

Speech by

Hon Dr Mike Nahan MLA

Treasurer; Minister for Energy; Citizenship and Multicultural Interests

Thursday 14 May 2015

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

INTRODUCTION

The 2015-16 Budget has been prepared in the most challenging economic and fiscal environment the State has faced in at least the last three decades.

Commodity prices have dropped precipitously. Our share of GST has been driven to record lows. Softening economic conditions have directly slowed growth in all other major sources of State tax revenue.

As a result of these impacts, the State's expected general government revenue has been revised down since the 2014-15 Budget by an unprecedented \$10.2 billion over the period 2014-15 to 2017-18, including a reduction of \$3.9 billion or 13.1% in 2015-16.

The iron ore and GST revenue impacts, combined with the shift underway in the economy from the construction to export phase, are unprecedented and have significantly impacted the confidence and income of Western Australian businesses and households.

It is therefore no surprise that the 2015-16 Budget is one of consolidation. It is a Budget in which the Liberal-National Government continues to implement key reforms, tightly manage expense growth, build on our achievements and support Western Australian businesses and households through the current challenging environment.

In 2014-15, 2015-16 and 2016-17 there will be operating deficits due to the unprecedented decline in revenue. However, in 2017-18 we expect to achieve a strong return to surplus.

Net debt will unavoidably increase over the next few years due to the need to fund the deficit, but this will peak in 2018 as the revenue and savings measures put in place take effect and the Asset Investment Program begins to recede from record highs.

This Government will steer the State's finances through these cyclical deficits to strong and sustained surpluses. We will achieve this by vigorously pursuing reforms and efficiencies throughout the public sector. Impacts on businesses and households will be kept to a minimum.

The orderly disposal of State assets has begun and will be significantly expanded. Sales proceeds will be used to fund existing infrastructure initiatives and reduce debt.

In addition to the State Government's reform agenda and asset sales program, new savings measures will be introduced.

Mr Speaker, between 2007-08 and 2013-14 Western Australia's population grew at the fastest rate of all States, and over that period increased by nearly 20% – or around 410,000 people. On average, our population increased by close to 68,000 each year – the equivalent of 1,300 people every week.

A sustained population increase of this magnitude has translated into an extraordinary growth in demand for government services and an unavoidable requirement for investment in key infrastructure such as education and health.

We have addressed the needs of a rapidly growing population, while at the same time we have broadened our economic base and transformed the infrastructure base of the State.

Our capital city Perth has taken its rightful place on the world stage and we have attracted global companies to establish new head offices. In parallel, we have invested in world class hospitals, schools, sporting facilities and cultural attractions.

Our regions have been rebuilt. Across the span of our great State, we have revitalised over 20 town centres and since 2009 provided \$5.2 billion in Royalties for Regions funding to support those communities which fuel the economic engine of our State.

The essential networks that connect us all have been bolstered. Since 2009 this Government has invested \$4.4 billion on roads, \$2 billion on public transport, \$7.1 billion on electricity infrastructure, and over \$100 million to support cycling across the State.

We have drought-proofed Perth, innovated wastewater reuse in the regions and by drawing costs out of the system we have begun eliminating the State's subsidy to the electricity entities that will allow us to move to full retail contestability. In the past 12 months the subsidy has been reduced by an estimated \$971 million over four years.

Alongside record investment in major projects, the State Government has also invested in people. Our teachers, nurses, police and firefighters are among the best paid and best equipped in the country.

Mr Speaker, over the last five years we have transformed the State. Western Australia has benefited greatly from the resource-related investment but in setting the Budget last year we were mindful the conditions were changing. In 2013-14, we embarked on a series of reforms beginning with our Fiscal Action Plan, and I am pleased to confirm our financial policy measures are now delivering over \$10 billion in savings.

While the transition from construction to export is proceeding as expected, economic conditions have softened since the last Budget and the precipitous decline in commodity prices, together with GST revenue falling to unprecedented low levels, has substantially impacted our finances. We have made progress with our reform agenda but the current conditions demand we drive this even harder.

We are not going to slash and burn. Instead we are pursuing best practice reform to drive efficiency in the public sector and ensure high quality services are delivered. We have a reform process underway in most areas including health, mental health, police, education, electricity, water, and disability services to name just a few.

