



The Fool on the Hill: WAPF imagines a speech we not hear by the New Treasurer we did not get.

May 20th 2010

Mr Speaker, this second budget is my opportunity to announce that a Damascene conversion has come across me and my Government. The end of the recession, which we saw coming months ago - as all of you did - is our opportunity to make a clean break with budgets of the past. We intend to use the recovery to create a uniquely just and fair State based on the principles on which Australia was originally created. Yet at the same time we intend to create a reputation for fiscal prudence which we failed to do last year, admittedly at a difficult time for State finances.

This is going to be a difficult balance to achieve. We are not completely out of the woods yet so far as the State's own revenue is concerned, and there is great uncertainty about what we will receive from the Commonwealth. The demands on our resources are many, But economic growth has begun to happen again in our State, largely generated by a renewed mining boom but also because of a rise in economic confidence worldwide. We will not squander this opportunity.

Our second budget is intended to deliver a number of results for the people of Western Australia, for us all, but especially for the least advantaged, those who have been consistently left behind by the rising prosperity that so many of us have enjoyed. Our first objective therefore is that every year we should use our rising wealth to ensure that this State provides more and better health care, education, social and other services for everyone. Secondly, we aim as far as we can to redistribute wealth and income towards the less well off in our society. Thirdly, because we care about the environment and believe Government should take the lead, we will put in place policies that will cut our dependence on fossil fuels in the long term. Finally, to pay for all this, we will shift expenditure on infrastructure towards the private sector wherever possible.

THIS YEAR'S RESULTS

In last year's State Budget my gifted predecessor forecast a contraction in real gross state product (GSP) of a1.25%, a worse result than the 0.5% forecast nationally in the 2009-10 Commonwealth Budget. We now know that this forecast was unduly pessimistic. Actually, we will finish roughly level this year, which considering what has happened in Europe and the United States, is a testimony to our economic resilience and the strength of our resources base. Actually some of us thought it would not be too severe a downturn, but we did not want to show our hand last year in case we were wrong. Sorry about that.

This level result has not been entirely reflected in our State fiscal position, however, On State revenue, GST grants were down a billion dollars, and North-West Shelf petroleum grants also fell although this was offset by higher tied grants and Federal stimulus funding. The State's own taxation revenue grew by 5.8%, beyond our expectations last year, and we expect to see this rise again by more than 7% next year and 11% the year after that, mainly because of the recovering property and employment market.

We haven't been too good at controlling expenditure this year, but on the other hand we have still been recovering from the recession and it would not have been sensible to crack down on expenditure too hard

either. We eventually reached a total of \$21,023m, an increase of 9.97% over last year. We are going to make every effort to reduce, if not eliminate extraordinary items from subsequent budgets, although we are still working through stimulus spending. and thus it is unavoidable this year that significant extraordinary items feature in spending. Looking at just normal expenditure, however, we have to admit that these figures are not really very consistent with the mid-year review estimates which we released on December 17, 2009, when we said we would spend \$20,834m, let alone what we said at budget time last year, \$20,291m. Our Efficiency Dividends did not fully materialize either. Just to take one example, Education and Training Support Programs: this initiative had a 2009- 10 savings target of \$53.016 million, while we told Parliament recently that our estimate is \$7.931 million, leaving a shortfall of \$45.085 million, which accounted for 85 per cent of the total shortfall in the Efficiency Dividend¹. I could give you many more examples. So although revenue planning was pretty accurate, expenditure is higher than we planned. This keeps happening, sorry.

As a result of all this the \$51m surplus we projected in the Mid-Year Review will not be attained. However this Budget still does confirm a slight surplus for the current year, \$7m, very close to what we forecast in the Mid-Year Review, but a long way away from the \$409m we forecast in last year's Budget. Don't complain, at least it's a surplus and it's been hard enough achieving that. I've already thanked Kevin for the Commonwealth Stimulus Spending, but it wasn't enough, so we've achieved this by incorporating as much State Revenue as possible, collecting data right up to the day before the Budget in fact. We promise not to do that again, reverting to the previous system of a cut-off point at least a couple of weeks before Budget day, but we will not need to within the Budget forecast period as we will be comfortably in surplus, given our projections of revenue and our expenditure plans. From what I now see, it's getting better all the time. In fact we are planning for a small surplus of \$11m in 2010-11 but this should be exceeded and moreover increase considerably to over \$500m in 2011/12 and a much greater amount after that. What we will do with the surpluses, I will discuss later – it will be a combination of policies.

