

ESTIMATES OF REVENUE AND EXPENDITURE

Tabling of Budget Papers

Hon Helen Morton (Minister for Mental Health) tabled the budget papers.

[See papers 506A–E.]

Consideration of Tabled Papers

HON HELEN MORTON (East Metropolitan — Minister for Mental Health) [2.01 pm] — without notice: I move —

That pursuant to standing order 68(1), the Legislative Council take note of tabled papers 506A–E (budget papers 2013–14) laid upon the table of the house on Thursday, 8 August 2013.

This motion enables the Legislative Council to examine and debate the budget papers associated with the appropriation bills, which are now before the Legislative Assembly. The Treasurer's budget speech accompanying the budget papers provides the detailed economic and financial framework for the 2013–14 budget.

[The Minister for Mental Health read the following speech.]

INTRODUCTION

In summary, the Western Australian economy is in a period of transition. In recent years, business investment in major resource projects has been the main driver of growth in our economy. However, as these major projects transition from construction to production, exports will become the major driver of growth.

Overall, the State's economy is forecast to grow by 3.25% in 2013–14. While this is down from estimated growth of 5.75% last financial year, it is still the highest rate of growth forecast for any State.

The changing composition of economic growth brings significant financial challenges. As major resource projects transition into the production phase, the demand for labour has begun to ease, and so has growth in the Government's tax revenue. Exacerbating this, as mineral exports increase, Western Australia is penalised through the Commonwealth Grants Commission process, with our share of GST revenue in 2013–14 falling to just 45% of our population share—an all-time low for any State or Territory—with further falls in prospect.

In responding to these challenges the Budget includes a \$6.8billion Fiscal Action Plan, and provides for a general government operating surplus of \$386million in 2013–14, following an estimated surplus of \$239million in 2012–13.

INVESTING IN INFRASTRUCTURE TO SUPPORT OUR GROWING STATE

Investing in infrastructure to support our growing State continues to be a major priority. The 2013–14 Budget contains an Asset Investment Program totalling \$26.9billion over the forward estimates period, including \$7.5billion in 2013–14 alone.

Transport Infrastructure

The combined Asset Investment Program of the Department of Transport, Main Roads and the Public Transport Authority is a record \$1.7billion in 2013–14 year. Over the four years to 2016–17, the State Government has committed a total of \$5.7billion to transport infrastructure—a substantial increase on the \$3.4billion spent over the four years to 2011–12.

The 2013–14 Budget re-affirms the Liberal-National Government's commitment to deliver transformational infrastructure to this State. At an estimated total cost of \$2billion, the airport rail line comprises the construction of a spur from the existing Midland rail line to the future consolidated Perth Airport terminal, and continuing on to Forrestfield. Three new stations will be built along the airport rail line (including 3,000 additional parking bays), and 18 new railcars will be purchased to service the expanded rail network. Construction is set to commence in 2016, and scheduled to finish in 2019. Project costs of \$174million are reflected in the current forward estimates period.

The MAX light rail will provide a high capacity public transport solution to connect the growing northern suburbs and the Perth CBD. MAX also links Victoria Park at the east end of town (via the CBD) to the Queen Elizabeth II Medical Centre in the west. The estimated total cost of \$1.9billion includes the construction of 22 kilometres of track, stations along the routes and the purchase of 25 light

rail vehicles. Construction will start in 2016, and is scheduled to finish in 2019. Project costs of \$432million are incorporated in the current forward estimates period.