All elements of State expenditure will be reviewed as we remain steadfast in ensuring annual expense growth is limited to 2.5% on average over the forward estimates. Our CPI wages policy will continue as will workplace reform. Since coming to office, the Government has undertaken five rounds of voluntary separation schemes, which are expected to see a total of 3,750 staff exit the public sector by 30 June 2015.

Mr Speaker, given the challenging economic environment, the Government has resolved above all else to minimise the impact on families and small businesses. This is not the time for harsh financial measures. It is a time for disciplined reform, targeted investment and a steady hand at the tiller.

Economic Outlook

Mr Speaker, the State's economy has been strong over the three years to 2013-14, growing by an average of 5.9% per annum, or double national economic growth.

This growth has been supported by unprecedented levels of resource sector investment. However, despite strong expectations for exports as we move into production, we anticipate overall economic growth – as measured by Gross State Product – to moderate to 2% in 2015-16.

While Western Australia continues to have the lowest unemployment rate of all States, labour market conditions are softening, with the unemployment rate forecast to peak at 6.25% in 2015-16, and wages growth to remain soft.

Revenue Outlook

Mr Speaker, these softer economic conditions are directly impacting growth in the State's major sources of tax revenue, such as payroll tax and property transfer duty.

However, by far the largest impact on the State's finances has been from the substantial decline in commodity prices, particularly iron ore and oil. Over the last 12 months these price impacts have swamped the impact of a lower exchange rate and higher production volumes.

Western Australia's iron ore royalty revenue in 2013-14 was nearly \$5.5 billion. In the coming Budget year, this is forecast to fall to just \$3 billion.

Revenue from GST grants is also forecast to decline in 2015-16. As in 2014-15, the distribution of GST will exacerbate revenue volatility, rather than smooth it, as the process was intended and as the Commonwealth Grants Commission claims it should do.

Western Australia's share of GST revenue will fall from 37.6% of its population share in 2014-15 to a new record low of just 30% in 2015-16.

No other State's relativity has fallen below 83.5% since the inception of the GST.

Remarkably, Mr Speaker, this means that Western Australia's GST revenue in 2015-16 will be lower in absolute dollar terms than it was 15 years ago when the GST was introduced.

The GST distribution is meant to ensure that each State gets its fair share. However, the Commonwealth Grants Commission's reliance on lagged data means that, in 2015-16, Western Australia will effectively redistribute more than 100% of its royalty revenue to the other States.

It is clear that fundamental reform of the GST distribution process is required, as part of broader reforms to the Federation. In the meantime Mr Speaker, the Commonwealth Government has acknowledged the difficulties caused by the current GST distribution, and has agreed to provide additional funding of \$499 million to Western Australia to increase its funding contribution on a range of road projects across the State. This is appreciated but it does not address the long term issue of GST distribution.

The Commonwealth's decision to provide this additional funding was finalised after the cut-off date for this Budget, and accordingly, is not reflected in the financial aggregates presented in the Budget Papers. Other things being equal, this funding will reduce the reported operating deficit in 2014-15 and the level of net debt by \$499 million.

Fiscal Conditions

Mr Speaker, general government revenue in 2015-16 is estimated to be \$1.6 billion or 5.8% lower than actual revenue in 2013-14. This is the first time that the State has faced declining revenue since 1996-97.

We are absolutely focused on keeping a tight rein on expenditure. Reflecting this, general government expense growth is forecast to grow by just 2.5% in 2015-16 and by an average of 2.5% per year across the forward estimates period.

This low expense growth is largely due to this Government restraining growth in salaries expenditure. When the Liberal-National Government came to office in 2008, general government salaries expenditure was running at an unsustainable 12% per annum.

I am pleased to confirm that in 2013-14, the general government salaries bill grew by just 5.2% – the lowest rate of growth in 13 years. In 2015-16 this is expected to reduce to 1.8%, and to an average of 2.4% over the forward estimates.

Since 2008, the Government has implemented approximately \$21.6 billion in revenue and savings measures. Much of these savings in the early years were reinvested in priority areas such as health, education and other social services. With the implementation of the Fiscal Action Plan in 2013-14, we have been able to continue to meet demand for services, as forecast, while at the same time delivering forecast general government operating surpluses.

Despite these measures, and further measures I am outlining today, the extent and pace of the revenue write-down means that general government operating deficits are unavoidable over the short to medium term.

