



2012-13

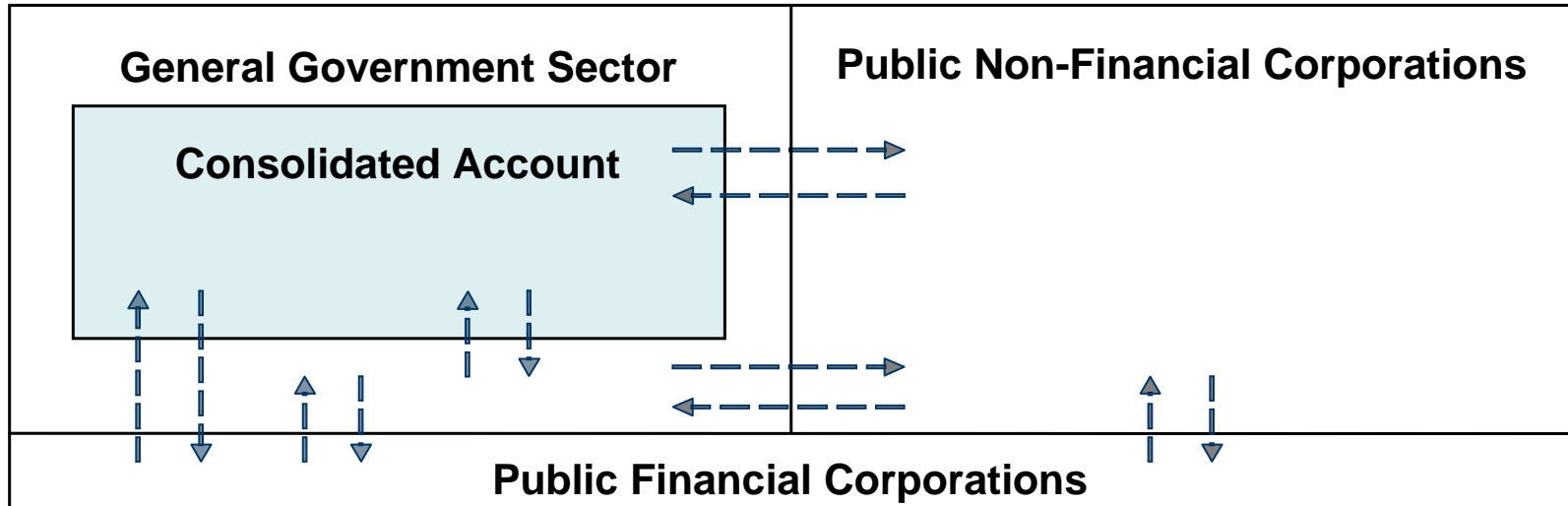
Budget

Western Australia



Leadership
Supporting Our Community
Building the State

Financial Framework - Total Public Sector



N.B. Dashed lines indicate transactions that are removed on consolidation of the total public sector.

2012-13 Budget

- Objectives
- Parameters
- Results



Budget Objectives

Fiscal Strategy and Targets

- Real net worth of the total public sector
- Operating surplus
- Non-financial public sector net interest costs
- Real per capita own-purpose general government expenses
- Fair and efficient tax system

Budget Objectives

Policy Objectives

- Reducing Tax Burden on Small Business
- Supporting the Disadvantaged
- Assisting Vulnerable Families with the Cost of Living
- Providing for Future Generations



