

## Western Australia 2017-18 Budget

7 September 2017

Western Australian Treasurer Hon. Ben Wyatt delivered the first McGowan Labor Government Budget today. Its main themes are sustainable budget repair and bringing the State's very large debt and deficit back under control. A surplus of \$1.3b is forecast for 2020-21 – to be the first operating surplus since 2013-14.

This Hawker Britton Occasional Paper outlines the WA Budget outlook and details major funding and policy announcements across government portfolios.

The Treasurer's Budget speech is available [here](#).

The 2017-18 Western Australian Budget is available in full [here](#).

Highlights of the Budget summary is available [here](#).

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### Budget Outlook

Goals include introducing measures that stabilise the economy, reduce inherited debt; create jobs and honour major 2017 election commitments.

Key challenges for the government include higher debt levels than pre-election forecasts, lower than predicted royalty receipts, high unemployment, low economic growth and a decline in population as assessed by the ABS using the 2016 Census data. Treasurer Ben Wyatt estimates that 88% of mining royalties received by WA are lost to other States in the GST carve up. WA was subject to significant credit rating downgrades under the Barnett Government.

## Data

- Unemployment rate expected to have peaked in 2016-17
- WA economy forecast to grow by 3% in 2017-18 and E20,000 jobs expected to be created
- Average annual expense growth of 1.9% per annum over 4 years in forward estimates
- Estimated \$2.3 billion deficit for 2017-18 with net debt to revenue ratio blown out by 500% to 83% since Labor last in office
- \$3.5 billion Budget repair package distributed across the community, including the public and corporate sectors

## Budget Repair Measures

- \$1.7 billion in savings measures to the public sector including wage freeze, 20% reduction in public service and reducing number of Agencies from 41 to 25.
- \$473 million in net debt reduction targets for GTEs
- \$48 million in net additional revenue from the introduction of a 4% foreign property buyers surcharge
- \$52 million in net revenue through the introduction of a new point of consumption wagering tax
- \$435 million in revenue through the introduction of a temporary progressive payroll tax scale for large employers for a finite period of five years
- \$392 million in revenue through the increase in the gold royalty rate to 3.75% when the price of gold is above AU\$1,200 per ounce for producers with more than 250,000 ounces per year
- \$95 million in extra revenue from a 17% increase in the Pilbara Ports Authority tariffs

## Funding of Election Commitments

Of the \$3.7 billion of election commitments funded in this Budget, \$3.1 billion is funded from within existing funding including:

- Reallocation of over \$1.2 billion of Commonwealth and State funding
- \$674 million of Royalties for Regions
- Internal savings of \$571 million have been identified within existing Agency budgets, including Health and Education

## Budget Highlights

### *Infrastructure; Transport*

The 2017-18 Budget funding for key infrastructure projects includes:

- \$1.3 billion for METRONET Stage 1 projects:
  - \$535.8 million to build the Thornlie-Cockburn Link
  - \$520.2 million to build the Yanchep Rail Extension on the Joondalup Line
  - \$69 million to remove the Denny Avenue level crossing in Kelmscott
  - \$28.2 million towards the Midland Station Project, including the extension to Bellevue
  - \$508.2 million to build new rail cars maximising WA's manufacturing capability

The 2017-18 Budget delivers a record \$2.7 billion investment in roads. Key initiatives include:

- \$237 million for construction of the Armadale Road Bridge
- \$50 million for a new traffic interchange at Wanneroo Road and Joondalup Drive

- \$49 million for the widening of Kwinana Freeway northbound between Russell Road and Roe Highway
- \$40 million to begin works on widening the Mitchell Freeway southbound between Cedric Street and Vincent Street
- \$60 million to extend Stephenson Avenue to Mitchell Freeway

Other Budget items include:

- \$35 million allocated in 2017 -18 for the Ocean Reef Marina Development - \$120 million overall for the project
- \$129 million over four years for cycling infrastructure
- \$32 million rail to Bunbury

#### *Jobs, Industry, Tourism and Innovation*

- Additional \$87 million over four years for events and destination marketing to support tourism
- \$39 million on the Local Projects Local Jobs grants program to deliver over 750 projects across the State
- Defence West established to actively campaign for greater share of defence contracts
- \$20 million over five years to establish an Aboriginal Ranger Program
- \$2.75 million in resources and trade events that will help WA's business growth into Asia
- \$4.2 million to establish an Industry Participation Advisory Service to support small businesses.
- \$1.5 million to implement the international education strategy

Budget initiatives in the innovation and digital economy portfolio include:

- \$17 million for a New Industries Fund to support new and emerging businesses in the high-tech sector

#### *Health*

Total expenditure in 2017-18 is \$8.94 billion or 29% of the total Budget. Planning for allocation of funds is continuing pending the Sustainable Health Review and hospital works at Joondalup Health Campus, Royal Perth Hospital and others.

New Initiatives include:

- Medihotel under construction at Fiona Stanley Hospital
- \$2 million to start establishing Urgent Care Clinics within emergency departments and across the community
- \$2.8 million to expand the Ear Bus program into the Kimberley region
- \$5 million to develop the Peel Youth Medical Service Health Hub

#### *Mental Health*

An overall increase of \$61.7 million over four years to be invested in mental health facilities and programs including:

- \$7.3 million for new community mental health 10 bed Step Up/Step Down facility in Kalgoorlie
- \$11.2 million for new Step Up/Step Down facility in Bunbury

#### *Education*

Expenditure for the Education portfolio in 2017-18 is \$5.05 billion or 16% of the total Budget.