In this current financial year, we are expecting an operating deficit of \$788 million, taking into account the Commonwealth funding I mentioned earlier. On the back of further reductions in iron ore royalties and GST revenue, the deficit is projected to widen to \$2.7 billion in 2015-16, with a further deficit of \$1.1 billion currently forecast for 2016-17. The Budget is expected to return to an \$874 million surplus in 2017-18.

Mr Speaker, the significant reduction in the State's revenue also directly impacts total public sector net debt, which is forecast to increase from \$25.5 billion at 30 June 2015 to a peak of \$36.3 billion at 30 June 2018. It is then expected to decline to \$35.8 billion by 30 June 2019 as a consequence of the Government's savings measures and the return to surplus from 2017-18. Proceeds from asset sales will further reduce these debt levels. We have not factored any proceeds into the Budget and will only do so after the sale of an asset has been completed.

Although this level of debt is high by historical standards, it remains affordable and is being used to fund important social and economic infrastructure. This infrastructure investment is also providing direct support in the form of jobs for Western Australians, an important issue I will return to shortly.

SECURING OUR ECONOMIC FUTURE

Mr Speaker, in this Budget, we have recognised that further savings measures are required. In choosing these measures we have gone to great pains to maintain a balance between the need to manage the State's finances sustainably while minimising the impact on businesses and households.

Reform of Social Concessions

Mr Speaker, as well as reform in the public sector, we recognise the need for reform in other areas.

The Government values the important contribution that seniors make to the development of the State and we are committed to supporting them to actively participate in the community. However, Western Australia currently offers its Seniors Card holders the most generous suite of concessions, discounts and rebates of any jurisdiction in Australia. With the proportion of seniors in the State continuing to grow, it is important that these concessions remain both affordable and targeted to those most in need. We will:

- maintain the changes made to the seniors Cost of Living Rebate in 2014-15 in response to the withdrawal of Commonwealth funding;
- introduce means testing for the Cost of Living Assistance payment, which will be renamed the Energy Assistance Payment, from 1 July 2015;
- cap local government and water service charge rebates for pensioners at \$550 and \$600 respectively, from 2016-17;
- gradually increase the eligibility age for the WA Seniors Card from 60 to 65 years, with the eligibility age reaching 65 by 2023-24; and
- suspend the seniors safety and security rebate, with this money being redirected to our ongoing commitment to the Grandcarers' Support Scheme.

These changes are expected to save \$199 million over the forward estimates period, including \$41 million in 2015-16.

We will also introduce a new concession in 2016-17 to support seniors' access to the Photo ID card.

We will expand free public transport for seniors, aged and disability pensioners and carers, to allow them to travel for free after 7pm at night, until 6am on weekdays.

A raft of existing concessions, including for driver's license fees, ambulance services for seniors and housing rental subsidies will also be retained.

Public Sector Reform

Mr Speaker, the Government is also continuing its focus on public sector reform.

As previously announced, we are conducting Agency Expenditure Reviews on a number of agencies to allow us to better assess resource allocations, demand management options and program delivery methods. The first stage of the review process has delivered net debt savings of \$137 million in this Budget.

The Department of Finance and the Culture and the Arts portfolio have been referred to Stage Two of the process, with further savings to be allocated in the 2015-16 Mid-year Review.

This Budget also implements the Workforce Renewal Policy announced in the 2014-15 Mid-year Review. The policy aims to encourage the public sector to adopt more innovative methods of providing services, as well as reduce growth in salaries expenditure – leading to expected savings of \$1.3 billion over the forward estimates.

On top of this, our targeted voluntary separation scheme has received broad support, with 1,476 applications out of a target of 1,500 approved to date. This is on top of the Government's four previous voluntary separation schemes that delivered a total of 2,250 separations.

Wages Policy

Mr Speaker, the Government's wages policy, which caps increases in wages to projected growth in the CPI, has been successfully implemented, with public sector wage agreements negotiated since November 2013 incorporating increases consistent with the CPI.

However, the Western Australian Industrial Relations Commission recently awarded salary increases to health salaried officers of 3.75% from 1 July 2014 and 3% from 1 July 2015. We are disappointed that this decision is in excess of the relevant wages policy parameters, particularly in the current economic and fiscal environment. It is a decision that will cost around \$96 million from 2014-15 to 2018-19.

In line with my statement in last year's Budget speech, the Department of Health will now be required to accommodate these pay rises within its existing approved salaries budget – through recruitment freezes or FTE reductions if necessary.