Budget Parameters - Demand

The Need for Government Services

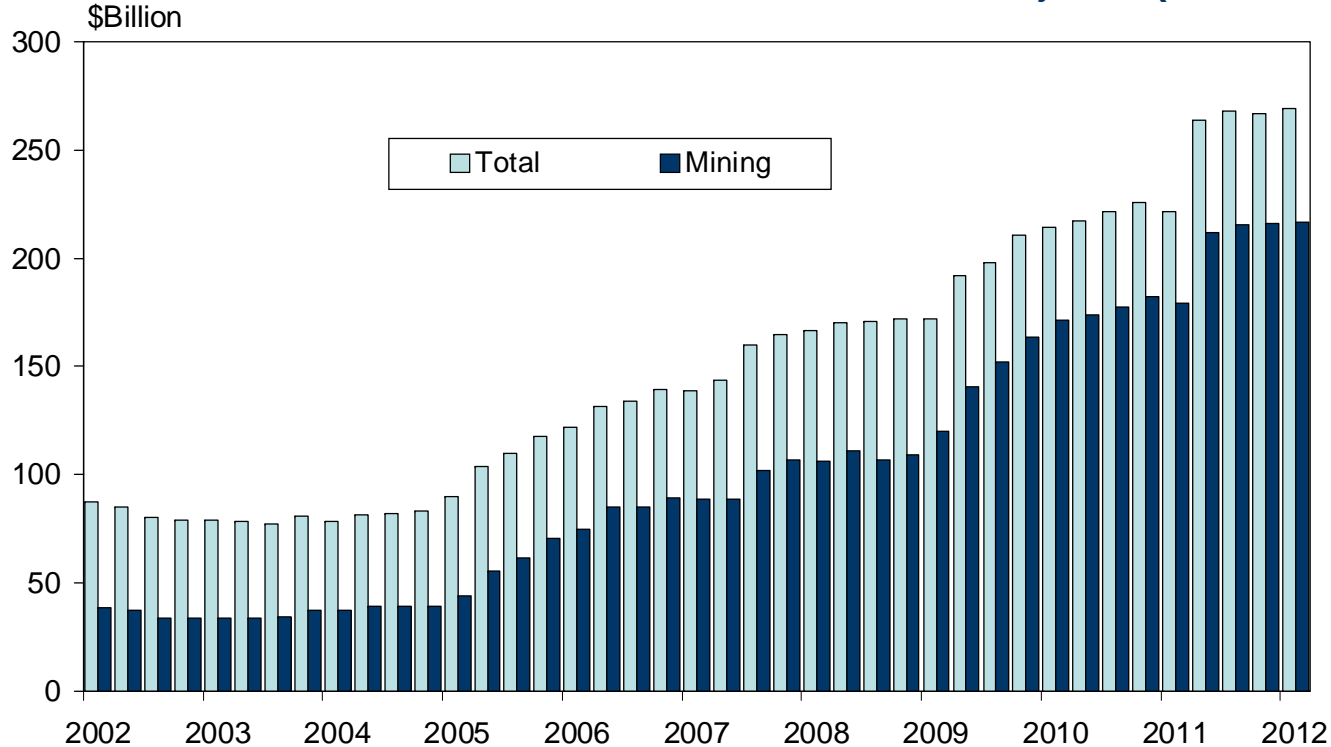
- Population Growth
- Business Investment

Budget Parameters - Demand

	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
Gross State Product (GSP)	6.0	4.75	4.75	4.25	4.25
Employment	2.5	2.75	2.5	2.25	2.0
Unemployment rate	4.25	4.25	4.25	4.0	4.0
Consumer Price Index (CPI)	2.5	3.5	3.25	3.25	3.25
Wage Price Index (WPI)	4.25	4.5	4.5	4.5	4.5
Population	2.5	2.3	2.3	2.2	2.2

Budget Parameters – Demand *cont*

Business Investment: Total Current and Potential Projects (**\$270 Billion**)