These transformational public transport projects will be supplemented by other key transport infrastructure investments, including:

- the delivery of an additional 66 railcars, the first of which will arrive later in 2013, and the investment of \$237million upgrading our bus fleet;
- \$46.5million over the forward estimates to construct a new secure, multi storey car park at Edgewater train station, comprising approximately 1,000 car bays;
- additional capital expenditure of \$325million over four years (with a State funding contribution of \$100million) to construct a 40 kilometre section of the Perth to Darwin Highway, from the Tonkin Highway/Reid Highway intersection in West Swan to the Great Northern Highway at Muchea;
- \$152million over the forward estimates to commence the extension of the Mitchell Freeway from Burns Beach Road to Hester Avenue;
- ongoing emphasis on the regional road network with major upgrades planned over the forward estimates to the Great Northern Highway (\$512million), Northwest Coastal Highway (\$190million), Great Eastern Highway (\$50million) and the Collie Coalfields Highway (\$39million); and
- expenditure of \$76million in 2013–14 from the Road Trauma Trust Account including \$12.1million for metropolitan intersections and \$31.3million for the prevention of regional run-off crashes.

Health Infrastructure

The Budget continues the State's record \$7.1billion investment in health infrastructure across both regional and metropolitan areas, with total capital spending on health infrastructure expected to exceed \$1.1billion in 2013–14. This includes:

- \$407million to continue construction of the New Children's Hospital at the Queen Elizabeth II Medical Centre site;
- \$146million to continue construction of the new Midland Public Hospital;
- \$108million to complete construction of the Fiona Stanley Hospital project and \$11million on the State Rehabilitation Service;
- \$66million for medical equipment replacement; and
- the ongoing redevelopment and expansion of country hospitals and medical facilities, including:
 - \$66million for the Busselton Health Campus;
 - \$42million for projects under the Southern Inland Health Initiative; and
 - \$15million for the Kalgoorlie Health Campus.

Education Infrastructure

The Government is investing an estimated \$582million in 2013–14, and a total of \$1.5billion over the forward estimates, in school infrastructure. This includes:

- \$78million for the final stages of construction for five new primary schools in Hammond Park, North Butler, North Yanchep, Treendale and Wandina that are scheduled to open in 2014;
- \$230million for secondary schools needing extra accommodation for Year 7 students;
- \$30million for additions and improvements to Halls Head Community College, with the project due for completion in 2015;
- \$30million for Stage One of the new Byford Secondary College, scheduled to open in 2014;
- redevelopment of the Kalgoorlie-Boulder Community High School, at an estimated cost of \$45million; and
- \$56million for four new primary schools that are set to open in 2015 in Broome North, Lakelands, Golden Bay and Baldivis.

PROTECTING OUR COMMUNITY

Mr President, protecting our community has been, and continues to be, a priority of the Liberal–National Government. This Budget provides additional funding of \$282million over the next four years for the recruitment of 550 extra police and auxiliary officers, including over 80 additional officers in 2013–14.

To free up police officers from custodial duties, the Government will fund the courts to sit for additional hours on nights and weekends. An additional \$4.5million will be spent over the forward estimates period to engage magistrates, associated court staff and Legal Aid duty lawyers. The allocation also provides for enhanced video link capacity to enable regional police stations access to the extended justice service at the Perth Police Complex.

The Government is also committed to keeping young people on the right track. Additional funding of \$10.3million over three years has been allocated to upgrade the Police and Community Youth Centres (or PCYCs). This funding will enhance the ability of the 23 PCYCs across the State to work with specialist police officers and schools to deliver programs targeted at reducing truancy and youth crime.

To protect women and children who flee from domestic violence, the Liberal–National Government will build an additional refuge shelter in 2013–14, at a cost of \$2million. The new refuge shelter, to be located in the metropolitan area, will allow mothers and their children to live independently within a community environment. The Department for Child Protection and Family Support will also spend an additional \$3.5million over the forward estimates period on increased support and outreach services for victims of domestic violence accessing the new shelter.

Mr President, solar-powered flashing Light Emitting Diode (or LED) speed zone signs will be installed at every school in Western Australia with a 40 kilometre per hour zone. LED signs will be progressively installed at the remaining eligible schools over three years from 2014–15, at a total cost of \$36million.

The Government has committed \$15.4million over the forward estimates period to protect fire fighters. This includes the installation of Comprehensive Fire Crew Protection Systems in 667 fire fighting vehicles.