Mr Speaker, I hope that this sends a loud and clear message to the State's public sector unions and to the Industrial Relations Commission – the Government is determined to implement its wages policy, and will enforce the requirement for any above-CPI wage outcomes to be accommodated by agencies through lower staffing levels.

New Revenue Measures

From 1 July 2015, a new, flatter land tax scale will be introduced. The new scale will raise additional revenue of \$184 million in 2015-16 and a total of \$826 million over the next four years.

Despite this increase, Western Australia's land tax, particularly on lower property values, will remain lower than most other jurisdictions. For example, land tax on land with an unimproved value of \$1 million will move to \$1,750, which compares to a range of \$2,975 to \$11,588 in other States.

To ensure the tax burden on businesses is minimised, we are sticking by our commitment to increase the payroll tax exemption threshold to \$850,000 from 1 July 2016.

Consistent with the Government's policy objective of focusing financial support on residential construction, the \$3,000 First Home Owner Grant for established homes will be removed following passage of the required legislative amendments. This will bring Western Australia into line with all other States. Importantly, there are no changes to the \$10,000 First Home Owner Grant for new homes or to the generous transfer duty concessions for first home buyers of both new and established homes.

The cellar door subsidy, which mostly benefits the State's larger wine producers, will be removed from 1 July 2015, in line with most other States.

And the Loan Guarantee Fee for Western Australian universities, local governments and Keystart, which is paid on borrowings through the Western Australian Treasury Corporation, will be increased to 70 basis points from 1 July 2015. This will bring these entities into line with the Loan Guarantee Fee paid by Government Trading Enterprises such as Western Power and the Water Corporation.

Asset Sales

Mr Speaker, as part of our strategy to reduce debt over time, the Government will continue to pursue an orderly program of asset sales. We have previously announced the first tranche of assets, comprising Utah Point at Port Hedland, Kwinana Bulk Terminal and the Perth Market Authority, which are being progressed for sale.

Today I announce that our asset sales program will be significantly expanded. The Government will pursue the disposal, through a long term lease, of the assets and operations of the Fremantle Port Authority. This will subsume the process for the sale of the Kwinana Bulk Terminal. This decision significantly broadens the size and appeal of the transaction to international investors and trade buyers, as well as the anticipated proceeds to the State.

In line with our announcement at last year's Budget, we will continue to pursue the sale of the TAB, but will do so in consultation with the racing industry.

Other assets the Government has identified for further investigation as part of the second tranche of our asset sales program are:

- the Forest Products Commission;
- a portfolio of Government Regional Officer Housing stock;
- securitisation of part of KeyStart's loan book;
- the State's vehicle fleet, via a sale and leaseback arrangement;
- various Government-owned office buildings, via a sale and leaseback arrangement; and
- individual generation assets of Synergy and Horizon Power, and Western Power's non-core assets.

Sales proceeds will be significant, and will be recycled into already committed infrastructure projects such as the Forrestfield Airport Link and used to reduce debt.

Mr Speaker, it should be noted that the forward estimates in this Budget make no provision for the anticipated sale of assets. Proceeds will not be reflected until sale transactions are actually complete. This represents a significant upside to our forward estimates, as does the Commonwealth funding the State would receive under the Commonwealth's Asset Recycling Initiative.

The Government is also extending its land sales program by a further \$68 million over the forward estimates. A total of \$268 million worth of potential land sales has now been identified. Additional focus will be brought to this area over the next 12 months with an expectation that further sites will be added to the sales pipeline and included in the 2016-17 Budget process.

Electricity Reform

Following the success of the Government's first phase of electricity reform involving the merger of Verve Energy and Synergy, we will commence phase two of the Electricity Market Review.

Working with the Board and management of Synergy, the State Government has put in place reforms which are expected to reduce the electricity subsidy by around 55% over the forward estimates.

Phase two will target a further reduction in costs, without compromising safe and reliable supply, and aim to attract private sector participants to the market.

The reforms will provide material benefits to the electricity industry and consumers, including the eventual elimination of subsidies, by driving down costs, and the planned introduction of full retail contestability.

We will also progress the transfer of access regulation for the Western Power network to the national regulatory framework.

Playing to Our Strengths

Mr Speaker, in addition to these reform measures, the Liberal-National Government will build on existing initiatives to broaden our economic base.