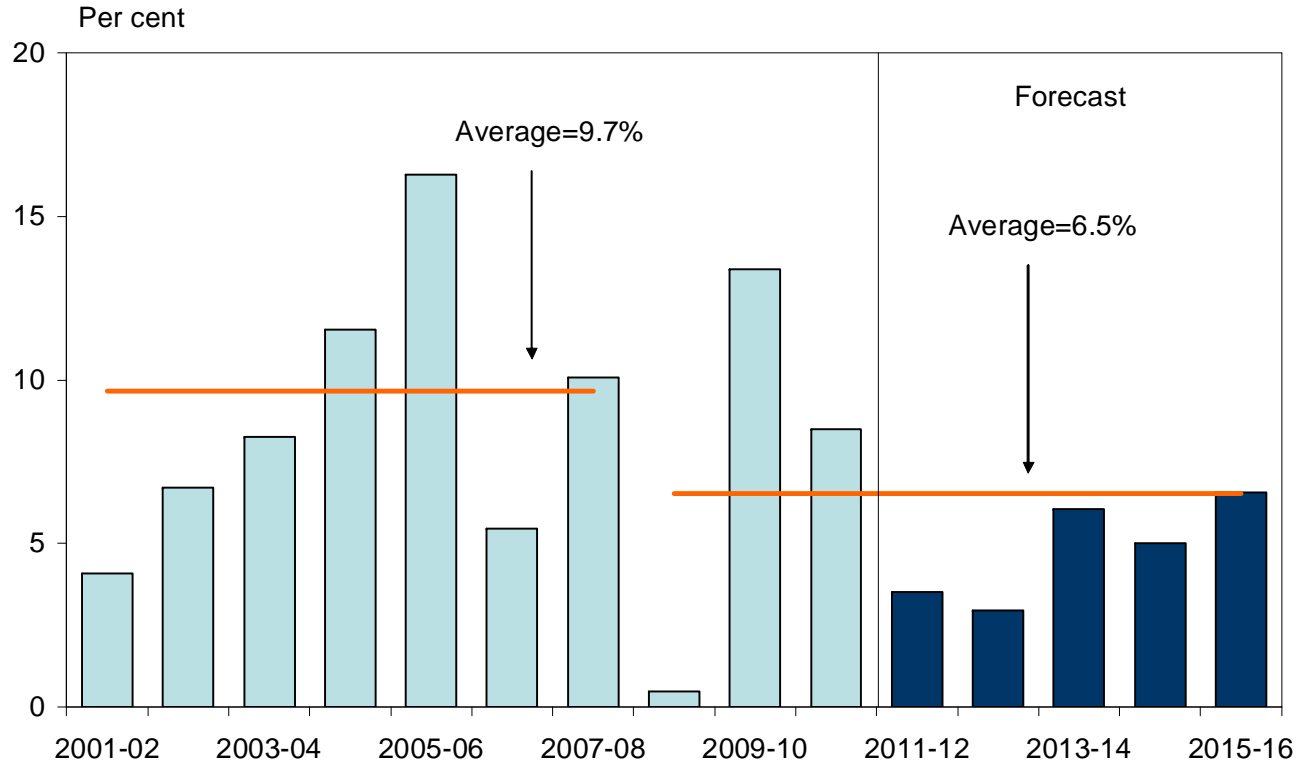


Budget Parameters – Revenue

Sensitivity of Revenue Estimates

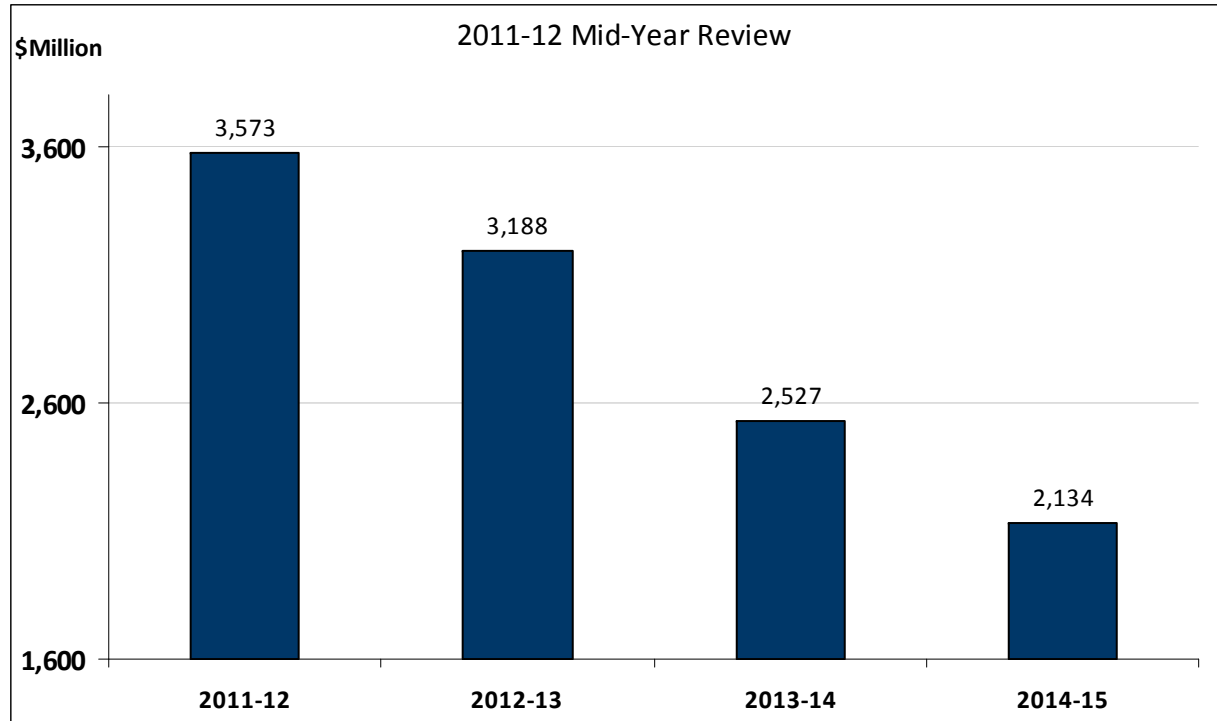
- Mining royalties are a growing but volatile revenue source
- Each US1cent change in \$US/\$A exchange rate = \$60million change in annual royalty revenue
- Each \$US1 per tonne change in iron ore price = \$33million change in annual royalty revenue
- WA loses around 70% of total royalty revenue through GST distribution system

