

APPROPRIATION (RECURRENT 2019–20) BILL 2019

Introduction and First Reading

Bill introduced, on motion by **Mr B.S. Wyatt (Treasurer)**, and read a first time.

Explanatory memorandum presented by the Treasurer.

Second Reading

MR B.S. WYATT (Victoria Park — Treasurer) [2.01 pm]: I move —

That the bill be now read a second time.

[The Treasurer read the following speech.]

INTRODUCTION

Mr Speaker, I am honoured to present the McGowan Labor Government's third Budget.

Western Australians elected the McGowan Labor Government on the pledge that we would:

- fix the financial mess left by the previous Liberal–National Government;
- build METRONET—a world-class public transport system; and
- create jobs and strengthen the State's economy.

The 2019–20 Budget delivers on these pledges.

When I became Treasurer, Western Australia was in its only recorded recession. The domestic economy had contracted for four consecutive years, jobs were being shed, and the finances had no projected surplus positions. Clearly we had to act.

While we have made tough decisions to put the brakes on public spending to bring the Budget back to surplus, we have done it through the traditions of Labor values. We have done it with a commitment to continuously improve public health, education and community safety, and protect the most vulnerable in our community.

I am very pleased to announce that the McGowan Labor Government's strong fiscal resolve will return the Budget to surplus in 2018–19, in just our second year in Government, and the first surplus in Western Australia in five years.

The beneficiaries of this hard work will be Western Australian households, with the lowest increase in household fees and charges in 13 years.

Our vision to build Perth a world-class public transport system, METRONET, is on track. This year, we have gone to tender to begin construction of METRONET—a project that will create thousands of jobs and positively shape our communities for decades to come.

As part of the 2019–20 Budget, the McGowan Labor Government is supporting homebuyers and the housing construction sector with a temporary relaxation of Keystart lending criteria, and diversifying our economy with targeted investments in tourism, agriculture and aquaculture; as well as providing funds to support medical research, and resource sector research and development.

RESPONSIBLE FINANCIAL MANAGEMENT

Fiscal Outlook

The McGowan Labor Government is projected to record a \$553 million general government operating surplus this financial year—the first surplus since 2013–14.

This is a \$3 billion turnaround from the disastrous \$2.5 billion deficit of the previous Liberal–National Government in 2016–17—its last year in office.

Mr Speaker, when I became Treasurer, I inherited a set of forward estimates with not one expected surplus. Indeed, the inheritance bequeathed to me by the former Liberal–National Government consisted of estimated deficits totalling nearly \$6 billion.

I am personally very satisfied that the past two years of enormous effort by the McGowan Labor Government in managing the State's finances means that operating surpluses are expected to be maintained over the entire forward estimates period, with a forecast surplus of \$1.5 billion in the 2019–

20 Budget year, rising to over \$2 billion per annum thereafter. However, these surpluses are not simply unallocated money. They play a vital role in supporting our economy.

As a trade-oriented State, Budget surpluses are required to protect us from volatility in the global economy. Furthermore, operating surpluses are required to finance investment in infrastructure such as hospitals, schools and roads, and pay down the mountain of debt left by the previous Government.

There is no doubt, Mr Speaker, that the cornerstone of this result has been this Government's management of expenditure growth.

General government expenses are forecast to grow by just 1.5 percent in 2019–20 and an average of 1.3 percent per annum over the next four years. This is in stark contrast to the 6.4 percent average expense growth under the previous Liberal–National Government, including 8.6 percent per annum growth in their first term in office. Indeed, had this rate of expense growth been maintained, not a single Budget surplus would be achieved across the forecast period.

The McGowan Government's breakthrough victory in obtaining a fairer share of the GST for Western Australia ensures that we will never again receive below 70 percent of our population share of the GST pool. As a result, in this Budget we will receive a total of \$5 billion in GST top-up payments out to 2021–22. This is revenue the State would not have had if the previous Liberal–National Government had remained in office, given their inability to negotiate an agreement with the Commonwealth.

I would like to highlight though that we are not completely immune to movements in GST revenue. With a decline in the size of the national GST pool due to the nation's soft household consumption, and the Commonwealth's population projections for Western Australia, the State's GST and top-up payments have reduced by a net \$921 million over the period to 2021–22.