Over the last 12 months, employment indicators highlight that our efforts in this space are generating results. Employment increases in the fields of professional and technical services, recreation, healthcare, accommodation, food and hardware retailing, machinery and equipment wholesaling, and agriculture are helping to offset the reduction in mining-related roles.

Our targeted investment in support of these areas will continue.

A total of \$300 million has been set aside for the *Seizing the Opportunity* agricultural initiative, including \$63 million in 2015-16. Once fully deployed, the funding will help transform the agrifood industry by ensuring our agricultural sector is positioned to capitalise on the growing global demand for food and agricultural products – much of it right on our doorstep.

The program will focus on short and medium-term strategies to assist WA businesses to pursue opportunities in Asia, the Middle East and other new markets.

In addition, \$27 million will be provided between 2015-16 to 2018-19 to support the State Government's events program and to target interstate and international conferences, and \$11 million of Royalties for Regions funding will extend the Regional Tourism Marketing Program.

The Government will also continue to pursue innovation through science in a \$13 million, three year investment in the Pawsey Supercomputing Centre; a world class facility with expertise in high performance computing and visualisation technologies.

We will build on the State's recently released science statement aimed at showcasing our scientific capacity in fields such as mining and energy, medicine and health, agriculture and food, biodiversity and marine science and radio astronomy.

The Government's investment in these initiatives will create new economic growth and help strengthen international ties so that Western Australian businesses can capitalise on the economic growth of our neighbours.

EFFICIENT DELIVERY OF QUALITY SERVICES

Continuing strong demand for quality services is addressed in this Budget with carefully targeted expenditure in key service delivery areas.

Health

To ensure the community continues to have access to safe, quality and cost-effective health and hospital services, the Liberal-National Government will spend an additional \$417 million over the next four years.

Since 2008-09, WA Health's budget has increased from \$4.8 billion to \$8.1 billion in 2015-16, an increase of 71%.

To facilitate reduced cost growth and deliver a more sustainable expenditure base for hospital services, the forward estimates are predicated on transitioning the State Price to the projected national average cost by 2020-21 – the timeframe for completion of the WA Health Reform Program.

This reform program addresses the areas of health system governance, performance, support services and procurement, and supports the biggest investment in new and refurbished hospitals in the State's history such as the commissioning of the Fiona Stanley Hospital, Perth Children's Hospital and Midland Public Hospital.

Mental Health

Mr Speaker, this Budget provides new expenditure of \$25.9 million over the next four years for the implementation of a new suicide prevention strategy: *Suicide Prevention 2020: Together we can save lives*, which will be informed by international best practice.

The Government has also committed \$27.9 million from the Royalties for Regions program for two new step up/step down services in Karratha and Bunbury. These services will provide care in community-based accommodation for people with mental illness as an alternative to acute inpatient care.

Education

Mr Speaker, growth in student enrolments at government schools has grown almost 3% a year since 2012. This equates to an additional 24,800 students and is the strongest period of sustained growth since the mid-1970s. The success of the significant capital investment and reform undertaken by this Government has seen the public school system in Western Australia increasing its market share relative to private schools.

The Government will spend \$4.8 billion on education services in 2015-16, an increase of \$294 million or 6.5% on 2014-15, however we are also ensuring our expenditure is targeted and efficient.

This is why we remain focused on reform in the education sector.

As members would be aware, a new student-centred funding model was introduced this year, providing increased flexibility and accountability for Principals while delivering increased funding in the early years of schooling.

I am also pleased to note that 178 new Independent Public Schools started operating at the beginning of the 2015 school year, which brings the total number of Independent Public Schools to 441 across Western Australia – representing 55% of all government schools.

In order to give students better opportunities for a real future after school, we have also revised the Western Australian Certificate of Education. From 2016, every Year 12 student must achieve an Australian Tertiary Admission Rank and/or a certificate II or higher qualification to graduate. All students must demonstrate a minimum standard in literacy and numeracy for secondary graduation.

At the start of this year, Year 7 public school students moved to secondary schools for the first time so that we could provide specialist teaching and facilities best suited for the Australian Curriculum. Twenty-nine secondary schools from Margaret River to Broome get new buildings, and 19 other schools have had works to accommodate Year 7 students – a total investment of \$223 million.