Budget Parameters – Revenue



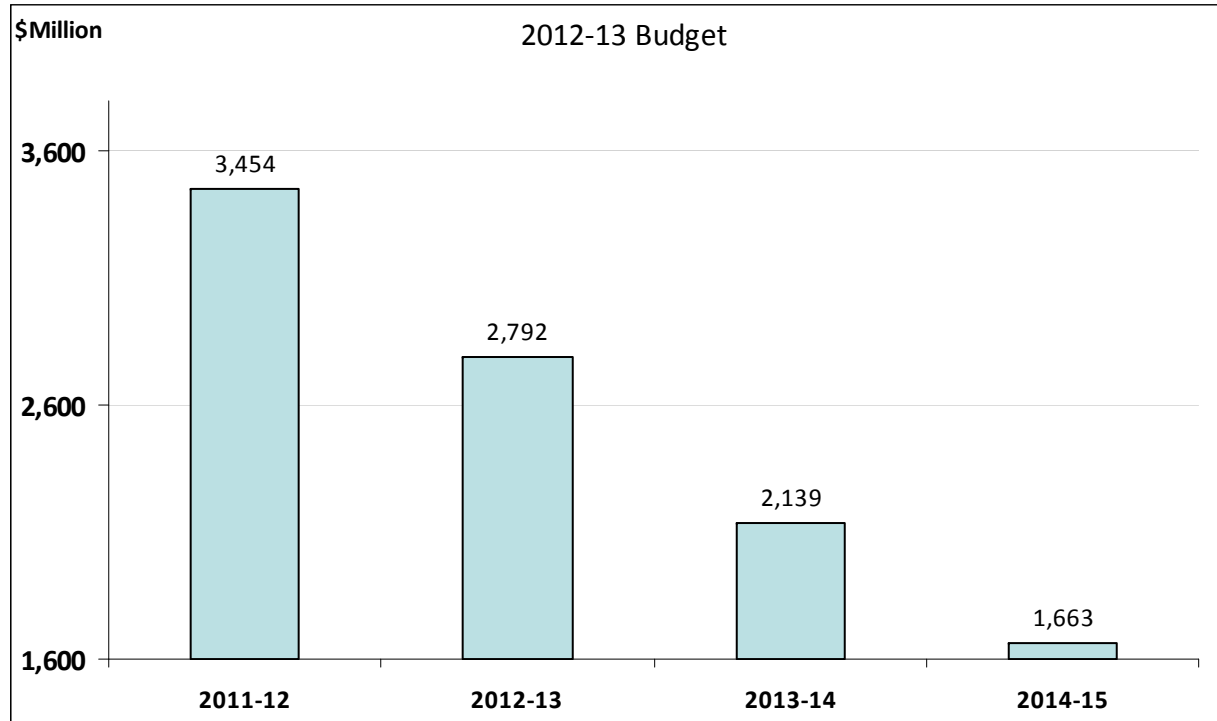
Budget Parameters – Revenue

GST Revenue Grants



Budget Parameters – Revenue

GST Revenue Grants



Budget Parameters – Summary

Issue:

