

APPROPRIATION (RECURRENT 2016–17) BILL 2016

Introduction and First Reading

Bill introduced, on motion by **Dr M.D. Nahan (Treasurer)**, and read a first time.

Explanatory memorandum presented by the Treasurer.

Second Reading

DR M.D. NAHAN (Riverton — Treasurer) [2.01 pm]: I move —

That the bill be now read a second time.

[The Treasurer read the following speech.]

INTRODUCTION

Eight years ago Western Australia's population stood at 2.2 million. Today it stands at over 2.6 million. In eight years, the population of this State has grown by 450,000 people, or more than the population of the ACT, and most of that growth has been in Perth.

I just want to give Members a snapshot of the impact this people boom has had on Government services over the last eight years.

In this period an extra 42,500 children have enrolled in the State school system alone—an increase of 17%. This does not include the private sector which has experienced similar growth in students.

The number of registered cars in Western Australia increased by 23% between 2008 and 2016, from 2.3 million vehicles in 2008 to 2.8 million in March 2016. There's your congestion issue right there, an extra 500,000 vehicles coming onto our roads.

It is estimated that there will be 156,000 more inpatients admitted to hospital as public patients in 2016 than there were in 2008.

And there will be 233,000 more presentations in Western Australia's publicly funded Emergency Departments in 2016 than there were in 2008.

There will be 3,000 more births in Western Australia's public hospitals in 2016 than there were in 2008.

The number of children in care has grown by over 40%, from 3,195 as at 30 June 2009 to 4,503 as at 30 June 2015.

In this same period the population of seniors, that is people over 60, has grown by 126,000, and I am one of them.

Mr Speaker, I am very proud of how this Government has met the demand created by this population boom. It has not been easy, we have had to spend a lot of money and quite frankly we have had to borrow a lot of money to do it, but I would argue that has been entirely appropriate given the exceptional circumstances of the times.

And it was entirely appropriate for this Government to take advantage of the times and use the revenues that were coming in from royalties and the buoyant economic activity to build the infrastructure for the future. We were in great need of new schools, hospitals, roads, sporting and tourism facilities and we grasped the opportunity to build them. We do not apologise for that.

Since 2008, we have opened 37 new primary schools, 11 new secondary schools, three new metropolitan hospitals, including Fiona Stanley Hospital, and by the end of the year we will also be opening the new Perth Children's Hospital—institutions that make us the envy of Australia.

In this eight year period we have increased the size of the road network by 627 kilometres, spent \$9.3 billion on improving the State's electricity-related infrastructure, and \$1.7 billion to develop a climate-resistant water supply. We have provided over 34,000 affordable housing opportunities, provided a net increase of 183 specialised mental health beds and yes, 2,668 additional prison beds, because not all the effects of the boom are positive.

To get teachers in front of classrooms, nurses into our hospitals and police on the beat we offered the best wages in Australia. Again that was entirely appropriate given the competition for labour from a rampant resources sector and the demand flooding into the system through the population explosion.

At the last election, we promised to hire an extra 550 police officers in this term of Government and we are delivering on that promise.

During this time, as everybody knows, we have transformed the regions and the city to make them vibrant, energetic and attractive places to live. And Perth is a vastly different place to the one we inherited in 2008. Never again will we be known as Dullsville.

After 40 years of talk and no action, this Government has delivered on a riverside precinct that has already transformed how people interact with the city. Elizabeth Quay is a resounding success, attracting over 1.6 million visitors since it opened in January 2016.

Several members interjected.

The SPEAKER: Member for Butler, that is enough.

Dr M.D. NAHAN: To continue —

With festivals and events already having been staged at Elizabeth Quay, it is a wonderful achievement and a sparkling addition to the life of the city.

The Gateway Project has greatly improved access to and from Perth Airport. Perth City Link and Yagan and King's Square are well under way, as is the new Perth Stadium, and these projects will add to the excitement of living in this modern city.

These projects have not only made Perth a more attractive city for its residents but transformed our capital into a world class travel destination. Demand for hotel rooms in Perth continues to grow and investment in hospitality is providing new jobs and business opportunities.

Mr Speaker, tourism was worth an estimated \$9 billion to the State's economy in 2015 and supported 94,000 jobs. Tourism will continue to be vitally important to our economy going forward and the State is now seen as a more desirable destination due to many important reforms this Government has overseen, such as extending trading hours, and streamlined liquor licencing and planning approvals.

To ensure the industry continues to grow, the Government has committed \$46.6 million for tourism related initiatives, including an additional \$16.9 million over four years to market Western Australia as a highly desirable holiday destination, a further \$19 million over three years to 2018–19 to secure major events, and an additional \$10.7 million over four years to enable the Perth Convention Bureau to continue securing national and international business events by marketing Western Australia as a preferred convention, exhibition and incentive travel destination. This sort of investment would not be possible if not for the courageous decisions of Liberal–National governments to build tourism infrastructure like the Convention and Exhibition Centre, Elizabeth Quay and Perth Stadium.