The Liberal-National Government is also focusing on reforms to the way we build schools. Later this year we will announce the successful consortium for Western Australia's first Public Private Partnership for schools, which will involve the finance, design, build and maintenance of four public primary schools and four public secondary schools. The estimated capital cost is \$370 million, but the Government will only start paying when each school is operational. The partnership is a strong incentive for the appointed consortium to build high quality schools on time and within budget, and for maintenance to be performed to a high standard.

PROTECTING AND SUPPORTING OUR COMMUNITY

Mr Speaker, ensuring that people in this State feel safe, secure and supported is a priority of the Liberal-National Government.

No-fault Catastrophic Injury Compulsory Third Party Insurance Scheme

For too long, people in this State who have been catastrophically injured in motor vehicle accidents in which no one was at fault have not received adequate support. This will change from 1 July 2016 with the introduction of a no-fault catastrophic injury Compulsory Third Party insurance scheme for Western Australian motorists.

The Scheme will provide lifetime care and support to Western Australians catastrophically injured in a motor vehicle accident without the need to prove fault, with the cost of care estimated to average \$4 million per claimant over their lifetime.

To fund the Scheme, Compulsory Third Party insurance premiums will increase by a maximum of \$99 as policies are renewed after 1 July 2016. Insurance premiums will only increase by \$30 for farm fire-fighting vehicles, mopeds and vintage cars, and \$25 for most tractors. No additional premium will apply to caravans and trailers.

Social Housing

Mr Speaker, affordable housing is fundamental to the continued social and economic prosperity of our State.

I am therefore pleased to advise that the Government is investing \$560 million to deliver 1,000 additional social housing dwellings in order to halve the number of seniors and families with children on the priority waitlist by 30 June 2017.

This \$560 million investment will deliver an estimated:

- 600 newly built social housing homes;
- 200 spot purchases of existing homes and pre-purchases of homes to be constructed; and
- 200 leases from the private sector.

The Government will also continue funding its Disruptive Behaviour Management Policy for public housing, ensuring that public housing tenants who engage in disruptive behaviour are held accountable for their actions.

The Liberal-National Government has renewed its commitment towards addressing homelessness. In 2015-16, we will spend \$90.6 million on programs related to homelessness and crisis accommodation.

Child Protection and Family Support

Mr Speaker, the Liberal-National Government remains committed to protecting the safety and wellbeing of children in Western Australia.

To meet the increasing demand for child protection and family support services, the Government will spend an additional \$172 million over the next four years. This will go towards supporting over 5,000 children and young people requiring out-of-home care in the coming year.

I am also pleased to announce that we have allocated \$9.7 million in 2015-16 for grants under the Hardship Utility Grant Scheme (HUGS). This Scheme assists people who are struggling to pay their utility bills and helps them remain connected to essential services.

Disability Services

Ensuring that more Western Australians with a disability can access the services they need and are supported to participate in the community has been a proud achievement of this Liberal-National Government.

In 2015-16, expenditure on disability services will increase by \$98 million or 11.3%. This will allow us to continue reform across the disability sector and focus on individualised planning that enables people with a disability to choose the support and services that best meet their needs.

On 1 July 2014, the National Disability Insurance Scheme (NDIS) My Way trial commenced in the Lower South West region, and this will expand into Cockburn-Kwinana on 1 July 2015. After nine months' operation, the NDIS My Way trial is progressing smoothly and according to plan. The State Government has allocated an additional \$39.8 million over 2014-15 and 2015-16 to support these trial sites.

The Commonwealth NDIS trial is also operating in the Perth Hills.

In addition, in 2015-16, we will open the first Disability Justice Centre, at a cost of \$8.5 million. This centre represents the nation's most progressive approach for supporting people with disability who are charged with criminal offences but are found unfit to plead or stand trial due to their intellectual or cognitive impairment. The Centre will be complemented by a prison in-reach service which seeks to assist people with disability in custodial settings.

Police

Mr Speaker, the Liberal-National Government is committed to ensuring the safety of all Western Australians and this is why we will spend \$1.4 billion on WA Police in 2015-16, an increase of \$53 million or 4.1%.

During 2015-16, WA Police is planning to recruit a further 120 Police Officers and 51 Auxiliary Officers. This will place the Government on track to meet its election commitment of 550 additional officers by the end of 2016-17.

We are also providing \$7 million over two years towards implementation of a State-wide coordinated Closed Circuit Television Strategy. The aim of the strategy is to deliver a more robust CCTV network in the State to enhance community safety and security.

