

Barton Deakin Brief: 2016-17 Western Australian State Budget

12 May 2016

Today the Western Australian Treasurer, the Hon Mike Nahan MLA, delivered the 2016-17 State Budget. The Budget objectives were delivered within three broad key themes: *'the Efficient Delivery of Quality Services,' 'Supporting and Protecting Our Community,'* and *'Investing in Infrastructure to Support Our Growing State.'*

This Barton Deakin Brief outlines the key policies and outcomes on the 2016-17 Western Australian State Budget.

Economic Indicators

The Western Australian Government's Net Operating Balance for 2016-17 will be a \$3.914 billion deficit. The forwards estimates approximate the Western Australian Budget returning to a surplus of \$1.086 billion in 2019-20.

The State net debt is estimated to be \$27.9 billion at the end of the 2015-17 financial year. This has been downgraded from previous estimates of \$29.6 billion in the past Mid-year Review. State net debt is expected to rise to \$33.838 billion in 2016-17 and reach \$40.193 billion over the forward estimates.

Western Australia's Gross State Product (**GSP**) is expected to increase by 1.25 per cent in 2016-17, increasing to 3 per cent over the forward estimates.

The state unemployment rate is expected to increase to 6.75 per cent in 2016-17, but drop to 5.75 per in 2019-20.

The Western Australian share of the goods and services tax (**GST**) is expected to rise from 30 per cent of its population share (2015-16) to 30.3 per cent in 2016-17.

Asset Sales

The Western Australian Government will propose the sale of the Western Power, and the Horizon Power transmission and distribution assets in the Pilbara region. It will also continue with its divestment programme including the long term lease of the Utah Point bulk handling facility, and the partial divestment of Keystart's loan book (worth an expected \$1.6 billion).

The sale of these assets combined with current programmes will be worth an estimated \$16 billion. Of this sum, \$11 billion will be used to retire State debt, and \$5 billion will be used to create a Western Australia Infrastructure Fund, which will finance future infrastructure investment.

Asset and Infrastructure Investment

The State Government will invest \$5.9 billion in the Asset Investment Program (**AIP**) in 2016-17, and a total of \$22.9 billion over the next four years. This will be spread over various portfolio areas:

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Transport

A total of \$1.8 billion will be invested in roads and public transport infrastructure in 2016-17, (totalling \$5.9 billion over the forward estimates) including investments in:

- \$2 billion on the Forrestfield Airport Link project (\$104 million in 2016-17);
- \$1.5 billion in the Perth Freight Link project (\$326 in 2016-17), to be completed in 2021-22,
- \$427 million in the MAX Light Rail project; and
- \$336 million in the public transport component of Perth Stadium (\$156.6 in 2016-17).

Power

The State Government will invest \$1 billion in power infrastructure in 2016-17, spread across various programmes conducted by Western Power, the State Underground Power Program, and repairs and replacement of state transmission and distribution assets such as the transformers, circuit breakers and surge arrestors.

Water

In 2016-17 \$782 million will be spent on water infrastructure, including upgrades to the Integrated Water Supply Scheme (\$315.7 million) and improvements to the wastewater treatments state facilities (\$233.2 million).

Health

Health infrastructure will receive a total of \$526 million in 2016-17. This will include:

- \$150.6 million for the ongoing redevelopment and expansion of regional hospitals and medical facilities (as part of the \$326.2 million Southern Inland Health Initiative);
- \$91.8 million to finalise construction of the \$1.2 billion Perth Children's Hospital at the Queen Elizabeth II Medical Centre (QEII MC) site; and
- \$76.6 million to continue construction of the \$206.9 million Karratha Health Campus.

Other Portfolio Infrastructure Funding

- Education portfolio infrastructure will receive \$300 million in 2016-17 to fund upgrades to and construction of schools;
- There will be \$602 billion investment in affordable housing assets in 2016-17, and a total of \$1.5 billion over the next four years; and
- \$378.5 million to build the New Museum.

Household Fees and Charges

The State Government stated that in 2016-17 there would be a series of increases to household Government administered costs from 1 July, 2016. These will include:

- A 3% increase in residential electricity tariffs;
- A 4.5% increase in the Water Corporation's total water charges (water, wastewater and drainage);



- A 2.5% increase in public transport standard fares (rounded to the nearest ten cents), with the 60 cent student fare remaining unchanged;
- A 2.5% increase in motor vehicle licence fees;
- A 2.5% increase in compulsory third party (CTP) insurance premiums;
- The introduction of the Catastrophic Injuries Support Scheme (CISS), which will result in vehicle owners paying an additional \$99 for the average family car; and
- A 4.2% increase in the Emergency Services Levy.

Agency Expenditure Reviews

The Government has instituted the Agency Expenditure Reviews (**AER**) programme to reduce the costs and improve efficiencies in Government programmes. This will be third tranche of AERs, applying to 54 State Government agencies, implemented over the next 12 months.

The AER programme is expected to create net savings of \$313 million in the 2017-2018 year, and \$461 million between 2017-18 and 2019-20.

To view the agencies effected by the AERs, click [here](#).

Tourism

The State Budget included an investment of \$47 million in the tourism industry in order to achieve the goal of increasing the value of tourism to the Western Australian economy to \$12 billion. This will include:

- \$16.9 million over four years to 2019-20 to enable Tourism WA to increase its Destination Marketing activities;
- A further \$19 million to be spent over three years to 2018-19 to allow Tourism WA to secure major events; and
- A \$10.7 million for the Perth Convention Bureau to continue securing national and international events by marketing Western Australia nationally and internationally as a preferred convention, exhibition and incentive travel destination.

Health

The health portfolio costs will be \$8.6 billion for 2016-17. This will include:

- \$265.6 million in funding for hospital services;
- An investment of \$54 million in the State Cancer Centre in Perth;
- Investments in 11 children's hospital facilities;
- \$822 million, to be spread over four years, to fund upgrades to the Onslow and Newman hospitals, Katanning and Collie healthcare facilities, and the Karratha Health Campus;
- \$15 million investment in combating illegal methamphetamines in a combined initiative with other agencies including the Corrective Services and Western Australian Police; and
- \$645 million invested in public hospital mental health activities.



Education

The total cost of the education portfolio will be \$43 billion in 2016-17. This includes:

- A 3.3 per cent increase in spending on public schools;
- The continued creation and funding of Child and Parent Centres to aid parents of children up to eight years old with advice and support; and
- The Education Department's planned Asset Investment Program in 2016-17, worth \$300.4 million. This will primarily provide educational facilities to meet enrolment growth, and improving infrastructure for public schools throughout the State.

Disability Services

The total cost of the Disability Services Commission will be \$944.9 million in 2016-17, including \$26 million to support the extension and expansion of the National Disability Insurance Scheme (NDIS) trial sites.

Other Budget Measures

The Government stated that it will end the Western Australia Public Services external recruitment freeze, implemented in December 2015;

Further Information

To view the speech by the State Treasurer, click [here](#).

To view the 2016-17 Western Australian Budget website, click [here](#).

To view the media releases from the Western Australian Treasurer, click [here](#).

To view the 2016-17 Western Australian Budget Papers, click [here](#).

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