An unprecedented peak in commodity prices and the accompanying population boom provided the impetus for significant growth in the public sector asset base. At 30 June 2008, the value of publicly owned assets stood at \$123.7 billion. The value of the State's public sector asset base is now estimated to be \$191.8 billion at 30 June 2016. This is an increase of \$68 billion, or 55%, in the value of the State's public sector asset base in eight years—an incredible feat given that this includes the impact of the Global Financial Crisis, during which asset values and State revenue came under significant pressure.

At the same time the private sector has invested \$480 billion in productive assets in the State which have created tens of thousands of jobs, and there are now more than 6,500 additional businesses.

Western Australia is adapting to a new phase of the business cycle as some major mining projects move from construction to production and increase their focus on driving efficiencies, while a lower oil price, a more competitive exchange rate, lower rents and greater labour availability are supportive of growth in agriculture, education, tourism and health.

For example, a lower exchange rate has contributed to the value of agricultural exports increasing by almost 33% (or \$1.65 billion) between 2012 and 2015. Similarly, the number of international tourist arrivals increased by almost 100,000 persons or 13.3%.

Despite softer domestic activity as the economy transitions from this period of unprecedented growth, it is important to remember that the long term fundamentals of the Western Australian economy are strong.

The mining sector, in which we have a comparative advantage, will continue to drive growth, through a substantial expansion in exports. Exports are already the key driver of economic growth, with merchandise exports lifting by 8.6% in 2014–15.

From 2015–16 to 2019–20, iron ore exports are expected to increase by around 50 million dry tonnes, which reflects most notably the ramp-up of production at the Roy Hill project. LNG production capacity is projected to more than double—from over 20 million tonnes to nearly 50 million tonnes.

Based on current producing projects and those under construction, Western Australia is expected to have the third largest liquefaction capacity in the world (after Qatar and the United States) by the end of the decade, with Australia as a whole being ranked number one.

The resources boom and the accompanying population boom have left us with greatly elevated wealth and productivity.

Between 2008 and 2015, the number of people employed in Western Australia increased by more than 184,000, equivalent to 26,000 jobs per year. Average gross household incomes have gone from roughly \$110,000 in 2008 to an estimated \$135,000 in 2015—an increase of almost 25%. This Government has not wasted the boom and anyone who claims it has will have a hard time explaining where all this extra capital, both physical and human, has come from in just eight years.

Faced with the explosion in demand from the huge population increase, this Government had no choice but to borrow to build the infrastructure to meet that demand. We make no apologies for meeting that challenge.

We make no apologies for transforming the city, for transforming the regions, for lifting the whole State up with the rising tide of the resources boom and the opportunities it presented.

Right now, however, we have a different challenge. The dramatic fall in commodity prices, coupled with declining business investment and the flow through effect on the rest of the economy, including the labour market, is resulting in greatly reduced returns to the Government. This has caused a sudden uplift in State debt and that has to be addressed.

The downturn in commodity prices hit harder and more dramatically than anyone expected. We know that. At the same time the perverse GST system delivered the lowest ever return in our tax dollar—with just 30 cents for every dollar raised in Western Australia staying in this State. Disgraceful.

This equates to a \$4.7 billion loss relative to Western Australia's per capita share and effectively means that all of Western Australia's royalty income of \$3.8 billion, plus a further \$900 million, is expected to be redistributed as GST grants to other States in 2016–17.

Since 2014–15 when I became Treasurer, we have seen our forecast revenues drop by almost \$15 billion. An example is the 2016–17 financial year that we are about to enter. In 2014–15, Treasury forecast revenue of \$31.2 billion for 2016–17. It is now expected to be \$25.7 billion and this is despite a well-publicised increase in land tax.

The Government recognises that some property owners experienced significant increases in their land tax assessment last year. There will be no increases to land tax rates in this Budget and while we are not in a position to immediately reduce these rates, we will examine options to reduce the financial impacts on property owners going forward, including the impacts of aggregation.

Over the last three years, the Government has implemented major corrective measures to control growth in spending. We have achieved some amazing results, cutting expenditure growth from 13.5% at its peak in 2008–09 to an estimated 2.5% in 2015–16. This follows 2.2% growth achieved in 2014–15, the lowest rate of increase in 20 years.

We have introduced measures that have not always been popular—workforce renewal, recruitment freezes, procurement cuts and agency expenditure reviews, and our revised wages policy announced in February 2016 which pegs wage rises to 1.5%, a policy that will save an estimated \$826 million in salaries expenditure over the next four years.