Initiated by WA Police, *Frontline 2020* is another major reform program currently underway. Focused on meeting rising community demand for police services it looks at all aspects of policing with the aim to be more efficient, more productive and with an increased focus on frontline and local issues.

In just six months, the trial in the South East Metropolitan District moved it from the sixth best to the second best performing Metropolitan District for verified crime reporting compared to the previous year. Crime reduced, community engagement increased with the use of social media, and the district experienced a higher degree of control over its resources than before. Notably, public satisfaction in that district jumped 15 percentage points to 89%.

Tariffs, Fees and Charges

Mr Speaker, the Government recognises that in the current economic environment, many families are finding it tough. This is why we have tried to keep increases in tariffs, fees and charges to a minimum.

In 2015-16, tariffs, fees and charges for a representative household will increase by an average of \$198.54 or 3.8%. This includes a 4.5% increase in electricity and water charges and a 2.6% increase in standard Transperth fares, with student fares remaining unchanged. The Emergency Services Levy will increase by \$25 for a representative household, in order to help fund the State's fire and emergency services.

Even with these increases, the Government will continue to provide subsidies and concessions to the tune of \$1.8 billion in 2015-16 for essential utilities and public transport.

INVESTING IN INFRASTRUCTURE TO GROW THE STATE

Mr Speaker, our Asset Investment Program is providing a significant role in supporting employment growth.

The Government's transformation of Perth will result in the creation of more than 93,000 jobs during construction – with thousands more indirect jobs created for offsite suppliers and services.

The Perth Children's Hospital will directly employ a total of over 5,000 workers during the period of construction. More than 750 companies have been involved in this project to date, with over 600 of these being local businesses.

Local companies are also benefiting from the new Perth Stadium works. At the end of March 2015, building subcontracts totalling approximately \$350 million had been let – with over 90% of the total value of these contracts being awarded to Western Australian companies.

Mr Speaker, when completed, Elizabeth Quay will provide more than 800 residential dwellings, 400 hotel rooms, 200,000 square metres of commercial space and 25,000 square metres of retail space, attracting more than \$2 billion of private sector investment into the State. Work at Elizabeth Quay is also creating around 1,600 jobs during construction – ranging from engineers, to commercial divers and archaeologists – and providing work for more than 146 small to medium companies.

In addition, more than 2,500 people are expected to be employed during construction of Perth City Link. When complete, the project will attract more than \$4 billion of investment from the private sector, house up to 3,060 new residents in 1,650 new homes, and up to 13,500 workers in 244,000 square metres of new commercial office space.

Mr Speaker, this Budget will continue to support Western Australian jobs and growth with an Asset Investment Program totalling \$6.3 billion in 2015-16 and \$24.1 billion over the next four years.

Public Transport

The public transport network plays a critical role in efficiently transporting people and reducing congestion on Perth roads. In recognition of this, the 2015-16 Budget contains a significant investment in public transport, including:

- \$104.4 million on 21 new railcars and 105 Transperth buses in 2015-16;
- \$53.4 million over the forward estimates for the Public Transport Authority's radio replacement project, which is required due to the closure of the analogue spectrum by 2020;
- \$25 million over two years to widen the Russell Road bridge over the Kwinana Freeway and replace traffic control signals with roundabouts near the new Aubin Grove Train Station;
- \$18.7 million for the Transperth Rail Resilience Package to reduce the likelihood of infrastructure-related incidents and improve network reliability and safety;
- \$45.5 million towards the \$2 billion Forrestfield-Airport Link, which in 2020 will create a 20 minute rail journey from Perth's eastern suburbs to the city; and
- funding to undertake necessary planning for the new C-series railcars as part of a ten year program to procure 300 railcars at an estimated total cost of \$1.2 billion.

I am also pleased to announce that construction of a new \$29.5 million, 1,000 bay multi-storey car parking facility at Edgewater Station has commenced and is expected to be completed in 2016.

This Government also recognises the increasing popularity of cycling in Western Australia. This is why we have invested over \$100 million in cycling networks throughout the State over the past six years, resulting in 221 kilometres of off-road shared paths and 71 kilometres of on-road bike lanes. And, as part of this Budget, we have committed an additional \$11 million in 2017-18 and 2018-19 to continue work on the Principal Shared Path bicycle network, bringing total funding to \$72.1 million over the next four years for cycling projects.

Roads

In addition to this investment in public transport and cycling infrastructure, the Government, in partnership with the Commonwealth, is continuing to invest heavily in roads.