- 470 extra education jobs in public schools will be created
- \$124.1 million to deliver election commitments which will provide new education initiatives and additional classroom teaching support.
- \$465 million towards public school infrastructure which will create new jobs for WA workers
- 11 new schools, 4 performance arts centres and 5 early learning centres will be built
- 28 schools across WA will be upgraded
- \$17 million to boost science in schools

#### *Police, Fire and Emergency Services and Justice*

\$131.7 million in the 2017-18 State Budget is allocated for the Meth Action Plan including

- \$83.5 million for additional police and specialist staff for the Meth Border Force
- \$18.2 million for an alcohol and other drug residential rehabilitation centre in the South West and commence planning for a Kimberley centre
- \$12 million for alcohol and drug residential and community based treatment facilities
- \$11.5 million for the development of the first dedicated drug and alcohol rehabilitation prison
- \$18.5 million for the Regional Enforcement Unit to increase traffic enforcement on country roads
- Introduce additional 24/7 police stations in Armadale, Cockburn and Ellenbrook

Other Budget items:

- \$8.3 million for new Capel Police Station & \$6.5 million for 3 new 24/7 Police Stations
- \$3.7 million funding towards Bushfire Risk Management Plans
- \$9.6million to turn Wandoo Prison into a drug and alcohol rehabilitation prison

#### *Primary Resources and Regional Development, Royalties for Regions*

Royalties for Regions will now include funding of projects and service delivery that were previously included in other Agency budgets such as:

- \$147.4 million for the Patient Travel Assistance Scheme (PATs) to support regional people when they are required to travel for medical treatment.
- A total \$4 billion Royalties for Regions expenditure will go towards creating jobs and projects in regional WA
- \$591 million for job-creating projects in regional WA
- \$826 million to improve the quality of health care for regional patients
- \$377 million to invest in regional schools, classrooms and training facilities
- \$1.25 billion for vital community infrastructure in our regions
- \$463 million towards regional rail, roads and ports
- \$126 million investment to protect our environment
- \$173 million provisioned for election commitments that are subject to further planning

#### *Agriculture*

- \$30million to rebuild WA's core agricultural and grain research and development capability
- \$650,000 Muchea Livestock Centre Upgrade

### *Communities, Prevention of Domestic Violence and Disability Services*

\$2.3 billion for 2017-18 or 8% of the total Budget. Initiatives include:

- \$8.3m to establish two additional women's refuges for victims of family and domestic violence
- \$7.4m towards reinstating and expanding financial counselling services to support people in need
- \$0.6m Target 120 juvenile justice program development
- \$1.69m to expand support services to Aboriginal and Culturally and Linguistically Diverse victims of family and domestic violence
- An additional \$15.4 million will be spent in 2017-18 to continue the National Partnership Agreement on Homelessness (NPAH) for one more year

### *National Disability Insurance Scheme (NDIS)*

Additional expenditure of \$1.7 billion over the three-year transition to an NDIS (2017-18 to 2019-20). In line with the existing Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme (NDIS)

### *Energy*

#### Horizon

- Asset Investment Program  
\$154.4 million during 2017-18 and a further \$202.5 million across the forward estimates.
- Asset Management Plan  
\$36 million in 2017-18 and a further \$117.6 million over the forward estimates period  
Pilbara Underground Power Project  
Partnership between the State and local governments that is forecast to cost \$216.7 million. Completion due in 2017-18 with expenditure of \$22.9 million in this year.
- Onslow Power  
\$52.8 million in 2017-18 and an additional \$50.8 million across the forward estimates to deliver the power infrastructure required to meet forecast demand in Onslow. This includes the construction of a gas/diesel fuelled power station and required network extensions. This will be largely supported by a grant from the Department of State Development funded by Chevron.
- Transmission Connection to Roy Hill's Facilities - Awarded the contract to provide iron ore producer Roy Hill with energy to its Port Hedland port facility following a competitive tender process.
- Early design and procurement work on the energy project has begun. Horizon Power will invest \$18.9million in 2017-18 for the construction

#### Synergy

- Plant: \$119.7million for maintaining the capacity and reliability of existing assets including \$36.3 million for Muja A & B
- Retail - \$23.3 million for systems and capability enhancement

#### Western Power

- \$285.4 million on pole management (\$205 million), conductor management (\$48.6 million) and bushfire mitigation (\$10.9 million)

## *Water*

A total of \$765.4 million has been committed to a range of water and wastewater projects in 2017-18.

Over \$3 billion is allocated across forward estimates. This includes:

- \$363.3 million for projects across the metropolitan region for ongoing supply of drinking water and for collection and treatment of the community's wastewater
- \$194.6 million for water networks and supply projects, including \$96.3 million to expand the Groundwater Replenishment Scheme
- \$40 million will be spent on Pipes for Perth program
- \$198.4 million for projects across regional Western Australia – including \$10.1 million connecting Harris Dam to Stirling Dam

### **Further information**

The Treasurer's Budget speech is available [here](#).

The 2017-18 Budget is available in [here](#).

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