Nonetheless, Mr Speaker, in a clear vindication of our approach to expenditure restraint, even without the GST top-up payments, including a \$434 million prepayment the Commonwealth has brought forward to this year, operating surpluses would still be expected in 2018–19 and in each year of the forward estimates.

This is because we made the difficult decision to tighten expenditure and prioritise our spending to what matters for Western Australians.

Mr Speaker, we have received an unexpected boost to our iron ore royalties this year as a result of a global supply shock from the tragic Vale tailings dam incident in Brazil, which has seen the iron ore price spike by around \$US20 per tonne since January. However, to ensure we avoid the mistakes of the previous Government, we have not budgeted on the assumption that these high prices will continue.

The iron ore price forecasting methodology has been adjusted to assume that the price will return to around \$US66 per tonne by 2020–21. In particular, we assume a quicker transition from market-based forward contract prices to medium-term Consensus forecast prices compared to the 2018–19 Mid-year Review, resulting in lower forecast prices for 2019–20 and 2020–21 than using the previous methodology.

Despite the surpluses now in prospect, we will not rest. We recognise there is further work to be done.

We are committed to reducing the State's mountain of debt left by the previous Liberal–National Government, by chipping away at the debt over time like a household pays off a mortgage. The plan is working. Net debt is now expected to peak at a level over \$4 billion lower than was expected under the previous Government.

In this Budget, net debt figures have been adjusted for the introduction of a new accounting standard known as AASB 16, which will affect all governments and corporations. Implementation of AASB 16 brings operating leases to book as financial obligations and will add an estimated \$2.2 billion to net debt levels by the end of the forward estimates.

Importantly, this is a measurement issue only—there is no change in the State's legal or financial obligations, including the need to physically borrow any additional funds from capital markets. Credit rating agencies are expected to “look through” the impact of this measurement change for the purposes of the State's credit rating.

Despite this reporting change, net debt will remain under \$40 billion across the forward estimates. Had the new standard applied to the accounts of the previous Liberal–National Government, net debt would have hit almost \$44 billion. By 2019–20, the reduction in net debt achieved by this Government will have saved Western Australians some \$508 million in interest payments.

And Mr Speaker, I am pleased to report that regardless of the accounting standard change, Western Australia is the only State in the nation that is forecasting net debt to peak and subsequently decline within the forward estimates period.

HOUSEHOLD TARIFFS, FEES AND CHARGES

Mr Speaker, we recognise that households have had to share some of the burden of fixing the financial mess of the previous Liberal–National Government. Even in Opposition the Liberal and National Parties have had the audacity to block proposed Budget repair measures, which would have allowed the burden to be spread more evenly.

There is no doubt that WA households have borne the brunt of a decade of power price increases. Under the previous Liberal–National Government, prices rose by a staggering 57 percent in its first three years in office, and 90 percent during its two terms in Government.

In comparison, power prices have risen by around 20 percent under the McGowan Labor Government in our first three Budgets. In this Budget, the Government was determined to ensure Western Australian households benefited from our responsible financial management.

I am pleased to announce that household electricity price increases have been kept in line with forecast inflation, with an increase of just 1.75 percent in 2019–20. This is the lowest rise in power prices since 2008, when Labor was previously in office, and represents an increase for the average household of less than 10 cents a day. The increase is a quarter of the 7 percent increase in power prices planned in 2019–20 by the previous Liberal–National Government in its final Budget.

The cost to the Budget of this measure is estimated at \$284 million. However, we recognise the need to balance continued repair of the State's finances, with easing the burden on WA households.

Standard public transport fares will increase by 2 percent in 2019–20, with no increase in student fares, and there will be a 2.5 percent increase in household water charges.

Overall, the basket of charges paid by the average household will rise by 2 percent. This is the lowest increase since 2006–07, and is equivalent to less than \$2.50 per week or 35 cents a day.

In addition, the WA Government Energy Assistance Payment, which we boosted to \$300 in our first Budget—four times the Commonwealth's one-off Energy Assistance Payment—will now be increased in line with residential electricity tariffs to ensure the most vulnerable households continue to be supported.