In terms of our plans generally I should begin by saying that there is nothing wrong in principle with the idea of a State land use and infrastructure investment plan, or for that matter with a framework for managing the State's assets. Nor do we want to exclude the community and non-for-profit sector from the provision of the services that the State Government wants citizens to enjoy. However what I now see is wrong is to use these ideas as camouflage for introducing cuts or providing State services. You will therefore also be pleased to know that I have trashed the confusing report of the Economic Audit Committee with its multiple signals and am going to start from a clean slate.

REVENUE

On grants, I should say that we are not entirely happy about the future of relations between the State and the Commonwealth in a number of areas. The GST share WA gets doesn't seem entirely fair, for one thing – the Premier rightly pointed out recently that the Commonwealth takes out \$10bn more each year from WA than it puts in - and we are not entirely convinced about the Prime Minister's plan to nationalise health care either. For the time being though we've made our forecasts and plans on the existing basis. Due to the tremendous uncertainty surrounding Commonwealth Grants, we have set them at a level \$3.7bn for the period of the Budget forecast, including the recent Commonwealth Budget indicates that we should expect to receive at least \$200m more than we thought even a couple of months ago . We

¹ [http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/b34712a3b3a7f7c0482577120022c98a/\\$FILE/A38%20S1%2020100421%20p2008e-2009a.pdf](http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/b34712a3b3a7f7c0482577120022c98a/$FILE/A38%20S1%2020100421%20p2008e-2009a.pdf)

therefore reckon this is a pretty conservative forecast. Any extra money received from this source will be applied to debt reduction and infrastructure investment equally. We will publish a list of 'waiting list' projects in order of priority that will be launched so everyone knows what will happen if Commonwealth Grants do seem likely to exceed \$3.5bn over the forecast period. But we must proceed cautiously: we do not want to launch a project which we subsequently find it exceptionally difficult to fund without sacrificing elsewhere, or worse, find ourselves having to slow down, postpone or even cancel.

On State taxation levels, generally we propose to proceed cautiously, neither reducing current taxation levels nor imposing additional taxes. For example we do not propose any changes to payroll tax, but small businesses need greater certainty for their future planning than State Governments have been able to offer, especially with regard to payroll tax. We will therefore seek cross-party support for, and introduce, indexation for the exemption threshold, which we will set this coming year at \$1.3m as the CCIWA has suggested. We have assumed that revenues from mining royalties increase at a modest 15% annually going forward - another relatively conservative assumption, but in view of recent controversies over future tax levels on mining, probably a wise one. What you hear from me will not please you all. For example, the one year payroll tax rebate to small businesses must now end. It was necessary last year, but we can't afford this concession indefinitely, sorry. It did cost us over \$100m. Permanent payroll tax exemptions for parental leave and volunteer emergency services work, I stand by that as a good idea.

Land tax is an area where we have changed our minds. With the population pressure we are facing over the next decade or more, there is little doubt that land prices in our State – property prices generally – will increase at a rate that gives us cause for concern. As prices increase, the profits developers and land speculators make threaten to dwarf the money that the hard-working people of our State earn from employment. No Australian government ought to be happy with that. We have therefore decided to introduce a two-step land tax where increases in value of more than 25% in a single year will attract an additional tax.

We care about the poorer members of our State. But there are severe limits to what the State Government can do to redistribute wealth and income. What it can do is limited to ensuring that spending is targeted to the less well-off wherever possible, whilst using its tax raising ability to direct taxes such as vehicle duty and land tax at those who are making good incomes. For example, families with more than one car can afford to pay double road tax for their second vehicle. Larger land plots can attract higher taxes. These measures we will introduce in this Budget.

CURRENT EXPENDITURE

Before I go into detail I promise you now, incidentally, that Budget speeches will no longer dwell enthusiastically on relatively small individual expenditures. Last year my predecessor announced a number of fiscally small measures such as \$2m to the BIZFit business resilience program for small businesses in WA, and \$5.7m marketing funding for tourism. These sums of money are no longer sufficient to make a difference, so however attractive it is politically, I will not mention individual expenditure plans under \$10m, however politically attractive they may sound. On the other hand, the Treasurer will explain the broad trends of each Department's spending so you can be aware of what the bulk of taxpayers' money is being spent on. I hope this helps promote focused debate on my Budget and sets the tone for successive Budgets.