Mr Speaker, I announce that as of today, the Government's recruitment freeze is over. The recruitment freeze and our strong stance on wages policy has enabled us to avoid the large scale redundancy programs that have occurred in other jurisdictions. Salaries growth of just 3% is now forecast for 2015–16, which is the lowest rate in 17 years.

Significantly, we have announced \$25.4 billion in general government sector revenue and recurrent savings measures since coming to office in 2008. This is almost equivalent to total forecast general government revenue in 2016–17.

And yet the impact of the revenue collapse and the GST perversion is that we must borrow more to fund our capital works program. Net debt is therefore forecast to rise to an estimated \$33.8 billion by 30 June 2017.

Mr Speaker, in last year's Budget, we forecast an expected operating deficit of \$1.3 billion for 2014–15 and it came in at \$431 million. For the current financial year, we were forecasting an operating deficit of \$3.1 billion at Mid-year Review and it is now expected to come in at \$2 billion. The forecast deficit for 2016–17 is now \$3.9 billion but we are confident that with continued due diligence around spending

we will come in under that as well. And it must be noted that the GST loss of \$4.7 billion relative to our population share is driving us into deficit. Otherwise we would be in surplus.

These deficits will add substantially to our debt levels. I would say here that without the impact of the \$15 billion revenue collapse since the 2014–15 Budget, which is, I might add, unprecedented in the State's history, the debt levels would be below \$25 billion by the end of the forward estimates period, and the net debt to revenue ratio would be below the 55% target level.

I am pleased to advise the House that despite the issues we face, net debt at 30 June 2016 is now estimated to be \$1.7 billion lower than forecast in December's Mid-year Review. This much better than expected outcome reflects both higher revenue (predominantly from the Commonwealth's GST top-up funding and higher iron ore prices) and lower spending, proof of our ability to control expenditure.

A lot of people have become experts after the fact on iron ore and oil prices. Treasury adjusted its forecasting methodology last year to provide a more market-based outlook, but it is an inexact science and anyone who tells you otherwise is having you on.

THE PLAN TO SECURE OUR ECONOMIC FUTURE

Mr Speaker, this Government has said it will address the debt issue with a plan to sell mature assets in order to pay down debt as well as fund key capital works going forward.

And improve our credit rating —

We are not retreating from that plan. Any sensible economic manager, be it a householder, business person, investor or multi-national mining giant knows that when debt gets too high, or when they reach their appropriate borrowing limits and still need fresh capital for investment, then it is time to review your asset base.

Indeed it is the same plan being pursued by Governments around the country.

Liberal or Labor —

When you have increased the size of your asset base by over 50% in eight years it makes even more sense and that is what we have done and intend to do again in this 2016–17 State Budget.

Asset sales are the only sensible way of ensuring that the Government of Western Australia continues to invest in the capital of the future.

While our level of borrowings is manageable, the overall level is higher than we would like. We do not want debt to get higher, but we still have schools, roads and railways to build to meet the demands of a growing population.

As I have already shown, Western Australia has a huge asset base. It is sound economic sense to sell mature assets that can be run just as well by the private sector in order to fund the infrastructure of the future.

Mr Speaker, as Members are aware, the Government recently completed the successful sale of the Perth Market Authority, and is continuing to progress the divestment, via long term lease, of the Utah Point bulk handling facility at Port Hedland and Fremantle Port. We are also progressing the partial divestment of Keystart's loan book. The Government is also engaged in productive discussions with the racing industry to progress the sale of the TAB.

Funding Future Infrastructure

In addition, Mr Speaker, I am announcing today that the Government proposes the sale of:

- Western Power; and
- Horizon Power's transmission and distribution assets in the Pilbara.

The proceeds will be used to reduce debt and to fund future infrastructure. A final decision to sell these assets will not be made until after the next election.

A decision to sell the assets will only be made following confirmation that divestment is in the best interests of both taxpayers and electricity consumers.

Several members interjected.

The SPEAKER: Member for Warnbro, I call you for the third time. Member for West Swan, I call you for the second time. I have been here for seven years and I have not seen anybody asked to leave the chamber during the budget speech. If anybody wants to make it a first, I will oblige them. Let us carry on.

Dr M.D. NAHAN: I continue —

The decision will also be dependent on an effective regulatory regime, which ensures electricity consumers are no worse off.

Combined with the current asset sales program, this would result in estimated proceeds of around \$16 billion. These proceeds will reduce debt to manageable levels and fund future capital expenditure. It will improve our operating balance, even after accounting for forgone dividends and taxes.

The Government will use the proceeds to:

- retire up to \$11 billion of State debt; and
- create a \$5 billion Infrastructure Fund, to provide the capacity to finance key infrastructure projects that meet the needs of Western Australia into the next decade.

This is a real game changer, Mr Speaker. The repayment of \$11 billion in debt will represent around a 30% reduction in net debt by the end of the forward estimates, and will reduce the State's annual interest bill by hundreds of millions of dollars. And the \$5 billion Infrastructure Fund will provide a ready source of non-debt funding for essential infrastructure, which may include new public transport infrastructure, new roads, new schools and other economic and social infrastructure to facilitate the continued growth of Western Australia.