ECONOMIC OUTLOOK

Mr Speaker, we are expecting the State's economy to grow by 2 percent in 2018–19. This growth needs to be seen in the context of softer economic conditions globally and nationally, as recently reported by the International Monetary Fund and the Commonwealth in its 2019–20 Budget.

At a national level, growth has been affected by a tightening in access to credit following the Banking Royal Commission. Banks have adopted a more stringent approach to their review of credit applications, particularly around income and expense verification.

This has reduced the amount and value of housing finance being extended to Western Australians, in turn contributing to a reduction in demand for new construction.

To help potential home owners and support the construction industry, we are adjusting the lending criteria for Keystart, our State-owned mortgage lender. From 1 July 2019 to 31 December 2019 we will increase income thresholds for eligible Keystart borrowers by \$15,000 for singles and couples, and by \$20,000 for families. This will allow more Western Australians to get into their own homes and help support jobs in the housing sector.

A new wave of investment is emerging in the resources sector, with recent approvals for new and replacement large-scale iron ore mines, as well as new lithium projects. We expect these projects will support a return to growth in business investment across the forecast period. They are also expected to improve labour market conditions, providing a boost to confidence and household spending.

It is a well-known fact, Mr Speaker, that Western Australia has the most trade-oriented economy of any Australian State, and while much of the new investment will be in replacement projects, exports will continue to contribute to economic growth over the forward estimates.

Reflecting the return to growth in business investment and ongoing increases in exports, we are projecting Western Australia's economy to grow by 3.5 percent in 2019–20 and by 3 percent per annum thereafter.

Now, there are risks to our forecasts. While trade-orientation presents great opportunities, it also exposes the State to global risks such as trade disputes, which may adversely impact commodity prices, the volume of trade, or both.

While the prospect of a positive resolution to the trade dispute between the United States and China appears to have improved, there are a range of other risks, including from slower growth in Europe and Japan, and the unwinding of fiscal stimulus in the United States, which have the potential to impact on global growth and demand for our exports.

This shows why it is important to maintain strong surpluses to protect the State from global shocks, something that the previous Government assumed would never come.

However, as the Premier has previously stated, the McGowan Labor Government will own the challenges and risks that we face, and a key way to implement real and positive change is through economic diversification and the creation of jobs.

JOB CREATION

Mr Speaker, this Government is determined to create WA jobs and we have set ourselves an ambitious target so that every day, every member of the Government is focused on this outcome.

Since the McGowan Labor Government came to office just over two years ago, 37,000 jobs have been created, including 27,000 full-time jobs. This compares to the dismal result of no new jobs during the entire second term of the previous Liberal–National Government.

To keep on track to meet our target of 150,000 new jobs by 2023–24, the 2019–20 Budget contains numerous initiatives that will boost jobs, and encourage investment in key sectors of the economy.

We will spend \$182 million over the forward estimates to establish an Employer Incentive Scheme and increase training delivery for apprenticeships and traineeships. The Scheme will provide a base incentive payment to employers of \$2,125 per year for each new apprentice or trainee, and will allow better targeting of skill gaps to promote stable job opportunities across a range of industries.

This scheme will be funded by changes to payroll tax and will extend eligibility for incentives to small businesses unable to access the benefits of current payroll tax exemptions.

In addition, the McGowan Labor Government will contribute \$10 million over 10 years to help develop a world-first microscale LNG plant as part of an LNG Futures Facility in Kwinana. The proposed facility, in cooperation with the University of Western Australia and the LNG industry, will position Western Australia as a global leader in the development and testing of new technologies and processes, with the potential to create up to 1,400 jobs.

The McGowan Labor Government recently launched a new market-led proposals policy, which will harness private sector investment to create jobs. The new online portal provides businesses with a single channel, and a consistent and transparent process, to approach Government with innovative commercial proposals that will help stimulate jobs and economic activity.

We have also established the Streamline WA initiative, aimed at encouraging more investment, growth and jobs by improving regulation.

METRONET

Mr Speaker, the 2019–20 Budget includes investment totalling \$4.1 billion over the next four years for our flagship METRONET project.

We recently announced the tender for the Bayswater Station redevelopment, including the hub for the Morley–Ellenbrook Line, and have secured \$207.5 million from the Commonwealth to fund the removal of level crossings on the Armadale Line, which will improve community safety and reduce road congestion.