Mr Speaker, State employees work hard and earn less, on average, than many people with similar levels of educational attainment in the private sector. We recognise that last year we, like the government before

us, have allowed the State wages bill to increase - by 6.5%. The year before it rose by 12%, so we can claim some success. But we are going to stop claiming that it makes sense to impose arbitrary caps and ceilings on public sector wages, and instead move in the medium term towards establishing Department balances between service and capital expenditure so that the proportion of expenditure on salaries remains roughly constant year to year. This will be preceded by a period of consultation with all parties involved to establish what this proportion should be in each Department.

We do need to spend more money on training our young people – including indigenous West Australians. We will step up the money we are spending on training and skills initiatives to a total of \$150m. The policy of allowing all eligible unemployed Western Australians to receive an exemption on course fees for training places for the next three years will be continued. However, we do not want a society in which individuals believe that they can get something for free from the State Government, so we will seek to recover this expenditure from those earning more than \$35,000 annually over a period of five years. Last year we committed to a rebate of workers' compensation premiums for first year apprentices and trainees for two years and this will continue next year. I have authorized a review of the effectiveness of this program to see whether it should be continued or even expanded.

I have said that the State Government must do is to preserve the standard of living of the weak. The economic benefits of the next boom will not be allowed to bypass them as the last one did under successive Governments. How will we do this? Mr Speaker, it is time that this Government really puts measures in place to help those in need. No State Government until now has really spent sufficient money on social housing, child protection, disabilities investment and those without work. More and better mental health services, better facilities for the disabled, and enhanced drug and alcohol and child welfare services are all examples of what a State Government should do with its money, and we will increase the budget as WACOSS proposes to do so. It is completely unacceptable that in one of the richest States in the world, let alone in Australia, that there are children, especially Aboriginal children, who go without education, power, and social services. Residential care for children will be expanded. We will spend an extra \$30m in 2010-11 in respect of social services and will plan to increase this amount in successive years as and when the fiscal position allows. We will also going forward ensure that all our decisions are subject to a minority and disability audit so that the full social costs and benefits of our decisions are taken properly into account.

Recently we have heard a great deal about collaboration between Government and the Community Services sector. It is true that overlap between agencies, lack of collaboration and waste exist in the system, but to nothing like the extent that the Economic Audit Committee report seemed to suggest. I have persuaded the Premier that we will introduce a rule to prevent transfer of service provision to the Community sector being an excuse for back-door privatization, which is simply that it will never be used as a route to cutting expenditure, only a way of delivering better services. Government should neither try to exclude Community groups from service provision nor actively encourage it. They should be in additional to state safety nets, not instead of them.²

We also want to encourage everyone to use public transport. One way we can do this is to provide a truly massive increase in security. We will be spending an extra \$20m annually to provide police officers on trains, especially in the evenings, and at train stations. Violence on public transport is completely

² <http://au.news.yahoo.com/thewest/a/-/breaking/7228092/govt-to-boost-ngo-funding-for-social-services/>

unacceptable. Secondly, we can continue with schemes such as free off-peak public transport for seniors. The provision of Cost of Living Rebates to WA Senior Card holders was a good idea, and we have committed to fund this for four further years. We are also committed to providing pensioners in country Western Australia without access to low-cost public transport can access the Country Age Pension Fuel Card which provides pensioners with \$500 worth of fuel or taxi travel each year.

Mr Speaker, our Government plans to maintain and increase the quality of life of all the people of Western Australia. The most important ways in which a State Government can and should do that is through expenditure on health, education, social services and law and order.

With population growth and an ageing population, the State Government simply must address the need for record health spending every year. This budget, we have allocated \$5.4bn to health service spending, which is a 4% increase on last year. On law, order and safety, what matters more than anything else is to ensure that our police are properly and consistently funded. Our law, order and safety budget this year will be \$2.6bn, an increase of 6% over last year. This will involve some difficult choices: these are therefore deliberately stern targets which are designed to ensure we continue to have a surplus next year. As economic conditions improve – and they are particularly difficult to forecast at the moment – we will carefully, openly and with public discussion loosen the purse strings. I make no apologies for saying though that if we cannot get the GST and other grants position improved, WA is going to fall behind other States in the provision of Government services, which seems unfair and indeed is unacceptable to us.