Royalties for Regions funding of \$15.3million has been allocated to a new emergency rescue helicopter service in the South West region. It is anticipated that the second helicopter and its paramedical staff will be fully operational by 2015–16.

The Government is not only committed to protecting the community from harm, we also want to protect community wellbeing. Examples of investment at the local level to benefit community amenity and wellbeing include:

- additional Royalties for Regions funding of \$186million over the forward estimates for the Goldfields Esperance Revitalisation Program, which includes the refurbishment of the Goldfields Arts Centre in Kalgoorlie Boulder;
- \$6million to upgrade the Hartfield Park Sport and Recreation Reserve in Forrestfield;
- additional expenditure of \$2million to regenerate Chinatown and create a vibrant laneway precinct in Northbridge;
- \$15million additional expenditure from 2014–15 to 2016–17 to implement Western Australia’s bicycle network plan, which includes the creation of a new dual use bike path in South Guildford; and
- additional Royalties for Regions funding of \$40.7million over the forward estimates to enhance low cost holiday options across Western Australia.

EFFICIENT DELIVERY OF QUALITY SERVICES

Mr President, this Budget responds to the unprecedented demand for government services through the efficient delivery of quality health, education and other services.

Health Services

Western Australia is facing increasing demand for its hospital and health services. To meet these healthcare needs and ensure Western Australians continue to have access to safe, quality and cost effective healthcare, the Liberal–National Government has allocated additional recurrent expenditure of \$2.5billion for health services over the next four years.

The majority of this additional spending is for projected activity growth in the State’s health system. In 2013–14, the Budget provides for expense growth of 7% to accommodate the expected growth in

hospital activity. This forms a strong foundation for the health system to transition to the national Activity Based Funding framework, which is scheduled for introduction in 2014.

The additional activity growth expenditure will enable:

- an extra 16,000 patients to stay and be treated in hospitals in 2013–14;
- an extra 25,000 patients to be treated in emergency departments; and
- an extra 45,000 patients to be treated as out-patients.

With a national shortage of health service workers, it is vital that Western Australia's public hospitals are able to attract and retain a high quality nursing and midwifery workforce. Accordingly, the 2013–14 Budget provides increased expenditure of \$158.8million over three years to fund agreed wage increases for registered nurses and midwives.

Improving the health outcomes of Indigenous people remains a key policy priority, and this Government has renewed the State's commitment to the 'Closing the Gap' program with further expenditure of \$31.8million in 2013–14. This will bring the Government's total investment in this program to \$149.2million since 2009.

The Government has also allocated additional expenditure of \$161million over the forward estimates period to the North West Health Initiative. This initiative is funded from Royalties for Regions and seeks to better meet health and aged care needs in the State's North West. Targeted expenditure includes upgrading nursing posts, an audit of aged care needs, and investment in telehealth equipment.

The Liberal–National Government has allocated a further \$38million in additional expenditure over the forward estimates for school health services. The additional expenditure includes the appointment of 155 extra school nurses across the State. This expenditure will ensure that all children entering school receive a school health entry assessment, with referral and follow up where required. All students seeking assistance for mental health and physical health issues will be provided support, including early referral to appropriate services.

The Budget also provides an additional \$12million from 2014–15 to 2016–17 to boost health and medical research as part of the Future Health program. The additional spending will strengthen Western Australia's research capacity, enabling researchers to further improve the State's health outcomes, as well as better positioning them to attract new researchers to Western Australia, and gain a greater share of national and international research funding.

Education Services

Western Australia has experienced record growth in student numbers over the past two school years. Semester One this year saw an extra 8,146 students enter the public school system, with 42% of this growth coming from children of families migrating to Western Australia.

To meet this challenge, the 2013–14 Budget provides an additional \$1.2billion over the next four years to ensure that our schools can continue to provide high quality programs for all students.