This represents a small portion of the State's asset base which is worth over \$190 billion. While there will be a loss in yearly dividend payments to the general government sector of around \$300 million, this will be more than offset by public sector interest costs, which are estimated to be almost \$600 million a year lower. That is prudent economic management, not a fire sale.

Mr Speaker, as I said earlier, the people boom and the Government's response to it has left Western Australia in excellent shape to meet the challenges of the future.

The Liberal–National Government wants to help Western Australian business to leverage off the skills we have developed in the mining and oil and gas sectors.

As well, we want to build on our comparative advantages in agriculture, fisheries, tourism, science and education. We will not be competing with India or China to build rail cars for our limited market. That, quite frankly, is a ridiculous suggestion, but we will capitalise on the expertise we have grown in shipbuilding and software development.

Creating New Opportunities

Mr Speaker, while economic growth in the State will continue to be supported by the resources sector, we have long recognised that other sectors are strategically important in terms of growth in employment opportunities and developing the State's economic base. This is why we are spending an additional \$46.6 million on tourism initiatives in this Budget.

It is also why we will spend \$20 million over the next four years for government departments to work with relevant industries to support the researchers, innovators and start-up businesses that have the greatest potential to strengthen, broaden and build the Western Australian economy. This is on top of \$30 million we are already spending on defence industries, shipbuilding, and science, and it does not include the tens of millions being spent in health, such as the Harry Perkins Institute, the Telethon Kids Institute and the Sarich Neuroscience Research Institute.

Consistent with our commitment to strengthen, broaden and build the economy, Mr Speaker, the Government will also be assisting small businesses with a further increase in the payroll tax-free threshold from 1 July 2016. The threshold will increase to \$850,000, up from the current \$800,000, which will benefit an estimated 11,500 businesses across the State.

We also recognise that the Western Australian agriculture and food industry sector is facing unprecedented opportunities and challenges. This is why we are building on our commitment to the Seizing the Opportunity Agriculture initiative that we commenced in 2013–14, which now totals \$350 million and focuses on a range of activities to support agriculture and food industry development. This initiative aims to remove barriers to the sector in order to capture opportunities in emerging markets and is supported through a range of programs that are designed and delivered across a number of government agencies in partnership with industry.

The program is made up of new and continuing projects such as WA Open for Business, Strengthening Western Australia's Agricultural Biosecurity Defences, the Water for Food initiative, the Agricultural Sciences Research and Development Fund, the Infrastructure Audit and Investment Fund, Boosting Grains Research and Development Support, and the Northern Beef Industry Strategy.

The Government is also providing \$2.3 million over the forward estimates period to the Department of Fisheries for a multi-species shellfish hatchery in Albany, plus a further \$1.3 million for the establishment of additional aquaculture development zones.

Methamphetamine Strategy

Mr Speaker, Perth has grown up over the past eight years and we have not been without growing pains.

We have not been able to escape the scourge of drug abuse and in particular the devastating effects of the methamphetamine epidemic. The use of methamphetamines in people aged over 14 is higher in Western Australia at 3.8% of the population than the national average of 2.1%.

Our police and courts testify on a daily basis to the impact this drug is having on crime and mental health within our community and we have to stop it.

Today the Liberal–National Government announces that it will set aside \$15 million to fight the scourge of methamphetamines through a comprehensive strategy led by Mental Health, in addition to resources and support provided by other agencies including Corrective Services and Police.

The strategy will include the establishment of:

- a pilot specialist methamphetamine clinic;
- eight low-medical withdrawal beds in the North Metropolitan and South Metropolitan areas;
- 52 residential rehabilitation beds in the South Metropolitan and Northern and remote regions; and
- 13 additional fixed term full-time employees for the Community Alcohol and Drug Service and extra clinical nurses in hospital emergency wards.

The Western Australia Police will continue their fight in targeting methamphetamine supply as part of their enforcement action plan that includes measures such as the dedicated Meth Transport Team to target supply routes into the State.

Corrective Services will combat the high number of inmates with substance abuse problems, including methamphetamines, through their drug and alcohol intervention and treatment services.

And we will provide an additional \$19.2 million for ongoing funding for the North West Drug and Alcohol Support Program.

MEETING DEMAND WHILE EFFICIENTLY DELIVERING QUALITY SERVICES

Health

Mr Speaker, this Government remains committed to strengthening the public healthcare system, as well as ensuring it is run as efficiently as possible.

The 2016–17 Budget for WA Health totals \$8.6 billion, representing a 4.8% or \$395.4 million increase in overall expenditure relative to 2015–16. This is a very strong outcome in a tight fiscal and economic environment and represents an 80% increase in health expenditure since 2008–09.