Later this year, we expect to announce the contract to develop the Thornlie–Cockburn Link and Yanchep Rail Extension, and to begin construction shortly after. These two projects are expected to create 3,000 jobs and improve transport options for local residents.

Furthermore, the contract for the construction of the new railcar assembly and commissioning facility in Bellevue will be awarded later this year, providing new manufacturing jobs for Western Australians.

Roads

Mr Speaker, I am proud to announce that a centrepiece of this Budget is an additional \$1.3 billion on road infrastructure, bringing total investment to \$4.2 billion over the next four years. This will create a pipeline of projects for years to come, and is expected to create some 28,000 new jobs in the Perth metro area and regional Western Australia.

The record-breaking investment in 25 major projects in this Budget will tackle some of Perth's most congested intersections and roads. A key element is the transformation of Perth's eastern corridor.

Along Tonkin Highway, significant bottlenecks will be eliminated through widening and the installation of new grade separated interchanges and a flyover between Guildford Road and Kelvin Road, plus an extension through to the South Western Highway. Congested intersections along Leach and Roe Highways will also be tackled through grade separated interchanges.

In our northern suburbs, the duplication of Reid Highway will be completed, Stephenson Avenue will be connected through to Mitchell Freeway, and the Freeway will be extended from Hester Avenue to Romeo Road.

These investments will slash commute times and cut transport costs for WA businesses. After years of inaction, this Government will also commence work to replace the Fremantle road and rail bridge this year.

Diversifying the Economy

Mr Speaker, tourism remains a major focus of the McGowan Labor Government and forms an important part of our plan to create jobs and diversify the economy.

This Budget includes \$10 million for an aviation development fund to create new routes and increase direct flights to Western Australia, on top of a further \$12 million for destination marketing to attract more international visitors to our wonderful State. These programs are expected to create over 5,000 jobs.

Increasing the number of international students in Western Australia is also a priority, as international education is one of our largest service exports. This is why we have committed \$4.5 million to implement a strategy to promote Perth as a first choice destination for international students.

To further diversify our economy, and in line with our election commitment to support development of the State's aquaculture industry, we are investing \$7 million for a marine finfish nursery to breed yellowtail kingfish in Geraldton. This will fast-track the growth of the Mid West aquaculture industry and create more regional jobs in Western Australia.

Having undertaken a thorough review of the Department of Primary Industries and Regional Development to ensure its roles and responsibilities align with Government priorities, the McGowan Labor Government has demonstrated its commitment to this portfolio through additional expenditure of \$131.5 million in this Budget. This will restore capacity and capability, particularly in agriculture, that was slashed by \$100 million under the previous Liberal-National Government, and will help the agency fulfil its critical role in supporting our primary industries and regional communities to achieve their economic potential.

EDUCATION

Mr Speaker, the importance of a good education cannot be overstated. I am proud to highlight that Western Australian public schools remain the best resourced of all States in Australia, with the McGowan Labor Government contributing higher per student funding to our schools than any other State.

In 2019–20, we will spend \$5.2 billion delivering public education. On top of this, a further \$453 million will be invested in building and improving school infrastructure and more than \$1 billion over the forward estimates. Education must be accessible to all students. To deliver support for students with a disability in public schools, we are spending an additional \$40 million over five years.

We will also spend an additional \$13 million on preventative maintenance at schools across the State to ensure a safe and productive learning environment for our children.

Work is also continuing to upgrade facilities at several regional schools including Broome Senior High School, Bunbury Secondary College, Collie Senior High School and Eaton Primary School.

DELIVERING QUALITY HEALTH CARE

Mr Speaker, the Western Australian health system is focused on delivering safe, high quality and sustainable health services that put patients first.

In total, we have allocated an additional \$217 million for hospital services in this Budget, which will see spending on hospital services increase to \$6.7 billion in 2019–20.

We will also spend an additional \$100 million on core non-hospital services to ensure our current program, which includes patient transport, Aboriginal health and system-wide support services, continues to meet the needs of patients and the community.