The State Government will spend \$4.4billion on primary and secondary education in 2013–14, an increase of \$260million or 6.3% on 2012–13. Based on projected enrolments, this equates to an average spend per student of \$15,621, an increase of \$513 per student on 2012–13.

The Budget also funds an additional six child and parent centres over the next four years at a cost of \$19.1million. These centres offer integrated health, early education, and parenting services and programs, so that young children in vulnerable communities are well prepared to start school, and have more opportunities to succeed while at school. This brings the Government's total commitment to 16 centres at an estimated cost of \$48million.

Today, 255 schools are operating with autonomy and flexibility. Half of all public school students and teachers are now in Independent Public Schools. These schools select their own staff and run their own budgets.

The Liberal–National Government has provided an extra \$18.2million to allow all schools that wish to become an Independent Public School access to a specialised development program to assist their transition.

The Government continues to support a diversity of choice in education and is making an additional \$114million available over four years to the private schooling sector under the Low Interest Loan Scheme (or LILS). LILS funding in 2013–14 will total \$53million, double the funding of 2012–13. The

additional loan funding will assist in satisfying the high demand for capital works projects in non-government schools throughout Western Australia.

Disability Services

The Western Australian disability system is recognised nationally and internationally for its focus on individualised funding arrangements and building relationships through local support networks. The My Way reform strategy empowers people with a disability (and their family and carers) to design, plan and implement their own package of support services—completely tailored to individual needs and circumstances. This Government is immensely proud of the speed with which the My Way program is being rolled out in the Lower South West project area. Expenditure on the My Way program is estimated at \$4.4million over the forward estimates period.

The 2013–14 Budget also allocates additional expenditure of \$3.7million over the next four years to provide free ACROD parking permits to eligible persons with mobility restrictions. Another initiative of which we are very proud.

SECURING OUR ECONOMIC FUTURE

Fiscal Action Plan

This Budget reflects tough decisions undertaken by the Government to secure our economic future through fundamentally reforming the way in which Government operates. Key elements of the \$6.8 billion Fiscal Action Plan include:

- revenue measures, including:
 - improved tax administration arrangements;
 - a 12.5% increase in land tax rates from 2013–14;
 - a halving of the private vehicle concession for motor vehicle registration fees from January 2014; and
 - the introduction of a \$4,000 per year public school tuition fee for children of 457 visa holders to partly cover the costs of educating these children;
- capping the growth in general government agencies' salaries expenditure to projected growth in the Perth CPI, supported by a new public sector wages policy to apply from November 2013 that caps wage and conditions increases to CPI growth;
- a \$1 billion reprioritisation of the public sector's infrastructure spending, reflecting the outcomes of an extensive review of the Government's Asset Investment Program;
- targeted program rationalisation measures, including a reduction in the feed-in tariff customer payment rate from the current 40 cents per kilowatt hour to 30 cents from 1 October 2013, and a further reduction to 20 cents from 1 July 2014; and
- introduction of a coordinated and systematic approach to ongoing program evaluation in the public sector, with targeted savings of \$350million over the forward estimates period.

The Fiscal Action Plan also contains the tools needed to bring flexibility into the management of the public sector workforce. These changes were announced in June, and include a voluntary severance scheme targeting 1,000 full time equivalent employees, and the introduction of legislation to enhance current redeployment arrangements. For public sector employees who are surplus to requirements, cannot be effectively redeployed, and choose not to accept a voluntary severance offer, we will introduce involuntary redundancy as a clear end point to the redeployment process.

The Government is also implementing a new approach to program evaluation, with targeted savings of \$350million over the forward estimates period. For existing government service delivery, a Steering Committee of Directors General will conduct rolling program evaluations to firstly establish that there is still a genuine need for the particular program or service, and secondly to identify opportunities for delivering the service more efficiently and effectively, which may result in government partnering with alternative service providers.