Our commitment includes a continued focus on clinical investment, with the Budget providing for an increase of \$265.6 million for hospital services for 2016–17 (a 4.8% increase relative to 2015–16). From 2017–18 to 2019–20, we will redirect \$148.3 million from non-hospital expenditure to support front line service delivery in our public hospitals. We are also providing a \$10 million capital grant to PlusLife—Western Australia’s only bone bank to develop a purpose built processing and laboratory facility adjacent to the Midland Public Hospital.

Mental Health

Mr Speaker, it is estimated that at least 30–50% of people with an alcohol or other drug problem also have a co-occurring mental illness. The amalgamation of the former Drug and Alcohol Office and the Mental Health Commission on 1 July 2015 will assist to enhance the integration of mental health, alcohol and other drug services.

To ensure that Western Australians have access to safe and high quality services, the Government will be investing more than \$645 million into public hospital mental health activity in 2016–17.

I am also pleased to announce that we are providing additional funding of \$13.1 million to continue the Mental Health Court Diversion Program, which has been operating on a pilot basis since 2013. Eligible participants are supervised by a court while they receive treatment and support that addresses the

underlying causes of their offending behaviour. Since this program was launched, the courts have referred 934 adults and 898 children for treatment, highlighting the need for this facility.

We have also committed \$2 million over two years to establish an additional 10 long stay community beds in the metropolitan area for older adults with a mental illness. This is on top of the 22 beds already available and will enable older people with severe mental illness to access appropriate and ongoing mental health support while living in a home-like community based setting. I will also mention further mental health beds when touching on our capital expenditure slightly down the track.

Education

Now, Mr Speaker, I have already mentioned the large increase in public school enrolments we have experienced in the past eight years. Over this period, the Government has increased expenditure on education, training and workforce development by over 40%. This equates to expenditure over the period of almost \$43 billion, including \$5.5 billion in 2016–17 alone.

Western Australian public schools remain among the best resourced in Australia, with this Budget providing a 3.3% increase in spending by schools to continue to provide high quality education services for all students.

Reforms in the education sector continue to drive school improvement and increase engagement of school communities. The success of our Independent Public Schools program can be seen by the fact we currently have 445 Independent Public Schools, representing 57% of all government schools. Furthermore, representatives from over 130 government schools recently took part in the first step of the selection program to become one of a further 50 independent schools in 2017.

To make sure all children get the best possible start to life, we have established 21 Child and Parent Centres across Western Australia since 2013. These centres are for parents with children up to eight years old, with a focus on pre-birth to four year olds, and are conveniently located at or near schools in communities with the greatest need. The centres allow for parents to get advice to help with their children's development.

We have also implemented the new KindiLink program in 2016, which is running at 37 schools. This program is for three-year old Aboriginal children and provides play and learn sessions for both children and their parents to help these children start their school years with a good foundation.

Sport

Mr Speaker, an active community is generally a healthier community.

As such I am pleased to announce that the Government is providing \$10 million over four years from 2016–17 to the Town of Victoria Park for the redevelopment of the Lathlain Park Precinct. This project will comprise the construction of a second oval, refurbishment of the existing oval, lighting, running track and other community facilities. It will also facilitate the relocation of the West Coast Eagles Football Club.

The Government will also provide an additional \$8.7 million over 2017–18 to 2019–20 for the Community Sporting and Recreation Facilities Fund, which will increase base funding to \$12 million per annum —

Mr P.B. Watson: It used to be \$20 million; you took money out of there! You're still \$8 million short.

The SPEAKER: Member for Albany, we do not want interjections.

Dr M.D. NAHAN: I continue —

and mean the Government has committed more than \$143 million through this program since 2008.

We will also continue to provide \$5 million per annum from 2017–18 for the Sport 4 All program, which includes KidSport. I would like to highlight that since its inception, KidSport has helped over 54,000 Western Australian children to participate in community sport and recreation activities.

The Government will trial a new program in Northam, Kalgoorlie, Belmont and Kwinana to encourage seniors' participation in sport and recreation clubs. The trial will provide vouchers for low-income seniors to access sporting clubs and local recreation centres.

SUPPORTING AND PROTECTING OUR COMMUNITY

Mr Speaker, this Government remains committed to enhancing the quality of life and wellbeing of all people throughout the State.

Police and Corrective Services

This includes ensuring that criminals are punished appropriately and kept off our streets. This Government's expenditure on the Western Australia Police has increased by 51% since 2008–09, and totals \$1.4 billion in 2016–17.

To meet our election commitment to recruit an additional 550 officers by the end of 2016–17, the Government will spend \$32.2 million throughout the year to recruit 100 police officers and 56 police auxiliary officers.

Since 2008–09, we have increased expenditure on corrective services by 65%, which includes almost \$1 billion being spent in 2016–17.