Whilst presenting the stern face of next year's Budget, let me say something specific about electricity prices. For too long, pretty well all sides of politics have agreed, WA has had artificially low electricity prices. This has had a number of consequences, some good, some bad. On the one hand, low income families, although they find electricity bills hard to pay, do at least have an easier time than in other States let alone overseas. On the other hand, WA generally has insufficient investment in the electricity sector and there are few incentives for industry or government to save energy. The right solution to this dilemma must be to raise power prices generally, whilst providing additional financial support to the less well-off: in this Budget we have allocated an extra \$20m for the Hardship Utilities Grants Scheme initiative to mitigate the impact on low-income families of higher electricity tariffs, and we now commit to raising this amount annually at least in line with rising electricity prices.

REGIONAL POLICY

Mr Speaker, I now turn to regional policy. Part of the problem with regional policy in WA is that it is not clear what the objective is. This will now change. Long term, we will take as a benchmark the average access to resources of a child growing up in Metropolitan Perth and ensure that every child has the same access to services. We will determine what current levels are this year and introduce statistics from next year showing progress to reach those levels. If it takes extra social services and policing to get there, we will be bound to do so. As an immediate step towards this, and as an indicator of our commitment, we will re-instate the total value of ex-gratia payments to applicants of the Redress WA scheme which we withdrew in a cost saving measure last year.

On Royalties for Regions I am also now not satisfied that the program really is succeeding in delivering the proper level of investment in the regions of WA that stand in great need. By the end of the current financial year Royalties for Regions 'will have delivered into regional Western Australia more than \$700m in new community projects'. We were planning to commit another \$600m to the Fund in this Budget. We've had second thoughts. Some things are clearly right, like the construction of the new

Albany hospital. But these would have been right anyway. But too much of the program has been diverted into relatively small projects. We are taking a good, hard look at for example the Pilbara Revitalisation Plan where \$120m was allocated last year, and we have for the time being suspended part of the funding for this Plan while we review priorities. We have done the same with programs in the Great Southern and the Peel region. It does not seem right to me that affluent communities are receiving support for swimming pools and harness racing pavilions, shooting clubhouses and footpaths and trails when we still have settlements with no electricity, no water and terrible housing. It is a warped sense of priorities which plays very badly overseas.

We know poor housing conditions in rural Australia are frankly a health hazard, as a recent Government report told us³. I've only occasionally visited these places myself, of course – I have far too much work to do in Perth – but apparently 80 per cent of the communities rely on bores for their drinking water, while 77 per cent rely on generators for power. Three quarters don't always get their rubbish collected and there are abandoned cars everywhere. Those few visitors these places ever get return to Perth shocked and appalled. We've decided to spend some proper money cleaning these places up with an absolute commitment to hook them all up to the electricity system by 2050, which sounds a long way away but actually isn't, in infrastructure terms. We've decided to institute a Youth Service program with support from the police to remove all old vehicles and repair damaged homes, with bonuses paid if the bad ways don't return. I've asked Local Government for an assessment of how much it will cost to ensure proper rubbish collection all the time. None of this is going to mean very much unless the State Government monitors progress more closely, so in the Premier's Department I have allocated money for Cabinet Members to spend time there and we will be holding Cabinet meetings at least in Geraldton and Bunbury, and by 2020 in other regional centers as well. We are determined to be the State Government that cracks the poverty problem in regional WA.

ENERGY

There will be those who say we will lose commercial projects in the future if we fail to offer competitive incentives to attract them. Quite simply, as the Prime Minister has recently implied in relation to the proposed mining tax changes nationally, WA does not need to do that. Our resource sector can stand on its own feet. We have already seen that with the Gorgon LNG project. What it needs is sound and consistent regulation, a fair and quick planning process, and a State that plans for the long term. In fact the time may be coming where the State Government needs to start thinking very carefully about whether we are becoming too dependent on the resource sector, about how we should be encouraging development in other sectors – but by no means exclusively, renewable energy,

In fact there are some things we can do immediately to reduce our dependence on fossil fuels – notably a Feed-in-Tariff of sorts. We will be asking Synergy to procure steadily more of its energy from renewable sources, assisted by requirements on Departments to increase the share of renewables in their own energy procurement. The costs of renewable energy procurement will be amortised across all energy consumers which means that at least for the next few years the overall impact on energy costs will be minimal, precisely because WA currently produces so little renewable energy. Consequently although Retail customers will pay more on average, the difference will be slight, less than 1% in the coming year.