- Demand for Government Services **UP**
- Funding for Government Services **DOWN**

Strategy:

Reprioritise Existing Commitments

2012-13 Budget – Reprioritisation

- Cumulative 2% general government sector efficiency dividend (1% for Education) (\$1.9billion)
- Increasing Port Charges from 2013-14 (\$145million)
- Cumulative 2.5% GTE efficiency dividend (\$384million)
- Capital Works Review – deferral of a range of projects (\$1.8billion)
- Capping FTE employee numbers for two years (except for operational staff in Health, Education and Police) (\$526million)

2012-13 Budget – Priority Issues

- Concessions and Cost of Living
 - Cost of Living Assistance payment from 1 October 2012
 - Hardship Utilities Grants Scheme
 - Seniors Cost of Living Rebate
 - total spending on social concessions approaches \$1billion in 2012-13 (up 12% from 2011-12), or \$408 per capita

2012-13 Budget – Priority Issues

- Cost of Living
 - electricity tariffs to increase by 3.5% (CPI), with carbon tax to be passed on
 - water charges up 6% for an average household (consumption of 270kL/year)
 - annual expenditure by a ‘representative household’ estimated to increase by \$163 (3.6%) in 2012-13
 - net subsidy to all GTEs in 2012-13 of \$470 million

2012-13 Budget – Priority Issues

- Disadvantaged and Vulnerable
 - \$15million in 2012-13 and \$63million over four years to address increasing demand for child protection services
 - \$41million over four years to deliver better services for people with a disability, including assisting adults to live in their own home
 - payroll tax relief for businesses for the first two years of employment of new Indigenous employees or those with a disability (\$7million)

2012-13 Budget – Priority Issues

- Health

- Expansion of community health services
- Upgrade of Royal Perth Hospital
- Child and Parent Centres
- New Children’s Hospital
- Upgrade of Royal Perth Hospital



- Education

- Year 7 students in secondary schools
- Willetton High School

- Additional training services

- Small Business

- Payroll tax relief – one-off rebate for 2012-13 (\$128million)

2012-13 Budget – Priority Issues

- Community Safety
 - \$88 million on road safety programs in 2012-13
 - \$82 million in response to the Keelty reports
 - \$19 million over three years for a new Police Hub at Cockburn
 - \$6 million over four years to monitor dangerous sex offenders with GPS tracking

2012-13 Budget – Priority Issues

- Roads - Traffic Congestion
- Bicycle Network Plan
- Mid West Energy Project
- Desalination Plant
- Housing
 - Affordable Housing
 - 433 additional homes
 - 3,133 affordable housing lots



2012-13 Budget – Priority Issues

- Perth Major Stadium
- Perth Waterfront
- New Museum
- WAIS High Performance Centre