Mr Speaker, the State's daily average prisoner population has been growing more rapidly than previously projected, with recent growth being attributed to the number of unsentenced or remand prisoners being received into the prison estate. To meet increased costs from these higher prisoner numbers, we will provide additional funding of \$146.8 million for the period 2015–16 to 2019–20.

Disability Services

Mr Speaker, the Disability Services Commission's budget for 2016–17 will be \$944.9 million. This is a massive 118% increase since 2008–09.

In 2016–17 we will allocate \$26 million to support the extension and expansion of the National Disability Insurance Scheme (or NDIS) trial sites to 30 June 2017. This will allow greater numbers of Western Australians with disability to be supported and will inform arrangements for a full transition to a NDIS in Western Australia.

Outside of the NDIS, the budget for disability services delivery in the State has been increased by \$50 million to meet growth in demand for existing services where NDIS trial sites are not operating.

Shark Safety

I am also pleased to announce that we will be providing \$4.9 million over the forward estimates to continue to provide shark hazard mitigation strategies, so people can feel safe when swimming at our glorious beaches. We are also providing \$600,000 towards the cost of additional beach enclosures at Quinns Rocks and Sorrento and will spend \$3.1 million in 2016–17 on aerial surveillance and beach patrols.

Fees and Charges and Essential Services

Mr Speaker, the Government has made a concerted effort to ensure that household fees and charges are kept as low as possible.

Increases in residential electricity tariffs, water charges and public transport fares have been kept to modest increases of 3%, 4.5% and 1.5% respectively for a representative household. Despite these increases, the provision of these essential services remains significantly below cost recovery and will be subsidised by \$1.8 billion in 2016–17 alone once all rebates and concessions are taken into account.

Compulsory third party (or CTP) insurance premiums and motor vehicle licence fees will increase by 2.5% in 2016–17 and the Emergency Services Levy will increase by just \$11 for the average household.

In total, tariffs, fees and charges for a representative household will rise by an average of 4.8%, or \$257. Mr Speaker, this falls to just a 2.9% or \$158 increase when the \$99 impact on CTP premiums associated with the introduction of the catastrophic injuries support scheme is excluded.

INVESTING IN INFRASTRUCTURE

Mr Speaker, as I mentioned earlier, this Government has invested a considerable amount on significant infrastructure projects—projects that have modernised the city and transformed the regions and made Western Australia more attractive for locals and tourists alike.

Our investment continues in the 2016–17 Budget with a \$22.9 billion capital investment program across the forward estimates.

This includes \$378.5 million over the budget period towards construction of the \$428.3 million New Perth Museum, which will incorporate the four existing heritage buildings into an exciting new facility and will act as a gateway to Western Australia for national and international audiences, providing a contemporary and engaging museum experience. It will arguably be the State's most important science institution.

Mr Speaker, the Perth CBD is stretching to the north, changing the traditional east–west orientation. Strong new linkages are connecting the revitalised and ever popular Perth Cultural Centre to Perth City

Link and now to Elizabeth Quay. The physical barriers between Northbridge, the city and the river are being removed as key developments work together to deliver a better connected city.

Education

We have not lost focus on the need for other essential infrastructure. We are investing an additional \$284.3 million on education infrastructure over the forward estimates. On new and existing schools, we will spend:

- \$52.4 million over 2016–17 to 2019–20 for the construction of Stage 1 of North Butler Senior High School, with a further \$15 million for the acquisition of required land;
- a total of \$49.5 million over 2016–17 to 2018–19 for the construction of additional accommodation facilities at Shenton College;
- \$32.1 million over the forward estimates for additional accommodation at Cape Naturaliste College;
- an additional \$17.9 million over the forward estimates period for the continuing redevelopment of Carnarvon Community College, with \$11.9 million to be funded from Royalties for Regions;
- \$10.5 million over 2016–17 to 2018–19 to increase the permanent capacity at Inglewood, Wembley and West Leederville primary schools;
- \$2 million in 2016–17 to purchase land for the improvement of the Highgate Primary School; and
- \$1 million in 2016–17 to plan the construction of a new secondary school in the western suburbs.

Health

Mr Speaker, we have invested approximately \$7 billion since 2008 in state-of-the-art health infrastructure to meet the growing needs of the State. This Budget delivers capital investment of \$526.3 million in 2016–17 to continue to provide high quality health services into the future, including a further \$91.8 million on the Perth Children’s Hospital, opening later this year.

The main construction works are scheduled to commence later this year on the \$206.9 million Karratha Health Campus site which is located in Karratha City Centre. This new facility will replace the existing Nickol Bay Hospital, with a modern, state of the art 40-bed facility which will include expanded and enhanced Emergency and Ambulatory Care Departments.

Additionally, I am pleased to announce the replacement of WA Health’s radiology archiving and information system at a total investment of up to \$52.6 million.