In addition, from January 2014, material new policy proposals will be subject to 'sunset clauses', whereby additional expenditure will be allocated for a finite period only, and continuation of the program beyond that period will be conditional on a rigorous evaluation demonstrating that the program is achieving its intended objectives and delivering value for money. If the evaluation cannot demonstrate this, then the program—and the associated expenditure—will cease.

Housing Supply Package

Mr President, this Budget also includes a Housing Supply Package in response to the widening gap between the demand for, and supply of, housing. Western Australia's strong population growth has placed considerable pressure on the State's housing stock. The Housing Supply Package comprises three complementary strategies.

Firstly, the Government will expand the number of affordable rental properties by allocating an additional \$47.8million for an extra 1,000 National Rental Affordability Scheme (or NRAS) incentives. This scheme provides property investors an incentive to rent new dwellings to lower income households at a rate at least 20% below the prevailing market rate. The extra 1,000 incentives will take Western Australia's total commitment under this scheme to 7,000.

Secondly, the Government will re-target the First Home Owner Grant to encourage first home buyers into newly constructed homes, by increasing the grant from the current \$7,000 to \$10,000 for first time buyers of new homes. At the same time, the grant will be reduced to \$3,000 for first time buyers of established homes. This will help stimulate addition to the stock of housing rather than turnover of the existing stock. Subject to the passage of the required legislative amendments, these changes are intended to take effect from 15 September 2013.

And as the third element of the Housing Supply Package, the Government has tasked the Department of Finance's Regulatory Gatekeeping Unit, in consultation with key stakeholders, to simplify and streamline residential planning and building approvals processes to ensure the supply of new housing is not held up in red tape.

In addition, this Budget includes additional capital expenditure of \$134.5million over the next two years to significantly increase the public housing stock, by better utilising existing land held by the Housing Authority. Two hundred blocks of land will be redeveloped to deliver 500 new homes within three years.

Unlocking New Economic Growth Areas

Mr President, another important aspect of securing our economic future is unlocking new economic growth areas to diversify and further grow our economy.

In this context, the Government has committed Royalties for Regions funding of \$300million over five years to allow Western Australian farmers to capitalise on the growing Asian demand for fresh produce. This includes \$40million in agriculture science, research and development programs to forge partnerships between innovative growers and researchers to conduct applied research and development projects.

Another priority objective for this Government is to build the State's science capacity. As part of this Budget, an additional \$18million will be spent over the next four years by the International Centre for Radio Astronomy Research to ensure Western Australia maximises its benefit from involvement in the Square Kilometre Array (or SKA) project. This global science project will build the world's largest and most sensitive radio telescope to provide unparalleled insights into the formation and evolution of the universe. The State's commitment to SKA-related infrastructure and research capacity totals almost \$90million.

Mr President, this Budget continues our commitment to provide targeted tax relief to small businesses. From 2014–15, the payroll tax exemption threshold will be raised to \$800,000 (from the current \$750,000), and from 2016–17 the threshold will be lifted further to \$850,000. It is estimated that more than 16,000 employers will benefit from this initiative, at a cost of \$121million over the forward estimates period.

CONCLUSION

In conclusion Mr President, the 2013–14 Budget responds to the economic and financial challenges currently facing Western Australia. It does this through:

- securing our economic future, with a \$6.8billion Fiscal Action Plan, a Housing Supply Package and initiatives to unlock new economic growth areas;
- record investment in infrastructure to respond to and support our growing State, with a focus on roads and public transport;
- the efficient delivery of quality services, with \$3.7billion in additional recurrent expenditure to meet unprecedented demand for health and education services; and

- protecting our community, with a significant boost to police and emergency services.

It is, Mr President, a Budget which has not seen the Government shirk from its responsibility to maintain a disciplined approach to financial management while ensuring that the economy of our great State and the lifestyles of Western Australians remain the envy of Australia.

I commend this Budget to the Council.

Debate adjourned, on motion by **Hon Samantha Rowe**.