INFRASTRUCTURE SPENDING

³ <http://au.news.yahoo.com/thewest/a/-/wa/7239583/poor-housing-a-health-hazard/>

Mr Speaker, a State budget should not only finance Government to provide the services the people of Western Australia really need, it should also provide the foundations for the long term preservation of what is truly valuable in our State – which includes our AAA credit rating. In the previous boom many made money, but others were left out. That should never be allowed to happen again. I agree with my predecessor that we should focus scarce revenue on the areas of greatest need. Schools and hospitals are the priorities of this Government, not stadiums and museums. And I also agree that we must not tolerate another depressing list of projects with time delays and blow-outs.

We agree with the CCIWA that the provision of high quality social and economic infrastructure should be provided in a fiscally responsible way, that there should be an infrastructure plan which defines priorities and sets out timescales. We don't agree, however, with the priorities that CCIWA sets out which we think is too focused on facilities that poor people won't use, in part contain expenditure that we think the private sector should be undertaking, or which threatens the unique qualities of our state. For example, the upgrading of Perth airport's road infrastructure is something that people using the airport often say they would like, especially when they are in traffic jams after long journeys, but what they would really like, many of them, is a fast rail link to the city, not yet more roads. Broadband availability is a good thing, certainly, but whether the State Government should be spending money on it without at least obtaining an undertaking to repay the money from the telecoms firms that will benefit from it We also promise to stop calling new buildings and commercial developments that the private sector ought to be doing 'social infrastructure'. We now wonder whether a ten storey 300 unit residential and commercial development in Karratha is a State priority, for example The Northbridge Link we are already committed to and we will carry it through, but the Perth Waterfront Redevelopment, whatever exactly it is that we were thinking of, is definitely something that ought not to be the domain of the State Government. As to the multi-purpose outdoor stadium, we are shelving that for the time being, to see what happens, amongst other things, with our World Cup bid. We will spend on arts and culture, as a progressive and socially aware State Government should do, but even in this area we will seek to make loans rather than grants wherever possible, both to make Government money work harder and also in some cases to take advantage of the commercial opportunities presented by WA's arts and culture both within Australia and internationally. The same logic applies to the well-known need for additional utilities infrastructure, the North West Interconnected System and further water infrastructure, and the upgrades that we project will be needed to the rail network throughout the State, for people as well as grain, as population increases and to reduce our chronic dependence on road transport.

Transport infrastructure is a vital part of State government expenditure. We will continue our commitment to the extension of the Northern Suburbs Railway to Butler and Brighton, and carry on our planning work for the Ellenbrook railway. We will allocate money for the planning phase of the Perth Light Rail project consistently advocated with great eloquency by Professor Peter Newman and the team at Curtin University, which will require this year \$100m of funding. In future we will look to a combination of Federal funding, fees recouped from users, and State and local funding to make this vision a reality for metropolitan Perth. By 2050 despite increased population we want no more road traffic in metropolitan Perth than we now have.

The State's electricity network is still in a parlous condition, especially in remote regions. Much of the money we allocated last year is to be spent this year, for example those 100-megawatt gas turbines in Kwinana. I accept the long term benefit of the Underground Power project and we agree with the recommendation of the South West Group that this Budget should allocate an extra \$50 million for the sixth and seventh rounds. We will continue to invest in the State's water, wastewater and drainage

services, but we must look at some of the alternatives to desalination plants, in particular recycling, in which we will be investing for metropolitan Perth at least.

On housing, in the last Budget we committed \$316m to construct 1,000 new dwellings to reduce the State's social housing waiting list. We now recognize this is not enough. As WACOSS has pointed out, the public housing waiting list has rapidly increased, now standing at over 21,000 applicants with another 3,500 applicants on the priority wait list, many of them families with children. This is unacceptable in such a wealthy State. As pressure on the Budget reduces in the later years of the forecast, we can afford to build more social housing. I propose that by 2012 we start work on another 1,000 dwellings from State funds, with additional funds coming from the Commonwealth. Even this is not sufficient to keep our society from fracturing, so as budgetary pressures ease over the forecast period I will keep this figure under review with a view to increasing it still further in the next two years of this Government.