The 2016–17 Budget also provides \$500,000 to commence planning work around the proposed redevelopment of the State’s Quadriplegic Centre. The redevelopment will support contemporary models of care that assist people with spinal cord injuries to live to their maximum potential and closer to the community. We remain committed to the development of a world class facility to support people with spinal cord injuries. Following development of a business case we will fund the Centre.

Significantly, a number of new mental health inpatient services have recently commenced at Fiona Stanley Hospital and Sir Charles Gairdner Hospital. The completed construction of the Midland Public Hospital will now provide 56 new beds in mental health facilities to replace those at Swan District Hospital and Graylands Hospital.

At Joondalup Health Campus, we will construct a \$7.1 million, 10-bed Mental Health Observation Area, and we will develop an \$8 million six-bed sub-acute mental health facility in Broome. In addition, Perth Children’s Hospital will add 20 mental health beds in 2016–17, and a further six beds will be opened at Fiona Stanley Hospital for adolescents.

The Government is also progressing the development of new step-up step-down facilities in Karratha, Rockingham and Bunbury as part of our commitment to provide support and appropriate health services for people with mental illness in the regions.

Transport

The State’s Asset Investment Program is evolving from one being dominated by investment in new and upgraded hospitals, electricity and water infrastructure, to one being dominated by transport.

Mr Speaker, as Perth continues to expand, the need for transport infrastructure continues to grow. Effective public transport reduces congestion and can have positive effects for the whole community. In light of this, the Government has provided significant investment in transport infrastructure in the 2016–17 Budget.

All up, a massive \$1.8 billion—or 31% of the total Asset Investment Program—will be invested in roads and public transport infrastructure in 2016–17, and over the remainder of the forward estimates period a further \$5.9 billion is budgeted for transport infrastructure.

I am pleased to announce that our investment in public transport includes State funding for the construction of the \$49 million Ellenbrook Bus Rapid Transit project. This project offers a cost-effective way to provide Perth's northern suburbs with access to fast public transport. This investment adds to our important bus network, which will be further improved with the opening of the \$217 million Perth Busport in mid-2016.

Additional investment in important public transport projects includes:

- \$13.7 million for Future Urban Railcar Procurement, primarily for infrastructure works to accommodate additional railcars;

Mr D.J. Kelly interjected.

The SPEAKER: Member for Bassendean, you are on three calls—you are now on three and a half calls. If you shout out again, you are having a rest.

Dr M.D. NAHAN: I continue —

- significant investments totalling \$60.2 million in Western Australia's cycling network, with \$5.9 million going towards the Principal Shared Path program in 2016–17;
- funding of \$5.3 million across 2016–17 and 2017–18 for the Public Transport Authority to construct the Northbridge Bus Layover; and
- \$1.2 million in 2016–17 for development of the Jurien Bay to Cervantes Trail.

Significantly, the Forrestfield–Airport Link, a new train line to connect Forrestfield and the Airport to the city, is moving ahead. This project will open up a new rail corridor to Perth's eastern suburbs, with \$104 million to be spent in 2016–17.

In recognition of the fiscal challenges facing the State as a result of the inequitable GST allocation by the Commonwealth Grants Commission, the Commonwealth Government has provided \$490 million to help fund the Forrestfield–Airport Link project.

Roads

Mr Speaker, the Government has invested over \$5 billion in road infrastructure since 2008–09, successfully completing several key projects including the \$908.6 million Gateway WA project; the \$705 million Kwinana Freeway Extension and Forrest Highway project; and other upgrades to ease congestion on the city's freeways.

One of our current priorities is the \$1.9 billion Perth Freight Link project, which will provide a dedicated, east–west connection for the people of Perth. Beginning with Roe 8, it will deliver a key strategic freight link in the Perth Urban Transport Corridor while reducing congestion for all road users. It is estimated that this important project will have 2,400 direct employed workers while creating an estimated 10,000 additional employment opportunities indirectly. At the same time, it will enable safe and efficient transport links to be formed between our industrial centres, the Fremantle Port inner harbour and the future outer harbour.

I am also pleased to confirm the Perth Freight Link tunnel construction. This \$326 million enhancement includes \$260.8 million of Commonwealth Government funding and will further reduce congestion. Importantly, the works will now minimise impacts on community members and deliver additional road safety benefits.

In 2016–17, the Government will spend \$1.2 billion on Western Australia's road system. This expenditure will be allocated across a number of projects including:

- \$192.6 million on the Swan Valley Bypass Section of the \$1.1 billion NorthLink WA Project;
- \$172.4 million on local government roads via the State Roads Funds to Local Government Agreement, as well as \$28 million in 2016–17 to replace the Old Mandurah Bridge;
- \$95 million on the \$261 million Mitchell Freeway Extension Project, which will continue from Burns Beach Road to Hester Avenue providing improved access to new developments and reduced travel time;
- \$93 million on the Great Northern Highway—Mucchea to Wubin Stage 2 upgrade, for reconstructing and widening sections of the highway; and

- \$20 million for the construction of a dual carriageway on Armadale Road between Anstey Road and Tapper Road.

