastructure.

\$59 million has also been delivered to assist our children in planning for work, with career practitioners being placed in 70 schools and increased industry training for VET teachers.

And Madam Speaker, we will support them in the classroom, by:

- funding an additional 100 school psychologists by 2025;
- expanding the school chaplaincy service to provide emotional and social support; and
- expanding the Alternative Learning Settings program to an additional eight sites across the State.

POLICE

The 2021-22 Budget ensures that we provide our WA Police with the resources they need to serve our community.

\$41 million will be spent building new police stations in Baldivis and Forrestfield – as committed to at the recent State election.

Also in keeping with our commitments, WA Police will be funded to ensure opening hours at Gosnells, Warwick and Rockingham stations will be extended to 7pm on weeknights.

\$83.6 million will be spent for the refurbishment and expansion of police stations to help house the additional 950 police officers being delivered by this Labor Government.

And \$27.5 million will be invested to purchase and operate a second new police helicopter, in addition to the helicopter already being built for WA Police.

Therefore in 2023, WA Police will have two, new capable helicopters.

There will also be \$18 million to fund services delivered by Police and Community Youth Centres; providing safe spaces and structured programs to support at-risk and disadvantaged youth across the State.

ENVIRONMENT AND CLIMATE ACTION

Madam Speaker, my Labor Government is not just addressing the issues the State faces today, but investing in WA's future.

While the world continues the battle against COVID-19, the biggest global threat over the next century and beyond is climate change. All nations, big and small, must respond.

While the nation sorely needs leadership on climate from the Commonwealth – WA cannot wait any longer.

From 2024, WA will end the logging of our native forests, protecting at least an additional 400,000 hectares of native forest in our South West.

At the same time, we will invest a record \$350 million over ten years in softwood plantations – planting up to 50 million pine trees, sequestering at least 7.9 million tonnes of carbon and creating hundreds of new jobs, and supporting thousands more, including providing certainty for the construction industry.

That \$350 million investment is part of our new \$750 million Climate Action Fund with other initiatives including:

- \$206 million for renewable energy projects, including standalone power systems, and wind turbine manufacturing;
- \$50 million to support the development of a renewable hydrogen industry; and
- \$144 million in climate response measures such as addressing coastal erosion and capacity for future initiatives.

With climate change, severe weather events and natural disasters becoming far more frequent, this Budget delivers an additional \$232 million to respond to natural disasters, particularly Severe Tropical Cyclone Seroja.

DESALINATION PLANT

The long-run decline in rainfall in southwest WA, combined with our growing population, means that investment in a new major water source will soon be required.

The Water Corporation has identified that the most cost-effective option for Perth's next water source is a third desalination plant.

This Budget sets aside \$1.4 billion to help fund Perth's next desalination plant, which will be powered by renewable energy.

Planning for the next desalination plant is currently underway and a final investment decision will be made in a future Budget.

INFRASTRUCTURE INVESTMENT

Madam Speaker, our 2021-22 Budget delivers a record \$30.7 billion investment in infrastructure over the next four years.

Importantly, we have heeded the calls from the private sector to ensure that our record infrastructure program does not overheat the economy at a time of strong private investment.

By working with industry to smooth out our investment in infrastructure, we can ensure that public activity does not create a bidding war with the private sector for workers, equipment and supplies, and instead creates jobs and confidence when we need it most.

However, our unprecedented investment in rail, road and transport infrastructure continues, with an additional \$2.4 billion in this Budget. This includes delivery of our election commitments such as the Mandurah Estuary Bridge, the Regional Road Safety Program, and upgrading key priority black spot locations across the State.

When it comes to METRONET – it's all happening.

This Budget includes \$5.7 billion for 15 METRONET projects – planned, under construction or completed.

This year, the first METRONET project was completed – the Bellevue Railcar Facility, bringing railcar manufacturing back to Western Australia after 25 years.

Nine METRONET projects are currently under construction:

- Forrestfield Airport Link;
- Morley-Ellenbrook Line;
- Thornlie-Cockburn Link;
- Yanchep Rail Extension;
- the new Bayswater Station;
- the new Lakelands Station;
- the Mandurah Station Multi-Storey Car Park;
- Denny Avenue Level Crossing Removal; and
- the Thomas Road Bridge, as part of the Byford Rail Extension.

Our Budget also includes funding for additional level crossing removals on the Armadale and Midland lines, the Byford Rail Extension and additional bus services.

The 2021-22 Budget also contains new funding for METRONET with \$38 million to deliver a 700 bay multi-storey carpark at Greenwood Station, a key commitment at the State election.

With this Budget, METRONET remains the sensible, affordable, essential building program to transform our city and our suburbs.

Western Australia's growing population means that we must also expand our port capacity.

Westport is a once in a century investment – a new container port with quality transport links, built to provide for the future success of our trading State.

\$400 million has been allocated to Westport for strategic land acquisition for priority industrial lots and road corridors.