On education I propose a comprehensive review of educational infrastructure. In last year's Budget we proudly announced expenditure of millions of dollars on buildings for schools across the entire State. I've had a careful think about this, especially in the light of the BER scheme, and now I am not quite so sure as I was that simply spending money on buildings, whilst teaching and other aspects of education are still not adequately, let alone evenly, spent across the State, is the right way for us to proceed. As a consequence of this review I have postponed \$300m of as yet uncommitted funding for the \$863m of State school infrastructure spending that was promised last year. We will slow down investment in school buildings for their own sake. It's too easy for Governments, whether State or Federal, to spend money in this way and claim achievements that actually do not bring any improvements in educational results. Good discipline, highly motivated teachers, and above all parents who are not subject to unemployment and poverty are the best way to achieve this, not necessarily contractors profits for gleaming new buildings

On health infrastructure spending, our freedom of manoeuvre is really very limited. Work will continue on the Fiona Stanley hospital as planned/ Albany Hospital expenditure has started. We are spending \$100m on the Children's Hospital in Perth, expanding Joondalup Health Campus and spending on new hospitals in Albany, Busselton. and Nickol Bay. The construction of a new children's hospital at the QEII Medical Centre site, together with the redevelopment of Kalgoorlie Hospital and the Joondalup Health Campus Development, have all now already begun. We will not take the tempting route of a PPP in any of these cases, but will fund them from current capital expenditure during the forecast period. However whilst health expenditure is good, part of our problem is that we spend too little on preventative medicine in WA. I can announce today that we will introduce a five year plan to improve the status of preventative medicine in this State, working with the Commonwealth to change food taxes, eliminate certain types of advertising and promote healthier lifestyles from school to old age.

THE ROLE OF THE STATE AND THE PRIVATE SECTOR

If we are to undertake all these infrastructure improvements, we cannot go on as we have been, fund them entirely from State sources, even granted rising revenue and help from the Commonwealth. We would lose our AAA rating if we tried. Last year the Treasurer told you that the Government was going to spend more on infrastructure than ever before - \$8.3bn. Then, it was planned to spend \$23.8bn over four years. Now, I believe this amount should be reduced. We need to transfer some of this expenditure to the private sector

Now there will be those who say that we should be spending Government money to create something that my predecessor called an 'infrastructure platform'. But it really does seem to me now as if the State Government has felt it necessary to get involved in just about every sort of economic activity in WA, and on reflection this is not the job of Government at all. We now take rather a different view. We think that much of the commercial infrastructure the State needs can be provided by the private sector.

In fact we are seeking a very different kind of Public-Private Partnership, At the root of this is our strong new-found belief that major companies benefitting from extracting the natural resources of our State should go beyond mere paying of their taxes to participate in an active policy of corporate responsibility. We are not satisfied that there has been enough of this in the past. We are therefore looking to establish a shared equity investment scheme from major mining and other companies in housing, health and education facilities in the Pilbara and elsewhere. We will be looking for a contribution of at least \$100m from these companies in the coming year. The details of this scheme will be announced in the coming weeks.

Infrastructure spending by the State of itself is not a reason to pat ourselves on the back: it depends on what infrastructure we create and whether we are crowding out private sector expenditure by spending the money ourselves. With the recovery, we now believe that the State can transfer some of this expenditure to the private sector and we do not need to spend all of the rest of it. With these two measures we have been able to reduce planned infrastructure expenditure to \$18bn.

Last year we told you were were planning to spend \$654 million on road construction and improvement works, We are planning to shift some of the responsibility for funding these roads to their eventual users. Why should people who don't drive subsidise those who do? And we don't want to encourage people to drive unnecessarily, either, our planet is surely polluted enough. It's good, for example, for the irrigated area in the Ord to be expanded, but Government should smooth the way for this to happen, not do it ourselves. We are going to engage in talks with the private sector to remove Government from this project. On the other hand we should continue State Government support in education, health, housing and community services in the East Kimberley and indeed throughout the North.. We will continue with expenditure on the Perth Police Complex, and building regional police stations. Those major road projects we have already started, such as the Mandurah Entrance Road, we will obviously continue and finish Other projects such as we are going to postpone until we get private sector funding in place. By 2013 we will be moving across to the private funding of major roads, and seeking major contributions from private developers where they are major beneficiaries, whilst the State concentrates on eliminating accident black spots and removing points of local congestion.