We have already announced that we are bringing forward \$100 million in funding from 2017-18 to 2015-16 to enable the Mitchell Freeway extension from Burns Beach Road to Hester Avenue to be completed by April 2017 – eight months ahead of schedule.

Mr Speaker, the previously announced \$499 million in Commonwealth funding for road projects will be spread over nine projects, including the Mitchell Freeway extension, Tonkin Highway grade separations, and work on the Reid Highway – Malaga Drive intersection grade separation.

Construction will also continue on the:

- Gateway WA project, with \$137 million allocated to the project in 2015-16;
- Great Northern Highway – Muchea to Wubin Stage 2 project, with \$117 million allocated in 2015-16;
- North West Coastal Highway Minilya to Barradale project, with \$58 million allocated in 2015-16; and
- NorthLink WA – Swan Valley Section, with \$39 million allocated in 2015-16.

Ground works are also expected to begin in early 2016 on the \$1.6 billion Perth Freight Link project.

Mr Speaker, our commitment to road spending also extends to road safety. In 2015-16, the Liberal-National Government has approved a record Road Trauma Trust Account grants program, totalling \$111 million. Key initiatives under this program include a continuation of the LED School Zone Lights commitment, and safety improvements to metropolitan intersections and regional roads to reduce the incidence and severity of crashes.

Education

Mr Speaker, the Government will invest \$1.2 billion over the next four years to build new senior high schools and primary schools, and reinvigorate and increase the capacity of current schools.

This includes \$60.5 million for the construction of stage one of South Baldivis Senior High School, \$57.2 million for the construction of stage one of Yanchep Senior High School, and \$29.8 million for the amalgamation of Hamilton Senior High School and South Fremantle Senior High School into the new Fremantle College.

This Budget also includes an additional \$15.7 million in 2015-16 to address maintenance needs across our schools.

Other Key Infrastructure

Other key areas of infrastructure investment in the 2015-16 Budget include:

- \$713 million in 2015-16 to maintain high quality and reliable water and wastewater services, including \$44 million for the construction of Australia's first full-scale Groundwater Replenishment Scheme;
- \$358 million in 2015-16 for the Western Australian Land Authority to deliver new and revitalised residential and economic centres to meet the needs of communities and industry throughout the State;
- an additional \$140 million for a total of \$1 billion for Western Power in 2015-16 to address safety and reliability issues in the network, including the treatment of wood poles and conductors, bushfire management, and distribution and transmission capacity expansion;
- \$22 million over three years for the New Women's Custodial Centre, which will be a 252 bed stand-alone facility to resolve immediate pressures in the female prison estate and create flexibility across the entire custodial estate;
- \$19 million in 2015-16 to meet critical infrastructure maintenance needs and support the operation of Royal Perth Hospital following the transition of some services to the newly completed Fiona Stanley Hospital; and
- \$18 million over three years to construct the first stage of the Bunbury Headquarters building for the Department of Parks and Wildlife, including scientific, conservation and recreation facilities.

The Liberal-National Government is proud of its achievements to date and the infrastructure projects it is currently undertaking. These projects are supporting jobs and local businesses, and will provide Western Australia with modern, world-class facilities for decades to come.

CONCLUSION

In conclusion, Mr Speaker, the 2015-16 Budget has been framed to deliver the services and infrastructure needed to support households and businesses, while also meeting the challenging fiscal circumstances faced by the State.

It is a Budget that contains a clear fiscal plan and sets out a series of reforms to constrain the growth of debt. It is a Budget that consolidates our past achievements while also positioning the State to move forward.

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. Appropriation (Recurrent 2015-16) Bill 2015 is for recurrent services, which comprise the delivery of services and administered grants, subsidies and other transfer payments.

Appropriation (Capital 2015-16) Bill 2015 is for capital purposes, providing for asset purchases and payment of liabilities of agencies.

Recurrent service estimates of \$21,448,489,000 include a sum of \$2,304,876,000 permanently appropriated under Special Acts, leaving an amount of \$19,143,613,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Recurrent 2015-16) Bill 2015.

Capital purposes and financing transactions estimates of \$2,187,662,000 comprise a sum of \$252,753,000 permanently appropriated under Special Acts and an amount of \$1,934,909,000 that is to be appropriated in the manner shown in the Schedule to Appropriation (Capital 2015-16) Bill 2015.

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.