The 2019–20 Budget includes funding to progress a number of other key Government commitments, including:

- \$52 million for a Future Health Research and Innovation Fund, meeting a key election promise and providing a secure source of funding for health and medical research, innovation and commercialisation;

- \$41 million for an end-of-life choices and palliative care package, including an additional \$5 million for a new aged and palliative care facility in Carnarvon;
- \$26 million for implementing the recommendations of the Sustainable Health Review, including \$19 million for the immediate commencement of a number of pilot initiatives to trial innovative models of care, and to begin planning for a new women's hospital at the QEII site;
- \$23 million to refurbish Royal Perth Hospital's Intensive Care Unit;
- \$13 million to construct a facility to house a linear accelerator at Albany Health Campus, enabling cancer patients to receive essential radiotherapy closer to home; and
- \$6 million to purchase and install an MRI scanner at the Kalgoorlie Health Campus.

Mental Health

Mr Speaker, building on existing commitments to provide additional acute mental health beds at Joondalup and Geraldton, we are investing over \$15 million to establish a 20 bed secure adult mental health unit at Fremantle Hospital.

I am also pleased to announce that we will spend \$3.6 million to meet our election commitment to establish Recovery Colleges in Western Australia. These Colleges will use an educational approach to support recovery from mental health and alcohol and other drug use issues.

In addition, as part of our commitment to a coordinated and integrated response to the Methamphetamine Action Plan Taskforce Report, we will spend a further \$42.5 million over the forward estimates, including \$20 million to continue the North West Drug and Alcohol Support Program.

A SAFER COMMUNITY

Mr Speaker, the previous Liberal–National Government inadequately planned for growth in the prisoner population, with \$328 million of unworkable cuts to the Corrective Services budget. We are addressing this neglect by developing a long-term prison estate expansion plan, providing additional prisoner capacity within the custodial estate and supporting a safer community.

In this Budget, we are investing \$186 million to provide a further 344 beds and upgrades to security infrastructure at Casuarina Prison.

We will also invest \$12 million to provide increased security and separation for the women's precinct at Greenough Regional Prison.

After cuts by the previous Government, we have allocated \$11.3 million in additional funding to ensure the ongoing operation and sustainability of Police and Community Youth Centres across our State. In the regions, we will spend an additional \$900,000 to deliver a Juvenile Justice Strategy in the Kimberley, and will provide \$3 million in grants to PCYCs to improve facilities and provide structured programs and intervention activities for at-risk youth.

To better equip our police officers in the field, the McGowan Labor Government is providing \$35 million to equip 3,500 frontline officers with mobile tablet devices. These will reduce the need for officers to return to the station to complete administrative tasks, allowing them to spend more time policing the streets and protecting the community.

We have also provisioned over \$15 million for the roll-out of personal issue, multi-threat body armour to frontline police officers, to help ensure their safety while on the job.

Family and Domestic Violence

Mr Speaker, following an investment of over \$22 million in this Government's last two Budgets, we will provide an additional \$31 million over the next four years to address family and domestic violence.

Central to this is the establishment of two One Stop Hubs for victims of family and domestic violence in Mirrabooka and Kalgoorlie. These hubs will simplify and improve access to specialised support services and provide a comprehensive wrap-around approach to support victims in multiple aspects of their lives.

In addition, police will be provided with specialist family and domestic violence training and will develop Codes of Practice for the investigation of family violence, including specific policies for Aboriginal victims. We will also establish a dedicated Family and Domestic Violence Monitoring Unit as part of a trial to provide 24-hour electronic monitoring of offenders in the community.

And the Government is also committing \$1.2 million in new funding for advocacy and support services aimed at stopping elder abuse.

INVESTING IN THE REGIONS

Mr Speaker, the McGowan Labor Government remains committed to investing in regional Western Australia, with the Royalties for Regions Program totalling \$4.2 billion over the next four years.

More than \$2 billion will be spent on the State's regional roads, including the Bunbury Outer and Albany Ring Roads, sealing the entire length of the Karratha to Tom Price Road, upgrading Tanami Road, and the Coolgardie to Esperance Highway. A pipeline of regional projects, including the sealing of Outback Way and upgrades to the Great Northern Highway, will create long-term employment and business opportunities, particularly for Aboriginal people.

We will spend \$3.6 billion to provide safe and reliable power supplies to Western Australians, with \$1 billion of this being spent in regional WA. This includes Western Power's safety-related capital expenditure, including poles, wires and overhead service connection, as well as maintenance of Synergy's generation assets located in the regions, and Horizon Power's Asset Investment Program.