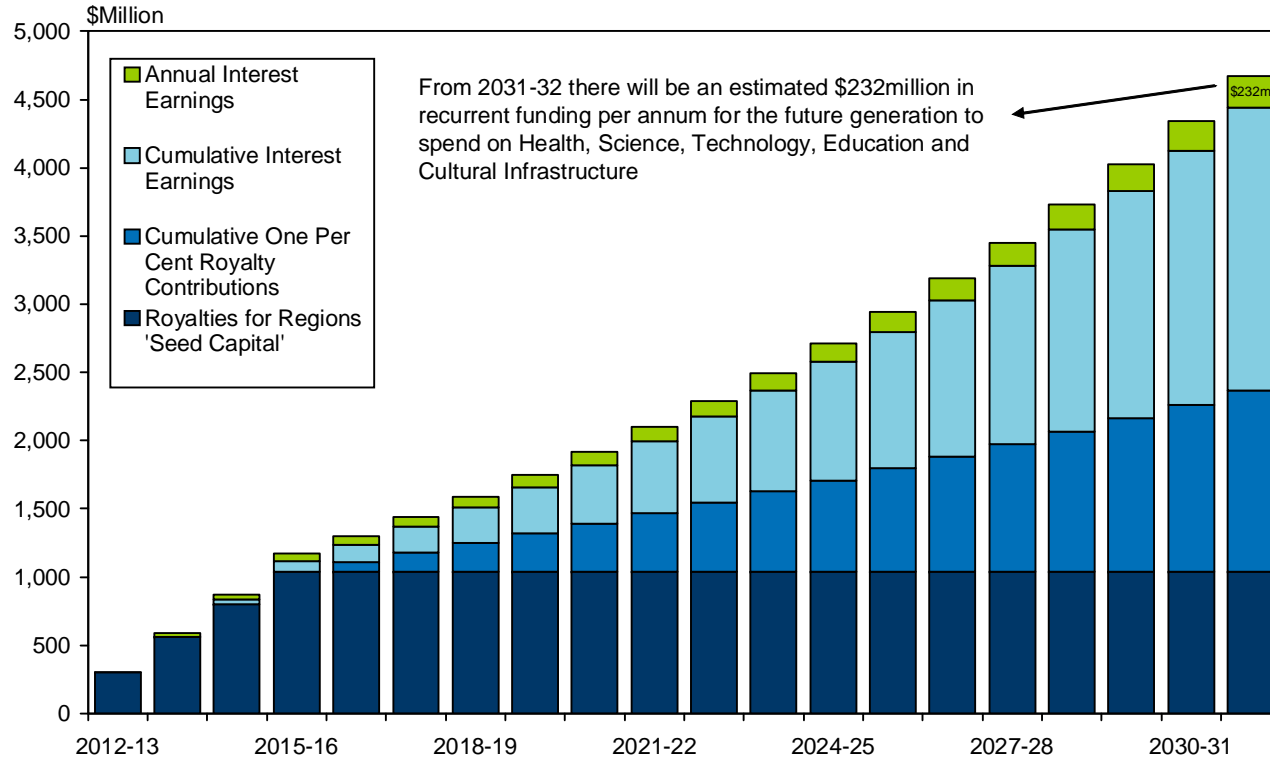


2012-13 Budget – Priority Issues

Western Australian Future Fund

- More than \$1 billion in seed capital
- Balance of \$4.7 billion in 20 years' time
- To fund infrastructure requirements of future generations

2012-13 Budget – Priority Issues



2012-13 Budget – Results

	2011-12 Estimated Actual	2012-13 Budget Estimate	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
GENERAL GOVERNMENT SECTOR					
Net Operating Balance (\$m)	484	196	345	836	1,404
Revenue (\$m)	24,749	25,477	27,019	28,376	30,238
Revenue Growth (%)	3.5	2.9	6.1	5.0	6.6
Own-source revenue (%)	4.8	7.9	13.0	8.7	7.6
Commonwealth grants (%)	1.6	-5.0	-6.7	-3.1	4.0
Expenses (\$m)	24,266	25,281	26,674	27,540	28,833
Expense Growth (%)	8.8	4.2	5.5	3.2	4.7
TOTAL PUBLIC SECTOR					
Net Debt at 30 June (\$m)	15,169	18,594	22,176	23,156	22,866
Asset Investment Program (\$m)	6,852	7,639	7,422	6,038	5,344
Cash Position (\$m)	-3,150	-3,364	-2,959	-853	598
KEY FINANCIAL RATIOS ^(a)					
Net Interest Cost to Revenue (%)	2.1	2.4	2.8	2.9	2.9
Net Financial Liabilities ^(b) to Revenue (%)	66.8	72.0	75.9	73.9	68.3

(a) Total public sector

(b) Total non-financial public sector

2012-13 Budget – Results

- Fiscal Strategy and Targets ✓
- Policy Objectives ✓



2012-13 Budget - Conclusion

- Growth in the WA economy continues to be robust
- Revenue growth is lower than average
 - GST down \$662million in 2012-13
 - royalty revenue increasing (but 70% lost in GST)
 - transfer duty revised down by \$836million
- With population and economic growth increasing, growth in the demand for infrastructure and services is high
- State's financial results are sound
 - surpluses in every year
 - debt starts to ease toward the end of the forward estimates
 - consistent with triple-A credit rating



2012-13

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