Westport will set up WA's long-term future, in the strategic location of the Kwinana industrial area.

This Budget also makes significant investments in our social, cultural and environmental future, with:

- \$105 million to build a state-of-the-art film studio and screen production facility in Fremantle;
- \$50 million to plan and seed fund the nation-leading Aboriginal Cultural Centre; and
- \$30 million to commence delivery of the Perth Zoo Master Plan.

ECONOMIC REFORM

The 2021-22 Budget delivers the single biggest investment in red-tape reduction in the State's history.

A record \$120 million has been provided to streamline Western Australia's approvals system and unlock billions of dollars in new projects. 150 additional staff will be employed by relevant agencies to speed up project approvals, while at the same time ensuring we retain the level of protection of our environment, heritage and communities the public expects.

We will continue to diversify and strengthen our economy with \$100 million to establish an Investment Attraction and New Industries Fund, plus \$50 million for an Industrial Land Development Fund, both significant elements of our WA Jobs Plan.

The off-the-plan transfer duty rebate for multi-storey developments has been extended at 50% for a further two years, at a cost of \$26 million. This will assist in smoothing the pipeline of work for the residential construction sector as the impact of recent grants unwind.

This highlights WA's ability to provide tax relief when the Budget is managed responsibly.

ICT

Everyone understands the importance of ensuring that Government can operate safely in an increasingly online environment.

Whether it's delivering more online services to the public, back of house operations or ensuring our information and systems are secure.

In order to keep pace with the demands of the digital world, this Government has committed \$500 million over the next four years to upgrade ICT systems across Government.

This investment will ensure that service delivery keeps pace with public expectations and protects key agencies against cyber-attacks and operational threats.

HOUSEHOLD FEES AND CHARGES

Madam Speaker, my WA Labor Government has always limited cost of living pressures on Western Australian households.

We understand the pressures it places on making ends meet, for families right across the State.

And we have taken action to avoid the hikes seen under the former Liberal-National Government.

This Budget keeps our promise to cap electricity and water price rises to inflation.

In fact, it limits growth in the household basket of fees and charges to less than CPI, and continues to increase concessions to our most vulnerable, at a cost of \$397 million. Relative to pre-COVID levels, fees and charges have risen just 0.6% since 2019-20.

Public transport fares, including TransWA fares, are frozen for another year.

Importantly, this Budget delivers our election commitment to cap public transport fares at two zones.

This means that from January 1, people living further from the city will no longer be penalised for using public transport. The introduction of our two-zone fare cap will save families hundreds, or thousands of dollars, every year.

WAGES POLICY

Finally, one of the key measures to fix the financial mess left by the previous Government was to limit public sector wages growth to \$1,000 per year, and a freeze on the pay of politicians and the highest paid public servants. The policy balanced Budget repair with reasonable wage rises, particularly for lower paid workers.

Last year, given the initial economic and financial uncertainty caused by the pandemic, the policy was extended, with a review to be undertaken in 2023.

However, given the State's stronger than expected financial position, this review will now be brought forward to begin immediately.

We value our public sector workforce for the essential work they do for the community.

We will consult public sector unions and stakeholders prior to announcing a new wages policy by early 2022.

CONCLUSION

Madam Speaker, the 2021-22 Budget shows that hard work pays off.

My Government worked hard over many years to place the finances on a sustainable pathway. While our fiscal capacity has been bolstered by the strong economy here in WA, this Budget is built on a foundation of spending restraint and prudent decisions.

By responsibly managing the finances, and building a strong and resilient economy, we can deliver on our commitments and make some of the biggest ever investments in our State's future.

This Budget continues the fight against COVID, invests heavily in our hospitals and health care workforce, and takes essential action on climate change.

This Budget is also a major investment in:

- more social housing;
- bringing new industries to WA;
- bringing manufacturing back to WA;
- our schools and TAFEs;
- METRONET;
- Westport;
- better regional roads;
- digital capability;

- cutting red tape;
- renewable energy;
- a new film studio;
- the Aboriginal Cultural Centre;
- the Perth Zoo Master plan;
- a new desalination plant;
- softwood plantations;
- preserving our forests;
- preventing family and domestic violence;
- supporting foster children; and
- protecting the most vulnerable in the community.

Madam Speaker, this Budget is an investment in WA's future.

A future that is safe, strong, and full of opportunity... for everyone.

Madam Speaker, I commend the Budget to the House.

I would now like to proceed with the formalities.

Appropriation (Recurrent 2021-22) Bill 2021 is for recurrent services, which comprise the delivery of services and administered grants, subsidies and other transfer payments.

Recurrent service estimates of \$26,350,953,000 include a sum of \$2,542,175,000 permanently appropriated under Special Acts, leaving an amount of \$23,808,778,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Recurrent 2021-22) Bill 2021.

The Bill seeks supply of \$11,115,104,500, with the residual \$12,693,673,500 authorised by the *Supply Act 2021*.

Madam Speaker, I commend the Bill to the House.