\$2.7 billion will be invested over the forward estimates on water, wastewater and drainage projects, with around \$900 million of this in regional WA. A further \$1.1 billion will be spent over the next four years to subsidise the cost of water to keep prices low for regional customers. And our regional port authorities will invest \$220 million on key infrastructure works.

This Budget allocates \$60 million for an Industry Attraction and Development Fund for Collie, to diversify its economy and create long-term jobs. \$10 million has been invested to develop high quality mountain bike and walk trails surrounding Collie, and \$8 million to establish a new Department of Fire and Emergency Services Multi-purpose Facility in Collie, which will provide emergency services driver training, maintain a significant part of the high fire season vehicle fleet, and include an incident control centre to enhance regional emergency management capability.

We are also continuing to invest in our environment. Major new initiatives funded as part of this Budget include \$14 million for the establishment and ongoing management of the Abrolhos Islands National Park, and \$7 million for the Ningaloo Coastal Reserves.

ASSET COMMERCIALISATION

Mr Speaker, I am also pleased to announce that the Government will very shortly be introducing the TAB (Disposal) Bill to Parliament.

The introduction and passage of this Bill will be an important milestone, as it sets out the legislative framework to provide the Government with the necessary powers and authority to undertake the sale; establish a new wagering licence and regulatory regime; and amend the functions and powers of Racing and Wagering WA to reflect its residual role as the principal racing authority. Timely passage of this Bill will be essential to provide much-needed certainty to the racing industry. The Government has also decided that the balance of the funds from the sale, after the establishment of a racing infrastructure fund, will be paid into a special purpose account as a down payment for the planned new women's hospital to replace the King Edward Memorial Hospital, which is more than 100 years old.

Mr Speaker, I am pleased to report that the market process for the partial commercialisation of a function of Landgate remains on track, with the completion of the Invitation for Expressions of Interest. The process has now moved into the second stage, where shortlisted respondents have been asked to provide indicative proposals. Following evaluation of these, the State will seek binding proposals and we expect to announce the successful respondent before the end of 2019.

CONCLUSION

I cannot emphasise enough the importance of bringing the Budget back to surplus, and continuing to maintain fiscal discipline. This is important not only so that we can finally start to pay for the spending of the previous Liberal-National Government, but also because a stronger fiscal position will be important if current global and national economic risks materialise. The Commonwealth Treasury Secretary Philip Gaetjens recently remarked: *"With new downside economic risks emerging, it is vital that fiscal discipline be maintained to ensure Australia has budget headroom to be adequately prepared for any adverse surprises."*

I was determined, Mr Speaker, to ensure that I bequeathed to the next Treasurer a State balance sheet that is more able to respond to any adverse surprises than the one I inherited.

I am pleased that the State of Western Australia is now in a position once again to meet the challenges of the global economy with confidence.

However, let it never be said that fiscal discipline and measures to support communities and people in need are mutually exclusive. In the 2019–20 Budget, the McGowan Labor Government has:

- maintained the financial discipline that has been the hallmark of our first two years in office;
- returned the Budget to its first surplus in five years;
- delivered the lowest increase in household fees and charges in 13 years;
- provided record funding for METRONET and road infrastructure throughout the State;
- made targeted investments to diversify the economy, and create jobs; and
- prioritised funding to enhance essential public services, including health, education and justice, not just in the metropolitan area but also our regional communities.

Without doubt this is a Budget that firmly delivers on the commitments we made to the people of Western Australia when they overwhelmingly elected us to Government two years ago.

Mr Speaker, I commend the Budget to the House.

I would now like to proceed with the formalities.

Appropriation (Recurrent 2019–20) Bill 2019 is for recurrent services, which comprise the delivery of services and administered grants, subsidies and other transfer payments.

Recurrent service estimates of \$23,002,043,000 include a sum of \$2,685,556,000 permanently appropriated under Special Acts, leaving an amount of \$20,316,487,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Recurrent 2019–20) Bill 2019.

Mr Speaker, I commend the Bill to the House.

[Applause.]

Debate adjourned, on motion by **Ms L. Mettam**.