On reflection I agree with the CCIWA that private sector proposals to build and operate Fremantle port should be considered to prevent government funding being unnecessarily allocated to ventures that the private sector is willing to undertake' On the other hand, the CCIWA then immediately goes on to suggest that the 'WA Government must consider, plan and fund appropriate rail and road networks to support the development of a secondary port' , what is effectively a subsidy to such a development I propose instead to seek private sector commercial support for these networks so that they too can be fully or at least partly funded outside the State Government budget. Most importantly, the private sector should take the lead in economic development. The Oakajee Port and Rail project is going to become what it always should have been, an entirely private sector project. The private sector will now, for example, take responsibility for the service and supply base at the Australian Marine Complex. The Gorgon project will have enough money to spare. We will review all future infrastructure spending proposals to see if a similar private sector involvement is possible.

OPERATING SURPLUS, AAA RATING AND THE FUTURE FUND

Mr Speaker, the global recovery, which we rather thought would happen anyway, has now begun in earnest. We forecast a rise in Gross State Product in the coming year of at least 3.5%. We can therefore expect increases in tax revenues. The root of the State's future budgetary problems lie not in rapid expenditure growth as suggested by the CCIWA, which we should and can constrain to the growth in Gross State Product, but in the diminished share of GST grants that WA can expect over the next few years. On the other hand, COAG revisions make it entirely uncertain what will happen to GST revenues going forward. This should give us serious pause, as responsible managers of the State finances, in regard to announcing new capital investment plans, because we want to ensure that we maintain an operating surplus. By 2012 we will start to accumulate surpluses of a significant size that will make sense to invest in our State's future. In addition, the net debt to revenue ratio will peak at less than 60% in 2012-13 before starting to fall. This will comfortably allow us to keep the triple-A credit rating of our State The uncertainties surrounding some sovereign debt in European countries. What is happening there must never, Mr Speaker, happen here.

I believe that any State Treasurer should comment on the future projected levels of State Debt. High levels of interest costs benefit no one but the banks who lend to us. Fortunately this budget forecasts a gradual recovery in our State's economy. In the mid-year Review in December last year, we forecast that State Debt would rise to \$19.8bn by 2013, rising apparently unstoppably. Now, as a result of the Budget I have outlined today, we forecast that debt will rise slowly during the forecast period, reaching \$18.7bn by 2013/14. This is a much more satisfactory future to depict. And it will not be not the entire picture any more.

We will not need net State debt to rise at all in the long term. On the contrary, we are going to start setting aside funds for the creation of a State Future Generations Fund. As my predecessor rightly observed, surplus budgets are vital. We can now envisage a future with not only no State debt, but quite the reverse, a Future Fund backed by legislation in this Parliament. This is not far fetched: Norway, with a population of 4.9m, has a Government Pension Fund – Global with a total value, as of 31 March 2010, of no less than NOK 2.763 trillion (US\$443 billion)⁴. By 2013/14 I envisage that the basis of this Fund will be in place and almost \$2bn will be invested⁵. We have a long way to go to match Norway, Mr Speaker, but ours will be the first Government to recognize the need to do so and to make a start.

CONCLUSION

Mr Speaker, this a transformatory yet entirely fiscally responsible budget. It sets Western Australia on an entirely new path that will keep our position as one of the most envied places in the world in which to live. It will help to create a State in which the rewards of economic growth are shared fairly, the environment is properly protected and the future is provided for. It will create more jobs than any previous Budget, provide for more and better services than any previous Budget, and yet it is a Budget that presents a thoroughly conservative plan for the State's Finances. The budget papers tabled show how

⁴ http://www.norges-bank.no/templates/article___76779.aspx

⁵ Net Debt would therefore be some \$2bn lower if the Future Fund were not created, but it is not prudent to wait until there is no debt before creating it

we have decided to take advantage of the economic recovery to social advantage without prejudicing fiscal responsibility.

Mr Speaker, I commend the Bills to the House and ask permission to table.