Road Safety

Mr Speaker, too many Western Australians are losing their lives or experiencing injuries on our roads. This is why we have established a Road Safety Commission as a stand-alone agency. We have also approved total expenditure from the Road Trauma Trust Account of \$145.7 million in 2016–17 for various road safety strategies, which is a 5.8% increase on 2015–16 expenditure and will result in a \$35 million reduction in the balance of the Road Trauma Trust Account.

This includes expenditure of \$12 million in 2016–17 to contribute to the Goldfields Great Eastern Highway Passing Lanes project and \$7.8 million in 2016–17 for projects recommended from the Wheatbelt Highway Safety Review.

As part of the Government's commitment to road safety, we are providing \$30 million for a Safer Roads and Bridges Program and \$22.5 million to the State Black Spot Program.

In line with our road safety commitment and the Enhanced Automated Traffic Enforcement Strategy, \$6.8 million will be spent in 2016–17 on the purchase and installation of new speed and red light cameras. A further \$7.2 million will be spent in 2016–17 to replace ageing speed cameras.

Water and Electricity

Mr Speaker, in relation to essential services, as part of its 10-year water supply plan for Perth, this Government will invest \$7 million in 2016–17 to complete the commissioning of Australia's first Groundwater Replenishment Scheme which includes an Advanced Water Treatment Plant.

We will also spend \$3.2 billion across the forward estimates through the Water Corporation's asset investment and renewal program, including \$782 million in 2016–17. The projects will include major upgrades to wastewater treatment plants, and country water sources and distribution. An additional \$520,000 has also been allocated in 2016–17 for scoping works for Kenwick Infill Sewerage.

In relation to power, I am also pleased to announce we will be spending \$15.3 million to upgrade the transmission network in the Pilbara to support the greater electricity load from the new South Hedland Pilbara Power station.

Other Key Infrastructure

Mr Speaker, the Government is also committed to transforming Scarborough into a world class contemporary destination. This is why we are providing an additional \$18 million in 2016–17 to the redevelopment of the Scarborough foreshore, bringing our total investment in the project to \$48 million.

As a key component of the Government's vision to develop the eastern end of Perth's CBD, \$27.2 million will be spent in 2016–17 on works at the flagship Waterbank precinct in East Perth including a man-made beach, boardwalks, public art, parks and associated amenities and to progress site preparation works at the Western Australia Police site on Hay Street.

Waterbank will be a mixed use precinct, with residential, entertainment, retail and commercial elements that combine to make up a vibrant community of up to 1,500 residents and a workforce of more than 1,700. Thousands of people are expected to visit every year.

We are also transforming Bunbury's waterfront, with recurrent funding of \$12.6 million to be spent on revitalising the Koombana Bay foreshore, and \$12.3 million in capital to be invested over 2015–16 to 2017–18 to redevelop the Dolphin Discovery Centre.

CONCLUSION

Mr Speaker, in short, this Government is spending on initiatives that will broaden and grow the Western Australian economy. They will create new job opportunities and increase the attractiveness of our State for business and as a tourist destination. They will support the community, improve their safety and ensure delivery of essential services.

In a challenging economic environment, we have outlined a firm debt reduction plan and kept household fees and charges to a minimum.

This is a Budget that provides a firm footing for the future.

I commend this Budget to the House.

I would now like to proceed with the formal purposes of the two Appropriation Bills, which seek the sums required for services in the coming financial year.

Several members interjected.

The SPEAKER: Thank you.

Dr M.D. NAHAN: I continue —

Appropriation (Recurrent 2016–17) Bill 2016 is for recurrent services, which comprise the delivery of services and administered grants, subsidies and other transfer payments.

Appropriation (Capital 2016–17) Bill 2016 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent service estimates of \$21,891,201,000 include a sum of \$2,497,234,000 permanently appropriated under Special Acts, leaving an amount of \$19,393,967,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Recurrent 2016–17) Bill 2016.

Capital purposes and financing transactions estimates of \$2,482,014,000 comprise a sum of \$340,052,000 permanently appropriated under Special Acts and an amount of \$2,141,962,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Capital 2016–17) Bill 2016.

Mr Speaker, I commend the Bills to the House and seek leave to table:

Budget Speech—Budget Paper Number 1;

Budget Statements—Budget Paper Number 2; and

Economic and Fiscal Outlook—Budget Paper Number 3.

[See papers 4160 to 4163.]

Several members interjected.

The SPEAKER: Member for Churchlands! I call you to order for the first time.

Debate adjourned, on motion by **Mr D.A. Templeman**.